UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-41276

SKYX Platforms Corp.

(Exact name of registrant as specified in its charter)

Florida	**46-3645414**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2855 W. McNab Road
Pompano Beach, Florida 33069
(Address, including zip code, of principal executive offices)

(855) 759-7584
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, no par value per share	**SKYX**	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $176,373,385 based on the closing price as reported on The Nasdaq Stock Market LLC as of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter.

As of March 21, 2024, the registrant had 96,870,902 shares of common stock, no par value per share, issued and outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Form 10-K") of SKYX Platforms Corp. (the "Company," "Sky Technologies," "we," "us," or "our") contains forward-looking statements that are based on management's beliefs and assumptions and on information currently available to management. All statements other than statements of historical facts contained in this Form 10-K, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management, outlook, and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements by the following words: "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "aim," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing," "target," "seek" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve risks, uncertainties and other factors, many of which have outcomes that are difficult to predict and may be outside our control, that may cause actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Forward-looking statements in this Form 10-K include, but are not limited to, statements about:

- our ability to successfully launch, develop additional features and achieve market acceptance of our smart products and technologies, access and integrate our products and technologies with third-party platforms or technologies, respond to rapidly changing technology and customer demands, and compete in our industry;
- our ability to successfully manage and grow the operations of Belami, Inc. ("Belami") with our business;
- our ability to expand and successfully manage our operations, including managing our business transformation in connection with evolving our business strategy to focus on smart products and technologies and integrating new lines of business;
- our ability to raise additional financing to support and continue our operations as needed;
- our ability to comply with the terms of, and timely repay, our current debt financing;
- our reliance on a limited number of third-party manufacturers and suppliers and our ability to successfully reduce our production costs;
- our potential dependence upon a limited number of customers and/or on contracts awarded through competitive bidding processes;
- any downturn in the cyclical industries in which our customers operate;
- our ability to acquire other businesses, license rights, form alliances or dispose of operations when desired;
- our ability to comply with regulations relating to applicable quality standards;
- our ability to maintain, protect and enhance our intellectual property and retain rights to use intellectual property owned by third parties;
- the potential outcome of any legal proceedings;
- compliance with various tax laws and regulations, including income and sale taxes;
- our ability to successfully sell and distribute our products and technologies and our estimated total addressable market;
- our ability to attract and retain key executives and qualified personnel;
- guidance provided by management, which may differ from our actual operating results;
- our ability to successfully manage our planned development and expansion, including the additional costs of being a public company;
- our ability to maintain effective internal control over financial reporting and disclosure controls and procedures;
- the potential impact of unstable market and economic conditions on our business, financial condition, and stock price, including the effects of governmental regulations, geopolitical conflicts, including the Israel-Hamas war and potentially deteriorating relationships with China, inflation, labor shortages, supply chain constraints and shortages, including availability of affordable electronic microchips, instability in the global banking system and the possibility of an economic recession;
- the potential impact of cybersecurity breaches or disruptions to our information systems, including our cloud-based infrastructure;
- the potential impact of natural disasters and other catastrophic events;
- risks related to ownership of our common stock;
- the potential impact of anti-takeover and director and officer liability provisions in our charter documents and under Florida law; and
- other risks and uncertainties, including those listed under the section titled "Risk Factors."

These forward-looking statements represent our intentions, plans, expectations, assumptions, and beliefs about future events and are subject to risks, uncertainties, and other factors, including unpredictable or unanticipated factors that we have not discussed in this Form 10-K. Investors should refer to the "Risk Factors" section of this Form 10-K for a discussion of other important factors, many of which are outside of our control, that may cause actual results to differ materially from those expressed or implied by the forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Form 10-K will prove to be accurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. The forward-looking statements in this Form 10-K represent our views as of the date of this Form 10-K. We anticipate that subsequent events and developments will cause our views to change; however, we undertake no obligation to publicly update any forward-looking statements, whether because of new information, future events or otherwise, except as required by U.S. federal securities laws. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Form 10-K.

RISK FACTORS SUMMARY

The following is a summary of the principal risks that could materially adversely affect our business, results of operations and financial condition, all of which are more fully described in the section titled "Risk Factors." This summary should be read in conjunction with the "Risk Factors" section and should not be relied upon as an exhaustive summary of the material risks facing our business, as it does not address all of the risks that we face.

- We have a history of operating losses, will likely incur losses in the future and may be unable to generate sufficient revenue to support our operations.
- We cannot ascertain that there are no substantial doubt about our ability to continue as a going concern, and accordingly, we will not be able to achieve our objectives and continue our operations if we cannot adequately fund our operations.
- If we are unable to successfully launch our smart products and technologies as planned, integrate them with third-party products and technologies, further develop them to include new features and to respond to customer demands, or otherwise are unable to realize our product strategy or compete in our industry, our business, results of operations and financial condition would be adversely affected.
- If we are unable to successfully manage and grow Belami's e-commerce operations, or if global economic conditions and the effect of economic pressures and other business factors negatively impact discretionary consumer spending, our business, results of operations and financial condition would be adversely affected.
- Our success depends on our ability to develop, expand and manage our operations and effectively and timely develop and implement our strategic business initiatives, which may include engaging in strategic transactions, including acquisitions, and involves substantial risks.
- We may need to raise additional financing to support our operations, and any inability to do so may adversely affect or terminate our operations. We also face risks related to our current debt financing.
- We depend on a limited number of third-party manufacturers and suppliers.
- We face substantial risks relating to the intellectual property we rely upon, including any inability to protect our intellectual property and maintain rights to use intellectual property owned by third parties, potential litigation and the expiration or loss of patent protection and licenses.
- We could face significant liabilities or may be subject to legal claims that could adversely affect our business and financial condition.
- We have limited product distribution experience and expect to rely on third parties, who may not successfully sell our products.
- We have incurred, and will continue to incur, increased costs as a result of operating as a public company.
- Our future success depends on our ability to retain key executives and qualified personnel.
- Any failure to maintain effective internal control over financial reporting or disclosure controls and procedures could negatively impact us.
- Unstable market and economic conditions, as well as natural disasters, geopolitical events and other highly disruptive events, including the Israel-Hamas war, could materially adversely affect us.
- Unauthorized breaches or failures in cybersecurity measures adopted by us or third parties on which we rely and/or are included in our products and technologies, or any disruption to our cloud-based infrastructure, could have a material adverse effect on our business.
- Our executive officers, directors, principal stockholders and their affiliates exercise significant influence over us.
- We are a smaller reporting company, and the reduced reporting requirements applicable to smaller reporting companies may make our common stock less attractive to investors.
- Anti-takeover provisions in our charter documents and under Florida law could discourage, delay or prevent a change in control of us and may affect the trading price of our common stock.

PART I

ITEM 1. BUSINESS

Our Mission

As electricity is a standard in every home and building, our mission is to make homes and buildings become safe advanced and smart as the standard.

Overview

Sky Technologies has a series of highly disruptive advanced-safe-smart platform technologies, with over 96 U.S. and global patents and patent pending applications. Our technologies place an emphasis on high quality and ease of use, while significantly enhancing both safety and lifestyle in homes and buildings. We believe that our products are a necessity in every room in both homes and other buildings in the U.S. and globally. In addition, during 2023, we expanded our operations by acquiring an online retailer and e-commerce provider specializing in home lighting, ceiling fans, and other home furnishings.

Our first- and second-generation technologies enable light fixtures, ceiling fans and other electrically wired products to be installed safely and plugged in to a ceiling's electrical outlet box within seconds, and without the need to touch hazardous wires. The plug and play technology method is a universal power-plug device that has a matching receptacle that is simply connected to the electrical outlet box on the ceiling, enabling a safe and quick plug and play installation of light fixtures and ceiling fans in just seconds. The plug and play power-plug technology eliminates the need of touching hazardous electrical wires while installing light fixtures, ceiling fans and other hard wired electrical products. In recent years, we have expanded the capabilities of our power-plug product, to include advanced safe and quick universal installation methods, as well as advanced smart capabilities. The smart features include control of light fixtures and ceiling fans by the SkyHome App, through WIFI, Bluetooth Low Energy ("BLE") and voice control connections. The SkyHome App allows scheduling, energy saving-eco mode, dimming, back-up emergency light, night light, light color changing and much more.

We believe that due to safety, convenience, cost, and time that all hard-wired electrical products, such as light fixtures, ceiling fans and other products, should become plug and play and smart, as the standard, enabling consumers to plug their fixtures and control them through their smart phones at any time.

Our third-generation technology is an all-in-one safe and smart advanced platform (the "Smart Sky Platform") that is designed to enhance all-around safety and lifestyle of homes and other buildings.

We believe that our patented advanced, safe and smart home platform technologies will enhance and promote safety in homes and buildings and make them smart, as a standard, in a fraction of the time and cost, as compared to other market products.

We believe that our smart home products will enable builders to deliver smart homes as a standard, in the same way they deliver electricity and appliances as a standard.

As our products, including our advanced, safe and smart products, can be easily implemented and installed in both existing and new homes and buildings in just minutes, installing our products is expected to save a major part of the cost and time associated with installation of smart home products. As many people spend the majority of time at their homes, we believe that they should have an affordable, easily installed, standard solution to make their homes safe, secured and smart. Similar to how smartphones serve people as an all-in-one personal smart platform, we believe that our all-in-one Smart Sky Platform will enable every room in homes and other buildings to include a smart platform as a standard.

The Smart Sky Platform technology is an open system that can integrate with both existing and new smart home features, devices, and systems. The Smart Sky Platform is designed and built in a way that it can accommodate additional smart home features, enabling the platform to serve as a gateway for safe and smart technologies into rooms/homes, buildings, and that it can act like a "Panama-Canal" that can accommodate other type of software systems, wireless systems, electronic chips and more.

We previously sold our standard products, which include ceiling fans and light fixtures with our standard "plug and play" feature built in and are described further below under "Products-Our First Product Gen-1: The Weight Bearing Power-Plug". We wound down the sales of our standard products by discontinuing production of light fixtures and ceiling fans that include the older version of our standard Sky Plug & Receptacle in favor of launching our new line of products, which are in the third and final prototype stage prior to launching and include a universal "plug and play" adapter kit, our smart products, which will include smart light fixtures and ceiling fans with our smart "plug and play" features, and our Sky Smart Gen-3 All-in-One Smart Home Platform. Additional information regarding our new line of products is described below under "Products-Advanced Products" and "-Smart Products- Gen-2." We shifted to smart products because we believe that the market has great demand for smart advanced products, and that we will be able to generate significant sales from our new line of advanced and smart products from direct sales as well as from licensing All advanced and smart products, other than our Smart Sky Platform, were available during 2023 and we expect our Smart SKY Platform will be available during 2024.

E-Commerce

On April 28, 2023, we completed our acquisition (the "Closing") of all of the issued and outstanding shares of Belami, an online retailer and e-commerce provider specializing in home lighting, ceiling fans, and other home furnishings. We expect these 60 websites will serve as a marketing and growth platform for our smart products and should provide several distribution channels, including to retail customers, builders, and professionals.

The acquisition was completed in accordance with the terms and conditions of the Stock Purchase Agreement, dated February 6, 2023, between the Company and the stockholders of Belami (the "Sellers") (as amended, the "Stock Purchase Agreement). The purchase price paid at the Closing consisted of $7,000,000 in cash (which excluded, among other things, $1.0 million released to the Sellers from escrow) and an aggregate of 1,923,285 shares of the Company's common stock. At the Closing, $750,000 of the purchase price was deposited into an escrow account, which will be held for 12 months following the Closing as a source of recourse for claims the Company may have against the Sellers under the Stock Purchase Agreement. Prior to the Closing, Belami issued the following promissory notes to the Sellers, which remain in place following the Closing and are guaranteed by the Company: (i) promissory notes in an aggregate amount of $1.0 million, which were paid in July 2023, which have a 90-day term and an interest rate of 4.86% per annum (the "Closing Notes"); and (ii) promissory notes in the aggregate amount of $239,266 (the "Retained Earnings Notes"), which was equal to the difference between retained earnings, on the one hand, and the cash and Closing Notes distributed to the Sellers prior to the Closing, on the other hand, and which amount is subject to adjustment, which have a one-year term[and an interest rate of 4.86% per annum.

The Company agreed to pay to the Sellers on the first anniversary of the Closing, or April 28, 2024, (i) $3,117,408 in cash and (ii) a number of shares of common stock equal to $5,560,262 divided by $3.00 per share. The deferred payment will be increased or decreased by the amount of a working capital adjustment, as provided for in the Stock Purchase Agreement, and will be subject to offset for indemnification claims.

On March 29, 2024, the Company and the Sellers entered into a letter agreement modifying certain obligations under the Stock Purchase Agreement. In connection with the letter agreement, the Company issued convertible promissory notes to each of the Sellers (the "Seller Note(s)") in substitution of an aggregate of $3,117,408 in cash due to the Sellers on the first anniversary of the Closing. Each Seller received a Seller Note in an amount of $1,039,303 on the same date. In addition to other customary terms, the Seller Notes bear annual interest at 10%, with interest and principal becoming due on May 16, 2025, and can be converted by the Sellers at any time at $3.00 per share of our common stock. The Seller Notes include customary events of default accelerating maturity, including a breach of the Company's covenants, representations and warranties under the Stock Purchase Agreement and a change of control of Belami. The letter agreement further provides that the Company will perform all other obligations arising on the first anniversary of the Closing, including issuance of shares of common stock due to Sellers, and that on such date the non-fundamental representations and warranties will expire, and the Company will release $750,000 held in escrow.

Safety

We believe that safety is a necessity and the top priority in all aspects of life. Therefore, our technologies and products emphasize human safety, home, building and property safety and security, while combining safety features with high demand smart home features. We believe our products should contribute to the elimination of many cases of hazardous incidents, including ladder falls, electric shock/electrocutions, fires, carbon monoxide poisonings, injuries and deaths, as management believes that our products will result in easier installment processes and enhance the use of life saving products such as smoke detectors, carbon monoxide detectors, and emergency lights, among other products. Our products, including the Smart Sky Platform, incorporate our “plug and play” technology, which eliminates the need to touch wires during the later plug-in installation, replacement and maintenance, and cleaning and, accordingly, could result in reduced incidents of electrical shocks and fires resulting from faulty wiring. While the installation of our products and retrofitting of electrical services does not require the services of a licensed electrician, it does not preclude the services of a licensed electrician. As more individuals engage in do-it-yourself (DIY) lighting projects, using our products rather than traditional lighting products could reduce incidents of incorrect wiring, shocks, injury and even death. In addition, we believe installing our products will allow installers to spend less time on a ladder during initial installation. Installers often wire light fixtures and fans while also holding such fixture or fan; with our products, including the Smart Sky Platform, the initial receptacle installation will be completed on the ladder and, afterwards, the fixture can simply be plugged into place, resulting in a faster and, we believe, much safer process, as installers can focus on wiring without also holding potentially heavy or breakable fixtures. Further, the Smart Sky Platform will incorporate a hard-wired smoke detector with battery back-up and a carbon monoxide monitor, which we believe could reduce injuries and deaths from fire and carbon monoxide poisoning.

Products

Our products are designed to improve all around home and building safety and lifestyle. We are continuing to refine our products and began manufacturing certain advanced and smart products during 2023 and expect to manufacture and make commercially available our Smart Sky Platform during 2024.

Our First Product Gen-1: The Weight Bearing Power-Plug

Our first patented technology was the Gen-1 Power-Plug, a weight bearing power plug that acts as a safe and quick installation device, designed for “plug and play” installation of weight bearing electronics, such as light fixtures, ceiling fans and other electrical products, into ceiling electrical outlet boxes.

Our patented technology consists of a fixable socket and a revolving plug (the Power-Plug) for conducting electric power and supporting an electrical appliance attached to a wall or ceiling. The socket is comprised of a non-conductive body that houses conductive rings connectable to an electric power supply through terminals in its side exterior. The Power-Plug, which is comprised of a non-conductive body that houses corresponding conductive rings, attaches to the socket via a male post and can feed electric power to an appliance. The Power-Plug also includes a second structural element allowing it to revolve with a releasable latch that, when engaged, provides a retention force between the socket and the Power-Plug to prevent disengagement. The socket and Power-Plug can be detached by releasing the latch, disengaging the electric power from the Power-Plug. The socket is designed to replace the support bar incorporated in electric junction boxes, and the Power-Plug can be installed in light fixtures, ceiling fans, wall sconce fixtures and other electrical devices and products. Once installed, the socket can remain affixed to the junction box, enabling any electronic fixture installed with the Power-Plug to be connected and/or removed in seconds. The combined socket and Power-Plug technology are referred to throughout this Form 10-K as the “Sky Plug & Receptacle”.

We previously sold products with the Sky Plug & Receptacle built in, including ceiling fans and light fixtures. We wound down the sales of our standard products by discontinuing production of light fixtures and ceiling fans that include the older version of our standard Sky Plug & Receptacle in favor of launching our new line of products described below.

Advanced Gen-1 Products

Sky Universal Power-Plug & Receptacle: Our universal “plug and play” Sky Plug & Receptacle technology is comprised of two devices. The first device is a male Power-Plug Retrofit Kit, which can be easily embedded in the base of light fixtures and ceiling fans. The second device is a Ceiling Receptacle, which can be connected to a ceiling outlet box. After a one-time installation of the Ceiling Receptacle to a ceiling outlet box, a light fixture or ceiling fan that includes the Power-Plug Retrofit Kit can be plugged into the Ceiling Receptacle within seconds. The Universal Power-Plug & Receptacle should contribute to the elimination of hazardous incidents in homes and buildings including ladder falls, electric shock/electrocutions, fires, injuries, and deaths, etc.

Smart Products

Our Gen-2 Smart Products have advanced smart and safety technologies, have unique modern designs and are controlled by our proprietary SkyHome App or through voice control. All these products can be linked to the SkyHome application that works with both iPhones and Android phones to control features and specifications of connected devices, such as scheduling and eco/energy-saving mode. Gen-2 products also integrate with AI home assistants Siri, Alexa, Google Home, Samsung SmartThings, and more. Our SkyHome App and Gen-2 products are an open system that can integrate with other smart home devices and systems.

SkyHome App: Our proprietary SkyHome Application works with both iPhones and Android phones. The SkyHome App controls products through WIFI and BLE and is designed to control our products through additional communication methods as needed. The SkyHome App controls various products, features and specifications, including scheduling, safety features, security features, lifestyle features, sound, lights, dimming, emergency back-up battery and much more.

Sky Smart Gen-2 - Universal Power-Plug & Receptacle: Our Sky Smart Universal Power-Plug & Receptacle system contains two devices. First, the male Smart Power-Plug, which includes a smart electronic board, comes as a Retrofit Kit, that can be simply embedded to the base of light fixtures and ceiling fans, enabling them to become both “plug and play” and smart. The second device is a Ceiling Receptacle that can be simply connected to a ceiling outlet box. After a one-time simple installation of the Ceiling Receptacle to a ceiling outlet box, a light fixture or ceiling fan that includes the male Smart Power-Plug Retrofit Kit can be plugged into the Ceiling Receptacle within seconds. Our Smart Power-Plug is controlled by our proprietary SkyHome App or through voice control and is an open system that can integrate with other smart home devices and systems. Our Smart Power-Plug is connected through WIFI and BLE, and includes numerous smart features, including scheduling, energy saving-eco mode, dimming, back-up emergency light, night light, light color changing and more. We believe that, due to safety, convenience, cost and time, all hard-wired electrical products, such as light fixtures and ceiling fans, should become plug and play and smart, as the standard, enabling consumers to plug their fixture and control them through their smart phones at any time. The Smart Universal Power-Plug & Receptacle should contribute to the elimination of hazardous incidents in homes and buildings including ladder falls, electric shock/electrocutions, fires, injuries, and deaths, etc.

Sky - Smart Gen2 for Plug and Play Ceiling Fans: Our line of high-end smart plug and play ceiling fans can be installed to our matching ceiling receptacle within seconds. Our smart ceiling fans incorporate advanced technologies, have unique modern designs, and are controlled by our proprietary SkyHome App or through voice control, and are an open system that can integrate with other smart home devices and systems. Our Smart Plug and Play Ceiling Fan is connected through WIFI and BLE, and includes numerous smart features, including scheduling, energy saving-eco mode, dimming, back-up emergency light, night light, light color changing and more. We believe that, due to safety, convenience, cost and time, all hard-wired electrical products, such as ceiling fans, should become plug and play and smart, as the standard, enabling consumers to plug their fixture and control them through their smart phones at any time. The Smart Plug and Play Ceiling Fan should contribute to the elimination of hazardous incidents in homes and buildings including ladder falls, electric shock/electrocutions, fires, injuries, and deaths, etc.

Sky - Smart Gen-2 for Plug and Play Lighting: Our line of high-end Smart Plug and Play light fixtures can be installed to our matching ceiling receptacle within seconds. Our smart light fixtures incorporate advanced technologies, have unique modern designs, and are controlled by our proprietary SkyHome App or through voice control, and are an open system that can integrate with other smart home devices and systems. Our smart light fixture is connected through WIFI and BLE, and includes numerous smart features, including scheduling, energy saving-eco mode, dimming, back-up emergency light, night light, light color changing and more. We believe that, due to safety, convenience, cost and time, all hard-wired electrical products, such as light fixtures, should become plug and play and smart, as the standard, enabling consumers to plug their fixture and control them through their smart phones at any time. The Smart Plug and Play Lighting should contribute to the elimination of hazardous incidents in homes and buildings including ladder falls, electric shock/electrocutions, fires, injuries, and deaths, etc.

Sky - All-In-One Smart Sky Platform: As most people spend a majority of their time in their homes, we believe that they should have an easy solution to make their homes safe, secure, and smart in a simple way and as the standard. We believe that our patented advanced-safe-smart home platform technologies will make homes and buildings safer, and have numerous technological features and smart as a standard, in a fraction of time and cost, compared to other market products. Our all-in-one Smart Sky Platform is designed to enhance the all-around safety and lifestyle of homes and other buildings and can be easily implemented and installed to the ceiling receptacle in both existing and new homes and other buildings within minutes. Our Smart Sky Platform includes advanced smart and safety technologies, has unique modern designs and is controlled by our proprietary SkyHome App or through voice control. It is an open system that can integrate with other smart home devices and systems.

As smart phones serve people as an all-in-one personal smart platform, we believe that our all-in-one Smart Sky Platform technology will enable every room in homes and buildings to have a smart platform as a standard. Our Smart Sky Platform is connected through WIFI and BLE, includes numerous smart and safety features, including a smart smoke detector, a smart carbon monoxide detector, time scheduling, temperature sensor, humidity sensor, WIFI extender, energy saving-eco mode, high quality speakers, and a back-up battery that can power back-up internet and an emergency light, as well as dimming, night light, light color changing and more. The platform's electrical power and transformer, combined with the size of our platform's data storage space, which represents vast electronic "Real-Estate" in terms of today's technology, driven by microchips, enables the platform to accommodate a significant amount of software as well as electronic microchips, while the unique ceiling location of the platform significantly enhances the performance of the platform's features, including WIFI and BLE, as well as the performance of sensors and alarms.

The Smart Sky Platform is inconspicuous to the décor. It is designed to install in only minutes over existing ceiling electrical outlet boxes while allowing any pre-existing fixture to reconnect to the same box utilizing our Retrofit Kits. This innovation gives our products access to the best location for the gathering and distribution of electronic signals, virtually unlimited power for our low-voltage safety and smart features, and a vast amount of electronic real estate.

This open-system Smart Sky Platform Gen-3 is intended to seamlessly integrate unrelated safe and smart products into a single, spatially designed unit whose functionality is controlled by an all-in-one app, the SkyHome App. The Smart Sky Platform is intended to eliminate the need for installation of numerous stand-alone devices and their integration into a single working unit.

The adoption of the Smart Sky Platform should contribute to the elimination of hazardous incidents in homes and buildings including ladder falls, electric shock/electrocutions, fires, carbon monoxide poisonings, injuries, and deaths, etc.

Sustainability

We aim to provide safe and sustainable solutions to consumers, who increasingly consider sustainability and energy efficiency when purchasing products. We believe that creating sustainable products and streamlining our operations drives efficiency, innovation and, ultimately, long-term value-creation. In designing and improving our products, we consider and apply sustainability strategies, as appropriate. For example, our products' features include an energy savings economical mode, which can help users reduce their energy consumption, and we generally use LED lighting in our ceiling fans and light fixtures, which is more energy-efficient than traditional lighting products.

Cybersecurity

We have implemented measures and protocols to ensure that our users' information is safe and protected. We use high level of cybersecurity measures and protocols to ensure that our software, technologies, servers, products, platform, and devices are all protected to prevent any type of unauthorized or illegal access or interference to our software, technologies, servers, products, platforms, and devices.

Our products, platforms and devices communicate over MQTT and are encrypted over Transport Layer Security, with each individual product, platform and device having its own set of certificates, keys, and universally unique identifiers, which ensures that each device can only communicate with its own topic. This ensures that even in extreme cases of illegally gaining control over a specific device, it will not affect other devices.

Each login to the platform generates the user a temporary token that grants access to the services for a limited amount of time, which ensures that there is no permanent access token that can be used by hackers for unauthorized access. Each token has permissions to access only the user's resources.

Our solutions are designed in a way that the user will need to conduct a restricted set of permissions, thus minimizing the risk of unwanted users gaining control over other locations.

Sky Plug & Receptacle - NEC Code

The National Electrical Code ("NEC") is the U.S. electrical safety building code, and is the benchmark for safe electrical design, installation, and inspection to protect people and property from electrical hazards. It has been adopted in some form in all 50 states in the United States and is intended to improve safety in U.S. homes and buildings.

Based on the safety aspects of the Sky Plug & Receptacle, it was voted into the NEC and is represented by 10 different segments in the NEC Code Book. The Company has provided data relating to safety aspects of its receptacle as to electrocutions, fires and ladder falls to NEC.

One of the key votes and segments relating to our technologies in the NEC Code Book was the change of the definition of "receptacle" in the Code Book, which we believe is one of the most significant additions to the NEC in the past 120 years. The NEC leads the United States and globally with respect to electrical safety standards; as such, we believe the reputable standards of the NEC can assist with the adoption of our technology in additional countries.

Pursuant to these NEC provisions, the Sky Plug & Receptacle enables builders to expedite and obtain a Certificate of Occupancy without the need to install a light fixture to the ceiling.

During the third quarter of 2022, the Company received NEC generic name approval for its weight-bearing safe plug and play outlet/receptacle for ceilings as WSCR (Weight-Supporting Ceiling Receptacle) for its universal ceiling outlet and WSAF (Weight-Supporting Attachment Fitting) for its ceiling plug. The specifications for the WSCR and WSAF received a standardization approval vote by the American National Standards Institute (ANSI) and the National Electrical Manufacturers Association (NEMA), leading U.S. standardization organizations. The American National Standards Institute's and the National Electrical Manufacturers Association's vote for the standardization of the Company's weightbearing plug and outlet/receptacle for ceilings does not guarantee approval by the National Fire Protection Association's (NFPA) Committee on the National Electrical Code (which consists of multiple code-making panels and a technical correlating committee and develops the NEC) or any other trade or regulatory organization and does not guarantee that any of the Company's products will become NEC mandatory in any jurisdiction, or that any of the Company's current or future products or technologies will be adopted by any state, country, or municipality, within any specific timeframe or at all.

In addition, we filed an application with the NEC seeking mandatory safety standardization for our ceiling outlet receptacle platform in September 2023. The filing of the Company's application for a mandatory safety standardization with the NEC does not guarantee approval within any specific timeframe or at all.

Intellectual Property

Developing and maintaining a strong intellectual property position is one of the most important elements of our business. We rely on a combination of patents, copyright, trademarks, and trade secret laws, as well as confidential procedures and contractual provisions, to protect our proprietary technology and our brands. We enter into confidentiality and proprietary rights agreements with our employees, consultants and other third parties. We have sought, and will continue to seek, patent protection for our technology and for improvements to our technology, as well as for any of our other technologies where we believe such protection will be advantageous. In addition, certain intellectual property and proprietary information held by a third party is central to our products and technologies. If we lose our rights to use such intellectual property and proprietary information in the future, our business or operating results and our ability to compete could be adversely impacted.

We protect our intellectual property through various aspects and strategies including broad and particular intellectual property claims. We have over 96 U.S. and global patents and patent applications, including in China, India, and Europe, as well in other countries around the world. These patents and patent applications protect different aspects of our technologies. We sought intellectual property protection of our technologies in China due to our current manufacturing operations and prospective sales in China's market, and we sought protection in India in anticipation of future growth into India's developing market, both with respect to the sales of our products and our potential operations. As of December 31, 2023, in the U.S., we owned 10 issued patents, which expire from 2036 to 2038, and four pending or published but not yet issued patents, and outside of the U.S., we owned 29 issued patents, which expire from 2026 to 2039, and 53 pending or published but not yet issued patents. We intend to diligently maintain and vigorously defend our intellectual property and to enhance our patent protections actively and continuously in the U.S. and globally.

The issued patents are directed to various aspects of our platform technologies, including our smart and standard plug and play products, as well as our safe and smart platform technologies. As further innovations are developed, we intend to seek additional patent protection to enhance and maintain our competitive advantage. Additionally, we have submitted 10 trademark applications, seven of which have been issued and three of which are pending.

General Electric Agreement

In December 2023, the Company renewed its five-year Licensing Master Services Agreement for U.S. and global licensing services of its standard and smart products (the "GE MSA") with GE Technology Development, Inc. ("GE"), while sunsetting its original License Trademark Agreement with GE Trademark Licensing, Inc. ("GE-TL"). The term of the GE MSA runs for an initial five-year term, includes automatic one-year renewal provisions, and replaces the Company's Master Services Agreement for global licensing services with GE dated June 14, 2019. Pursuant to the GE MSA, GE's licensing team will license certain of the Company's standard and smart products in the U.S. and worldwide. For each licensing program the Company engages GE to conduct, GE's licensing team will provide certain licensing services, including seeking and arranging for licensee partners, negotiating agreement terms, administering contracts, auditing partners, assisting with monetization and patent protection strategy, and providing mutually agreed support to defend the Company's intellectual property. The Company will pay a percentage of earned revenue to GE collected pursuant to license agreements established in connection with a program commercialized by GE's licensing team, or with certain licensees introduced by GE to the Company.

In connection with the sunsetting of the License Trademark Agreement, the Company and a subsidiary of the Company has entered into a letter agreement with GE-TL restructuring the aggregate amount of $2.7 million in royalty payments owed to GE-TL to be paid over thirteen quarterly installments, with the first two payments of $200,000 each being made in December 2023 and March 2024, respectively. The final payment is scheduled for December 2026. The Company also agreed to pay an amount of $1.4 million to GE-TL, payable in 2027, in addition to the then agreed royalty payments.

Employees

Our management members include leading executives from various industries and have joined us as they believe in our vision, technology, and strategy. Many of our key personnel are employed pursuant to an employment agreement or a consulting agreement.

As of December 31, 2023, we had 60 employees all of which are full-time employees. We also employ independent contractors to support our operations. We have never had a work stoppage, and none of our employees are represented by a labor union. We consider our relations with our employees to be good. We expect to continue to expand our staff and team of engineers to develop our products and operate our e-commerce websites.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our current and future employees. We encourage and support the growth and development of our employees. Continual learning and career development is advanced through ongoing performance and development conversations with employees, and reimbursement is available to employees for seminars, conferences, formal education and other training events employees attend in connection with their job duties.

Our core values of accountability, openness, and integrity underscore everything we do and drive our day-to-day interactions. The safety, health and wellness of our employees is a top priority.

Business Strategy

We believe that our advanced-safe-smart platform technologies will disrupt and positively influence various industries, both in the U.S. and globally, and that, due to ease of installation, time savings, cost savings on installations and the safety aspect of our product, our product provides a competitive advantage within the light fixture, ceiling fan and smart home industries:

- *Lighting Industry*: We believe that all light fixtures should become plug and play, smart and controlled by an app as a standard, and that light fixtures should be installed to the ceiling within seconds, safely and without the need to touch dangerous electrical wires. Our product is intended to help prevent most of related ladder falls, electric shock/electrocutions, fires, carbon monoxide poisonings, injuries, and deaths.

- *Ceiling Fan Industry*: We believe that all ceiling fans should become plug and play, smart and controlled by an app as a standard, and that ceiling fans should be installed to the ceiling within seconds, safely and without the need to touch dangerous electrical wires. Our product is intended to help prevent most of related ladder falls, electric shock/electrocutions, fires, carbon monoxide poisonings, injuries, and deaths.

- *Smart Home Industry*: We believe that homes and buildings should become safe and smart as a standard. Our Advanced All-In-One Safe Smart Sky Platform enables rooms, homes, and buildings to become safe and smart.

Our Advanced All-In-One Smart Sky Platform significantly enhances smart home products' performance, including the speed and range of both WIFI and Bluetooth, as well as the performance of sensors and alarms. We believe that widespread adoption of the All-In-One Smart Sky Platform should contribute to the elimination of most related hazardous incidents in homes and buildings including ladder falls, electric shock/electrocutions, fires, carbon monoxide poisonings, injuries, and deaths. Therefore, we believe our product is a necessity in rooms, homes, and buildings.

Our Advanced All-In-One Safe Smart Sky Platform can be used in existing homes and buildings, by builders, rental properties, hotels, cruise ships, elder living facilities, schools, hospitals, offices, commercial, retail and other.

We launched our new universal power plug, our SkyHome App, and our smart universal plug, as well as the smart ceiling fans and lighting fixtures containing such plug, in 2023 and expect to launch our Smart Sky Platform during 2024. Bringing our products to market will require us to take certain steps, including, but not limited to, the following:

- *Manufacturing*: We have manufactured and sold our prior products and intend to continue to use the third-party manufacturers with which we have an ongoing relationship. It typically takes less than 60 days to complete manufacturing of our new universal power plug and/or our smart universal plug after we place an order. However, it may take longer than expected due to, among other things, difficulties finding suppliers, shipping delays resulting in late deliveries of necessary supplies and materials, chip shortages and geopolitical matters.

- *Marketing and Public Relations*: We will need to gain brand awareness and attract customers. In connection with our product launch, we plan to educate retail and commercial consumers about our products through a coordinated public relation campaign that will cover the safety aspects of our products and all the related hazardous incidents and property damage that our products can contribute to preventing, as well as our advanced smart technology features. We intend to sell our products on our e-commence websites. We currently rely, and plan to rely primarily, on product distribution arrangements with third parties. We also expect to enter in additional sales, distribution and/or licensing agreements in the future, and we may not be able to enter into these agreements on terms that are favorable to us, if at all. We may also need to hire additional sales personnel.

- *Government Approval*: While we have received a variety of final electrical code approvals, including Underwriters Laboratories ("UL"), Underwriters Laboratories of Canada (cUL) and Conformité Européenne (CE), and 2017 and 2020 inclusion in the NEC Code Book, we may need or desire to obtain additional certifications for new product configurations, which may increase the time and costs to complete our product launches. In addition, we may be unable to obtain new certifications or NEC mandatory status for our product offerings within a reasonable time, or at all.

Expected Revenue Stream

We believe our products will enable us to access a global market with multiple revenue streams, including the following:

- ***Royalties from the Sky Plug & Receptacle.*** Management has agreed to license products in the U.S. and globally through the efforts of its GE agreement. We anticipate we will also license our smart technologies products currently in development.

- ***Selling/Licensing Country Rights.*** Management is considering selling and licensing marketing rights to certain countries in exchange for payment and on-going royalties.

- ***Product and E-Commerce Sales.*** We currently primarily generate revenue from our e-commerce sales. Management will strive to achieve strong market penetration worldwide for our advanced and smart Sky Technologies products. We have previously sold our standard products in the United States, Canada and Mexico, and began selling our new smart products in the United States in 2023. We intend to expand our sales footprint in certain countries in Latin America, Europe and Asia. We may be unable to gain market acceptance in such markets and cannot provide any assurance that we will be successful in our efforts to expand our market reach.

- ***Subscription & Monitoring Services.*** Our future plans include offering subscription services as part of our Smart Sky Platform, including, among other services, communications, fire alarms, home intrusion alerts, emergency response services and monitoring services. Our Smart Sky Platform will include, among other features, a smart smoke detector, a smart carbon monoxide detector, and a WIFI extender. We intend to expand our operations to enable us to provide services relating to these functions, including high-speed internet services, monitoring systems designed to sense movement, smoke, fire, carbon monoxide, temperature, and other environmental conditions and hazards, monitor home access and visitors and address personal emergencies such as injuries and other medical emergencies. We intend to market such services to homeowners and other types of facilities, including rental properties, hotels, cruise ships, elder living facilities, schools, hospitals, offices, commercial, and retail. Our ability to provide such services will depend on a variety of factors, including, but not limited to, subscriber interest and financial resources, any applicable licensing and regulatory compliance, our ability to manage our anticipated expansion and to hire, train and retain personnel, and general economic conditions. We may partner with other businesses to provide such services. We expect to begin providing such services in 2024 but cannot provide any assurance that we will be able to do so.

Our History

We began in 2004 and started developing the Sky Plug & Receptacle technology in 2007 for installation of light fixtures and ceiling fans during manufacturing and as a Retrofit Kit for installing the Sky Technology in existing light fixtures and ceiling fans. Historically, we have sold hundreds of thousands of units of the Sky Plug & Receptacle technology through original equipment manufacturing and through other channels to lighting manufacturers and retailers who installed the Sky Plug & Receptacle technology into their lighting fixtures for sale at retail stores. We also sold, directly to retailers, approximately hundreds of thousands of Sky Plugs & Receptacles embedded with ceiling fans. We wound down our standard product sales by discontinuing production of light fixtures and ceiling fans that include the older version of our standard Sky Plug & Receptacle, in favor of licensing our product and developing our Smart Power-Plug and Smart Sky Platform technologies. In addition, in April 2023, we acquired Belami, an online retailer and e-commerce provider specializing in home lighting, ceiling fans, and other home furnishings.

Third-Party Manufacturing and Suppliers

Our business model entails the use of third-party manufacturers to produce the Sky Technology product. The manufacturers currently used by us are in China. To further ensure that quality specifications are maintained, we maintain an office in the Guangdong province in China that is staffed with GE trained auditors who regularly inspect the products that are being produced by third-party manufacturers.

Raw materials used in our products include copper, aluminum, zinc, steel, acrylonitrile butadiene styrene (ABS) plastic and wood. We also purchase integrated circuit chip sets or other electronic components from third-party suppliers or rely on third-party independent contractors, some of which are customized or custom made for us. While we have experienced shortages in obtaining necessary materials, including zinc, copper and steel, as well as integrated circuit chips to be used in our products, we have been able to make other arrangements and find additional suppliers as necessary. Going forward, we believe we can obtain more chips and other materials as needed within a reasonable time period and may be able to replace components with different products or modify our design if necessary. Geopolitical matters may also impact our manufacturing.

Our principal suppliers are Mei Pin Metal & Electrical Co., Ltd (Guangdong, China), Siterwell Electronics Co., Ltd (Zhejiang, China), Zhongshan Paragon Source Lighting Co., Ltd. (Noble) (Zhongshan, Guangdong, China), Artisan Industrial Co., Ltd. (Jiangmen, Guangdong, China) and Youngo Limited (Aircool) (Huizhou City, Guangdong, China).

Competition

We believe our technologies are highly disruptive and with an edge compared to other market technologies. Our competitors for our Sky Technologies products vary based on our products, market, and industry.

- Competitors for our Universal Power-Plug & Receptacle product: We believe we do not have significant direct competition at this point to our Universal Power-Plug & Receptacle product, although all lighting and ceiling fan manufacturers are potential competitors.

- Competitors for our Smart Universal Power-Plug & Receptacle product: We believe we do not have significant direct competition at this point to Smart Universal Power-Plug and & Receptacle product, although all lighting and ceiling fan manufacturers are potential competitors.

- Competitors for our Smart Plug and Play Light Fixture products: We believe we do not have significant direct competition at this point to our Smart Plug and Play Light Fixtures, although there are lighting manufacturers that have smart lights that are controlled through smart wall switches/app or other, including companies such as Casainc, Global Electric, Designers Fountain, Enbrighten, Minka, Hampton Bay and others. To the best of our knowledge, there are no other light fixtures that have an all-in-one combination of light fixtures that have both plug and play and smart.

- Competitors for our Smart Plug and Play Ceiling Fan Products: We believe we do not have significant direct competition at this point to our Smart Plug and Play Ceiling Fan products, although there are ceiling fan manufacturers that have smart fans that are controlled through smart wall switches/app or other, including companies such as Hunter, Minka, Home Decorators, Fanimation, Modern Fan Co., Hampton Bay and others.

- Competitors for our Smart Sky Platform product: We believe we do not have direct competition at this point to our Smart Sky Platform product, although there are many smart home companies that can be our competitors, including companies such as Control4, Vivint, Apple, Google, Microsoft, Amazon, ADT, Blue by ADT, Cove Security and many others, and many other smart home companies that have a variety of smart home products. To the best of our knowledge, there are no other Plug and Play All-In-One Safe-Smart Platform products.

Our competitors for our e-commerce websites, some of which have substantially greater resources than us, range from other online-only retailers specializing in lighting and other home décor items, such as Wayfair and Overstock.com, to retailers with both online and physical presences specializing in home décor, such as Pottery Barn and Crate and Barrel, to retailers that sell home décor items as part of a much larger assortment of items, such as Amazon, Target, Home Depot and Lowe's.

Government and Environmental Regulation

Although not legally required to do so, we strive to obtain certifications for substantially all our products, both in the United States, and, where appropriate, in jurisdictions outside the United States. Products certified by a Nationally Recognized Testing Laboratory ("NRTL"), such as UL, Intertek Testing Lab (ETL) or Canadian Standards (CSA), bear a certification mark signifying that the product complies with the requirements of the product safety standard. UL Standards are used for evaluation of U.S. products, CSA Standards for Canada and IEC (International Electrotechnical Commission) Standards for European countries. We use UL as our main third-party NRTL safety laboratory. While we have received a variety of safety certifications on our products, including UL, Underwriters Laboratories of Canada (cUL), Conformité Européenne (CE) and International Electrotechnical Commission for Electrical Equipment Certification Body (the IECEE CB scheme), we may need or desire to obtain additional certifications for new product configurations, which will increase the time and costs to complete our product launches and which we may be unable to obtain within a reasonable time, or at all. In addition, certain electronic products require Federal Communications Commission ("FCC") certification, and we have obtained FCC certification on applicable products to ensure electromagnetic interference compliance. Although we believe that our broad knowledge and experience with electrical codes and safety standards have facilitated certification approvals, we cannot provide any assurance that we will be able to obtain any such certifications for our new products or that, if certification standards are amended, we will be able to maintain such certifications for our existing products.

Our facilities and operations are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose strict, joint and several liabilities on certain persons for the cost of investigation or remediation of contaminated properties. These persons may include former, current or future owners or operators of properties and persons who arranged for the disposal of hazardous substances. Our leased real property may give rise to such investigation, remediation and monitoring liabilities under environmental laws. In addition, anyone disposing of certain products we distribute, such as fluorescent lighting, must comply with environmental laws that regulate certain materials in these products. We believe that we are in compliance, in all material respects, with applicable environmental laws. As a result, we do not anticipate making significant capital expenditures for environmental control matters either in the current year or in the near future.

Corporate History and Information

We were originally organized in May 2004 as a Florida limited liability company under the name of Safety Quick Light, LLC. We converted to a Florida corporation on November 6, 2012. Effective August 12, 2016, we changed our name from "Safety Quick Lighting & Fans Corp." to "SQL Technologies Corp.," and, effective June 14, 2022, we changed our name to "SKYX Platforms Corp." We currently do business as "Sky Technologies." Our principal executive offices are located at 2855 W. McNab Road, Pompano Beach, Florida 33069, and our telephone number is (855) 759-7584. Our website can be found at www.skyplug.com. The information contained in or accessible from our website is not incorporated into this Form 10-K, and you should not consider it part of this Form 10-K. We have included our website address in this Form 10-K solely as an inactive textual reference.

Available Information

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Exchange Act requires us to file periodic reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at http://www.sec.gov.

We maintain a website at www.skyplug.com, and we make our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports available on our website, free of charge, as soon as reasonably practicable after such reports have been filed with or furnished to the SEC. Information contained on or accessible through our website is not a part of, and is not incorporated by reference into, this Annual Report on Form 10-K or any other report or document we file with the SEC. Our Code of Business Conduct and Ethics, as well as any waivers from and amendments to the Code of Business Conduct and Ethics, is also posted on our website.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this Form 10-K, including our consolidated financial statements and related notes included elsewhere in this Form 10-K, before making an investment decision. Our business, financial condition and results of operations, as well as the trading price of our common stock, could be materially and adversely affected by any of these risks or uncertainties. There may be additional risks that are not presently material or known. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized.

Risks Related to Our Business

We have incurred net losses since inception, and we cannot assure you that we will ever generate sustainable revenue; in addition, our business has evolved, which makes it difficult to predict our future operating results.

We have incurred net losses since inception. In addition, in recent years, we have shifted our business strategy to transition developing and manufacturing smart products and technologies and further evolved our strategy by acquiring an online retailer and e-commerce provider specializing in home lighting, ceiling fans, and other home furnishings during 2023. As a result of these recent changes to our business strategy, our ability to forecast our future operating results is limited and subject to a number of uncertainties, including our ability to plan for and model our future growth. It is difficult to predict our future revenues and appropriate budget for our expenses, and we may have limited insight into trends that may emerge and affect our business. Rather than relying on historical information, financial or otherwise, to evaluate us, you should evaluate us in light of your assessment of the growth potential of our business and the expenses, delays, uncertainties and complications typically encountered by businesses in the early stage of their product development and launch, many of which will be beyond our control. We are subject to the substantial risk of failure facing businesses seeking to develop and commercialize new products and technologies, as well as integrating additional operations, as well as the following risks, among others:

- unanticipated problems, delays and expenses relating to (i) the development and implementation of our business plans, such as potential manufacturing delays resulting from, among other things, difficulties finding suppliers, shipping disruptions and delays resulting in late deliveries of necessary supplies and materials, chip shortages, increases in expected costs due to inflationary pressures and material shortages, or delays resulting from a need or desire to obtain additional certifications for new product configurations, or (ii) our e-commerce operations, such as the potential for reduced discretionary consumer spending, shipping disruptions or delays, or our products not meeting consumer expectations;

- operational difficulties, including continuing to integrate our retail operations with our Sky Technologies product and technologies operations;
- lack of sufficient capital;
- competition from more advanced enterprises, including our need to gain brand awareness and attract customers, areas where our competitors may have an advantage; and
- uncertain revenue generation.

If our assumptions regarding these risks and uncertainties are incorrect or change due to changes in our industry, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer.

We have a history of operating losses and will likely incur losses in the future as we continue our efforts to transition our product lines, achieve our strategic initiatives, grow our business and streamline our operations at a profitable level.

We have incurred substantial losses in the past and reported net losses from operations of approximately $37.4 million and $26.6 million during 2023 and 2022, respectively. As of December 31, 2023, we had an accumulated deficit of approximately $145.4 million.

We cannot assure you that we can achieve or sustain profitability in the future. For us to operate our business profitably, we need to successfully launch and market our new products and technologies, grow our sales, including our retail operations, maintain cost control discipline while balancing development of our enhanced “all-in-one” Smart Sky Platform, costs relating to our retail operations and potential long-term revenue growth, continue our efforts to reduce product cost, drive operating efficiencies and develop and execute our key strategic initiatives. Our planned expense levels are, and will continue to be, based in part on our expectations, which are difficult to forecast accurately based on our stage of development, our recently acquired retail business, and factors outside of our control. Developing and marketing our products and technologies is costly, and we anticipate our costs will increase in the future as we continue to invest in our research and development efforts, expand our operations, and make additional expenditures to develop and market our products and technologies, including new features, integrations, capabilities, and enhancements. Our expenditures may not result in improved business results or profitability over the long term, and our expenses may be greater than we anticipate, including due to, among other things, an increase in legal risk from the use of our products and technologies due to evolving laws, regulations or standards and from our expansion into retail operations, an inability to timely and cost-effectively introduce and sell successful smart products and other products and technologies, a security incident or our failure, for any reason, to capitalize on growth opportunities. In addition, we may be unable to adjust spending in a timely manner to compensate for any unexpected developments. There is a risk that our strategy to operate profitably may not be as successful as we envision or occur as quickly as we expect. We may not achieve our business objectives, and the failure to achieve such goals would have an adverse impact on us. To the extent that our revenues do not increase commensurate with our costs, our business, operating results, and financial condition will be materially and adversely affected.

We will require additional financing in the near-term, and if our operations do not achieve, or we experience an unanticipated delay in achieving, our intended level and pace of profitability, we will continue to need additional funding, which may not be available on favorable terms, or at all, and could require us to sell certain assets or discontinue or curtail our operations.

We cannot ascertain that there are no substantial doubt about our ability to continue as a going concern. We will not be able to achieve our objectives and will not be able to continue our operations if we cannot adequately fund our operations.

There is substantial doubt that the Company can continue as an ongoing business for the next 12 months. If we are unable to continue as a going concern, we might have to liquidate our assets and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements. In addition, the inclusion of an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern and our lack of sufficient liquidity resources may materially adversely affect our share price and our ability to raise new capital or to enter into critical contractual relations with third parties. There is no assurance that we will be able to adequately fund our operations in the future.

We expect to derive a substantial portion of our future revenue from a portfolio of related products and technologies; if we cannot successfully launch our products or further develop them to include additional features, or our products and technologies fail to satisfy customer demands or achieve widespread market acceptance, our business, operating results, financial condition, and growth prospects would be adversely affected.

We expect to derive a substantial portion of our future revenue from smart products incorporating our "plug and play" technologies. Our ability to launch our smart products and obtain market acceptance of, and grow market demand for, our products and technologies is critical to our success. We may not be able to launch or manufacture our products and technologies in a timely manner, within budget or in a manner that gains market acceptance. The failure to successfully produce and market an all-in-one Smart Sky Platform would result in the loss of a substantial amount of investment dollars. Furthermore, developing and marketing our enhanced Smart Sky Platform takes management's time and attention away from other opportunities. A failure to successfully develop and market our Smart Sky Platform could result in a material adverse impact on our business.

In addition, we have no experience in manufacturing our smart products. We may be unable to develop efficient, cost-efficient manufacturing capability and processes or obtain reliable sources of component supplies that will enable us to meet our quality, price, design, and production standards, as well as the production volumes, required to successfully mass market our products and technologies. These are complex processes that may be subject to delays, cost overruns and other unforeseen issues. Any failure to develop such manufacturing capabilities and processes within our projected costs and timelines could stunt our growth and impair our ability to produce, market, service and sell our products and technologies successfully.

Even if we can bring our smart products and technologies to market as planned and on budget, there can be no assurance that consumers will embrace our smart products and technologies in significant numbers. Our success depends on attracting many potential customers to purchase our products and, in the future, the associated services we intend to provide to our customers. While we have accepted preorders for certain products, preorders are not commitments to purchase our products and are subject to cancellation by customers. If our existing preorder and prospective customers do not perceive our products to be of sufficiently high value and quality, cost competitive and appealing in aesthetics or performance, we may not be able to retain our current preorder customers or attract new customers, and our business, prospects, financial condition, results of operations, and cash flows would suffer as a result. In addition, we may incur significantly higher and more sustained advertising and promotional expenditures than we have previously incurred to attract customers. Until the time that the smart products are commercially available for purchase and we are able to scale up our marketing function to support sales, there will be significant uncertainty as to customer demand for our smart products and technologies and the sales that we will be able to achieve. Further, demand for our products and technologies will be affected by a number of factors, many of which are beyond our control, such as our ability to obtain market acceptance; declines in consumer discretionary spending; the development and acceptance of new features, integrations and capabilities for our products and technologies; the timing of development and release of competing new products and technologies; consumer preferences; the perception of ease of use, reliability and security of our products and technologies; price or product changes by us or our competitors; technological changes and developments within the markets we serve; developments in data privacy regulations; growth, contraction and rapid evolution of our market; and general economic conditions and trends.

If we are unable to successfully release our smart products and technologies, enhance their capabilities, meet demands of our customers or trends in preferences or achieve widespread market acceptance of our products and technologies, our business, results of operations and financial condition could be harmed. In addition, competitors may develop or acquire their own products or technologies, and people may continue to rely on traditional products and technologies or existing smart home products, which would reduce or eliminate the demand for our smart products. If demand declines for any of these or other reasons, our business could be adversely affected.

Global economic conditions and the effect of economic pressures and other business factors on discretionary consumer spending and consumer preferences may have a material adverse effect on our business, results of operations and financial condition.

Uncertainties in global economic conditions that are beyond our control could materially adversely affect our business, results of operations, financial condition, and stock price. These adverse economic conditions include inflation, slower growth or recession, new or increased tariffs and other changes to fiscal and monetary policy, higher interest rates, high unemployment, decreased consumer confidence in the economy, armed hostilities, such as the ongoing military conflict between Russia and Ukraine and the Israel-Hamas war, foreign currency exchange rate fluctuations, conditions affecting the retail environment for products we sell, and other matters that influence consumer spending and preferences. In addition, consumer confidence and spending can be materially adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, including home equity loans and consumer credit, changes in net worth based on market changes and uncertainty, energy shortages and cost increases, labor and healthcare costs, government actions and general uncertainty regarding the overall future economic environment.

Consumers may view a substantial portion of the products we offer as discretionary items rather than necessities. As a result, our operating results are sensitive to changes in macroeconomic conditions that impact consumer spending, including discretionary spending. Declines in consumer spending have resulted in, and could in the future result in, decreased demand for our products and services, which has adversely affected the results of our operations in the past and may do so in the future.

We invest significantly in research and development, and to the extent our research and development investments are not directed efficiently or do not result in material enhancements to our products and technologies, our business and results of operations would be harmed.

A key element of our strategy is to invest significantly in our research and development efforts to enhance the features, functionality, performance and ease of use of our products and technologies to address additional applications that will broaden the appeal of our products and technologies and facilitate their broad use. Research and development projects can be technically challenging and expensive. As a result of the nature of research and development cycles, there will be delays between the time we incur expenses associated with research and development activities and the time we are able to offer compelling enhancements to our products and technologies and generate revenue, if any, from those activities.

Our research and development efforts remain subject to all the risks associated with the development of new products and technologies based on emerging and innovative technologies, including, for example, unexpected technical problems or the possible insufficiency of funds for completing development. If we expend a significant number of resources on research and development efforts that do not lead to the successful introduction of new products, functionality or improvements that are competitive in our current or future markets, our business and results of operations will suffer. If technical problems or delays arise, further improvements in our products and technologies and the introduction of future products or technologies could be adversely impacted, we could incur significant additional expenses, and the Sky Technologies platform business may fail.

If we are unable to introduce new features or services successfully or make enhancements to our products and technologies or fail to integrate our products and technologies with a variety of third-party technologies, our business and results of operations could be adversely affected.

Our ability to attract customers and increase revenue from our products and technologies depends in part on our ability to enhance and improve such products and technologies and to introduce new features and services. To grow our business and remain competitive, we must continue to enhance our products and technologies with features that reflect the constantly evolving nature of technology and our customers' evolving needs. The success of new products, technologies, enhancements and developments depends on several factors, including, but not limited to: our anticipation of market changes and demands for product features, adequate quality testing, integration of our products and technologies with existing technologies and applications and updates to integrate new technologies and applications, sufficient customer demand, cost effectiveness in our product development efforts and the proliferation of new technologies that are able to deliver competitive products, technologies and services at lower prices, more efficiently, more conveniently or more securely.

In addition, because we intend for our smart products to operate with a variety of systems, applications, data and devices, we will need to continuously modify and further upgrade our products and technologies to keep pace with changes in such systems. We may not be successful in developing these modifications and enhancements. Furthermore, the addition of features and solutions to our products and technologies will increase our research and development expenses. Any new features that we develop may not be introduced in a timely or cost-effective manner or may not achieve the market acceptance necessary to generate sufficient revenue to justify the related expenses. It is difficult to predict customer adoption of new features. Such uncertainty limits our ability to forecast our future results of operations and subjects us to a number of challenges, including our ability to plan for and model future growth. If we cannot address such uncertainties and successfully develop new features, enhance our products and technologies, or otherwise overcome technological challenges and competing technologies, our business and results of operations could be adversely affected.

We have experienced, and may in the future experience, delays in the planned release dates of our products and technologies and enhancements to our products and technologies. Delays could result in adverse publicity, loss of sales or delay in market acceptance of our products and technologies, any of which could cause us to lose existing customers or impair our ability to attract new customers. In addition, the introduction of new products and services by competitors or the development of entirely new technologies to replace existing offerings could make our products and technologies obsolete or adversely affect our ability to compete. Any delay or failure in the introduction of enhancements, functionality or infrastructure developments could harm our business, results of operations and financial condition.

Some of our products and technologies are intended to be integrated with a variety of third-party technologies and applications, and we will need to continuously modify and improve such products and technologies to adapt to changes in such integrated technologies and applications. Third-party services and products are constantly evolving, and we may not be able to modify our products and technologies to be compatible with that of other third parties. In addition, some of our competitors may be able to disrupt the operations or compatibility of our products and technologies with their products or services. Should any of our competitors modify their products, technologies or standards in a manner that degrades the functionality of our products and technologies or gives preferential treatment to competitive products, technologies or services, whether to enhance their competitive position or for any other reason, the interoperability of our products and technologies with these products and/or technologies could decrease, and our business, results of operations and financial condition would be harmed. If we are not permitted or able to integrate with these and other third-party products, technologies and applications in the future, our business, results of operations and financial condition would be harmed. Further, any undetected errors or defects in third-party technologies or applications, or cybersecurity threats or attacks related to such technologies or applications, could impair the functionality of our products and technologies, result in increased costs and injure our reputation. Any failure of our products and technologies to operate effectively with existing or future technologies, or any failure of a third-party cloud infrastructure partner to support one or more of the features of our products and technologies, could cause customer dissatisfaction and reduce the demand for our products and technologies, resulting in harm to our business. In addition, because some of our products and technologies will be cloud-based, we need to continually enhance and improve our products and technologies to keep pace with changes in internet-related hardware, software, communications and database technologies and standards. Any failure of our products and technologies to operate effectively with future hardware or software technologies, or to comply with new industry standards, could reduce the demand for our products and technologies and harm our business, results of operations, and financial condition.

Our smart products and technologies will depend in part on access to third-party platforms or technologies, and if any such access is withdrawn, denied, or is not available on acceptable terms, or if the platforms or technologies change without notice, our business and operating results could be adversely affected.

With the growth of mobile devices and personal voice assistants, cloud services and artificial intelligence, the number of supporting platforms has grown, and with it the complexity and increased need for us to have business and contractual relationships with the platform owners to produce products and technologies compatible with these platforms and enable access to and use of these platforms with our products and technologies. Our products strategy includes the sale of smart products and technologies controlled by a mobile application and designed for use with third-party platforms or software, such as iPhone, Android phones, Google Assistant and Amazon Alexa. The SkyHome mobile application is compatible with, and has been granted full access by, each of the foregoing platforms. Our ability to market such products and technologies will rely on our access to the platforms of third parties, some of which may be our competitors. Platform owners that are competitors may limit or decline access to their platforms, and in any case have a competitive advantage in designing products and technologies for their own platforms and may produce products and technologies that work better, or are perceived to work better, than our products and technologies in connection with those platforms. As we expand the number of platforms and software applications with which our products and technologies are compatible, we may not be successful in fully integrating the capabilities of those platforms or software applications and/or we may not be successful in establishing strong relationships with the new platform or software owners, which could negatively impact our ability to develop and produce our products and technologies. We may otherwise fail to navigate various new relationships, which could adversely affect our relationships with existing platform or software owners.

Any access to third-party platforms may also require paying a royalty or licensing fee, which would lower our product margins, or may otherwise be on terms that are not acceptable to us. In addition, the third-party platforms or technologies used to interact with our products and technologies can be delayed in production or can change without prior notice to us, which could result in our having bugs or defects in our products and technologies.

If we are unable to access third-party platforms or technologies, or if our access is withdrawn, denied or is not available on terms acceptable to us, or if the platforms or technologies are delayed or change without notice to us, our business and operating results could be adversely affected.

If we fail to maintain and improve our methods and technologies, or anticipate new methods or technologies, for data collection, organization, and cleansing, competing products and services could surpass ours in depth, breadth or accuracy of our insights or in other respects.

Current or future competitors may seek to develop new methods and technologies for more efficiently gathering, cataloging, or updating business information, which could allow a competitor to create a product comparable or superior to ours, or that takes substantial market share from us or that creates or maintains databases to produce insights at a lower cost than we experience. We can expect continuous improvements in computer hardware, network operating systems, programming tools, programming languages, operating systems, data matching, data filtering, data analysis tools and other technologies and the use of the internet. These improvements, as well as changes in customer preferences or regulatory requirements, may require changes in the technology used to gather and process our data. Our future success will depend, in part, upon our ability to:

- internally develop and implement new and competitive technologies;
- use leading third-party technologies effectively; and
- respond to advances in data collection and cataloging and creating insights.

If we fail to respond to changes in data technology and analysis to create insights, competitors may be able to develop solutions that will take market share from us, and the demand for our solutions, the delivery of our solutions or our market reputation could be adversely affected.

If our smart products and technologies are not compatible with some or all leading third-party internet of things ("IoT") products and protocols, we could be materially adversely affected.

A core part of our product strategy is the creation of products and technologies with interoperability with third-party IoT products and protocols. Our products and technologies are intended to seamlessly integrate with third-party IoT products and protocols. If these third parties were to alter their products, we could be adversely impacted if we fail to timely create compatible versions of our products and technologies, and such incompatibility could negatively impact the adoption of our products and technologies. A lack of interoperability could also result in significant redesign costs, and harm relations with our customers. Further, the mere announcement of an incompatibility problem relating to our products and technologies could materially adversely affect our business, results of operations and financial condition.

In addition, to the extent our competitors supply products and technologies that compete with our own, it is possible these competitors could design their technologies to be closed or proprietary systems that are incompatible with our products and technologies or work less effectively with our products and technologies than their own. As a result, end-users may have an incentive to purchase products that are compatible with the products and technologies of our competitors over our products and technologies.

The success of our business, and our ability to achieve our desired revenue and profitability goals, depends on our ability to develop, expand and successfully manage our operations and effectively and timely develop and implement our strategic business initiatives.

Our success depends on our ability to design and market products and technologies popular with customers and consumers, effectively manufacture our products, and successfully manage our operations, including our retail business, as well as our ability to develop and execute our strategic business initiatives. Our ability to successfully accomplish these objectives will depend upon a number of factors, including the following:

- signing with strategic distribution partners with established retail and wholesale relationships;
- the continued development of our business, both producing and marketing our smart products and technologies and operating our retail websites;
- the hiring, training and retention of competent personnel;
- the ability to generate customer demand;
- the ability to enhance our operational, financial and management systems;
- the availability of adequate financing;
- competitive factors; and
- general economic and business conditions.

In addition, our ability to achieve our desired revenue and profitability goals depends on how effectively and timely we execute on our key strategic initiatives, including development and production of an enhanced Smart Sky Platform and integration of our retail operations, and develop and implement new strategic business initiatives. Our current key strategic initiatives include the following:

- successfully launching our smart products and technologies;
- executing and marketing our products and technologies to both industry and retail customers, such as real estate developers and individuals who desire safer lighting fixtures and smart home capabilities;
- continuing our product innovation;
- leveraging our products and technologies to support IoT applications, including integrations with third-party applications;
- improving our distribution sales channels, including our retail websites; and
- integrating and operating our retail websites.

We also may identify and pursue strategic acquisition candidates that would help support these initiatives, such as the 2023 acquisition of Belami, operates a collection of online stores carrying a variety of home décor items, including lighting, and is expected to provide us with direct distribution sales channels for our smart products and technologies.

Developing and implementing various strategic business initiatives requires us to incur additional expenses and capital expenditures and also requires management to divert a portion of its time from day-to-day operations. These expenses and diversions could have a significant impact on our operations and profitability and could lead to weaknesses in our infrastructure, operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. There can be no assurance that we will be able to successfully implement these or future initiatives or, even if implemented, that they will result in the anticipated benefits to our business. Moreover, if we are unable to implement an initiative in a timely manner, or if any initiatives are ineffective or are executed improperly, our business and operating results would be adversely affected.

As we evolve our business strategy to focus on our smart products and technologies and retail websites, our results of operations, financial condition and cash flows may be materially adversely affected.

Our future growth and profitability are tied in part to our ability to successfully bring to market new and innovative smart products and technologies, as well as to profitably operate our retail websites. We are currently focused on producing smart products and technologies using our "plug and play" technologies, which also includes pursuing projects to develop recurring revenue streams, such as subscription services. We have invested, and plan to continue to invest, significant time, resources, and capital into expanding our products and technologies with no expectation that they will provide material revenue in the near term and without any assurance they will succeed or be profitable. In fact, these efforts have reduced our profitability, and will likely continue to do so, at least in the near term. We cannot provide any assurance that the operation of our retail websites will offset such reduced profitability. We may also be unable to launch or manufacture our products and technologies or develop recurring revenue streams, such as anticipated subscription services, in a timely manner, which would further negatively impact our ability to become profitable. Moreover, as we continue to explore, develop and refine our smart products and technologies, we expect that market preferences will continue to evolve, and, accordingly, our products and technologies may not generate sufficient interest by end-user customers, and we may be unable to compete effectively with existing or new competitors, generate significant revenues or achieve or maintain acceptable levels of profitability.

Additionally, our experience providing smart technology is limited. If we do not successfully execute our strategy or anticipate the needs of our customers, our credibility as a provider of smart home solutions could be questioned, and our prospects for future revenue growth and profitability from such products and technologies may never materialize.

If we fail to successfully launch our smart products and technologies or manage and maintain our evolving business strategy, our future revenue growth and profitability would likely be limited and our results of operations, financial condition and cash flows would likely be materially adversely affected.

We will need to raise additional financing to support our operations, but we cannot provide any assurance that we will be able to obtain additional financing on terms favorable to us, or at all. If we are unable to obtain additional financing to meet our needs, our operations may be adversely affected or terminated.

We have limited financial resources, and we expect that our evolving strategy and expansion of business activities will require additional working capital, as we anticipate we will not generate sufficient cash flows from our operations to sustain our operations or to allow us to effectively develop our smart products and technologies or pursue our strategic initiatives. We are currently generating revenue primarily from the e-commerce platform that we acquired in 2023. We expect that the release of our new smart products and technologies will require working capital to finish product development and manufacturing, and to support market release and provide technical customer support upon its commercial release.

In the future, we will need to seek additional equity or debt financing to provide for our working capital needs. There can be no assurance that we will obtain funding on acceptable terms, in a timely fashion or at all. Obtaining additional financing contains risks, including:

- additional equity financing may not be available to us on satisfactory terms, and any equity we are able to issue could lead to dilution for current stockholders and have rights, preferences and privileges senior to our common stock;

- loans or other debt instruments may have terms and/or conditions, such as interest rates, restrictive covenants and control or revocation provisions, that are not acceptable to management or our board of directors (the "board" or "board of directors");
- debt financing increases expenses, and we must repay the debt regardless of our operating results; and
- our ability to obtain additional capital may be adversely impacted by factors beyond our control, such as the market demand for our securities, the state of financial markets generally and other relevant factors, including high inflation and interest rates, ongoing supply chain disruptions and shortages, labor shortages and geopolitical conditions, any disruptions to, or volatility in, the credit and financial markets in the United States and worldwide, and a potential economic downturn or recession.

As of December 31, 2023, we had approximately $22.4 million in cash and cash equivalents, including restricted cash. As we develop our revenue base, we have raised additional funds through the sale of our common stock and warrants and issuance of debt, including receiving approximately $20.5 million in net proceeds from our initial public offering completed in February 2022 and aggregate net proceeds from private placements of subordinated secured convertible promissory notes and at the market offerings (sometimes referred as "ATM") of our common stock during 2023 of $19.6 million during 2023. For additional information regarding our financing arrangements, see the "Liquidity and Capital Resources" heading in the "Management's Discussion and Analysis" section of this Form 10-K.

If we fail to obtain required additional financing to sustain our business before we are able to produce levels of revenue to meet our financial needs, we may be unable to continue to develop our business activities to achieve our objectives or may need to delay, scale back or eliminate our business plan and further reduce our operating costs, each of which would have a material adverse effect on our business, future prospects and financial condition. A lack of additional financing could also result in our inability to continue as a going concern and force us to sell certain assets or discontinue or curtail our operations and, as a result, our investors could lose their entire investment.

We face risks associated with financing our operations related to our debt financing.

We are subject to the normal risks associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest and the risk that we will not be able to renew, repay or refinance our debt when it matures or that the terms of any renewal or refinancing will not be as favorable as the existing terms of that debt. In addition, to the extent that we are unable to pay our obligations under our outstanding secured debt, the applicable creditor could proceed against any or all the collateral securing our indebtedness to it.

Our marketing efforts to help grow our retail business may not be effective, and failure to effectively develop and expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our e-commerce channel.

If the online market for home goods does not continue to gain acceptance, a sizable portion of our business may suffer. Our success will depend, in part, on our ability to attract consumers who have historically purchased home goods through traditional retailers. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures to attract additional online consumers to our sites and convert them into purchasing customers online. Specific factors that could impact consumers' willingness to purchase home goods from us online include concerns about buying products without a physical storefront, face-to-face interaction with sales personnel and the inability to physically handle, examine and compare products; delivery time associated with online orders; actual or perceived lack of security of online transactions and concerns regarding the privacy or protection of personal information; delayed shipments or shipments of incorrect or damaged products; inconvenience associated with returning or exchanging items purchased online; usability, functionality and features of our sites; and our reputation and brand strength. In addition, if we do not have a clear and relevant promotional calendar to engage our customers, especially in the current macroeconomic environment, our customers may purchase fewer goods from us, or we may have to increase our promotional activities. If the shopping experience we provide does not appeal to consumers or meet the expectations of existing customers, we may not acquire new customers at sustainable rates, acquired customers may not become repeat customers and existing customers' buying patterns and levels may decrease. In addition, we may experience surges in online traffic and orders associated with promotional activities and seasonal trends, which could cause fluctuations in our results of operations from quarter to quarter.

We operate in a highly competitive industry, and if we are unable to compete successfully, our business may be adversely affected.

Both our products and technologies and our e-commerce platform operate in competitive industries. Our products and technologies face strong competition from manufacturers and distributors of lighting and ceiling fan manufacturers, and, with respect to our smart products and technologies, from manufacturers and distributors of products addressing certain smart technologies, features or markets for the home and office worldwide. To remain competitive, we need to invest in research and development and marketing. Many of our competitors have stronger capitalization than we do, strong existing customer relationships and more extensive engineering, manufacturing, sales, and marketing capabilities. Competitors' products and technologies may be more effective, more effectively marketed or sold or have lower prices or superior performance features than our products and technologies. Competitors could focus their substantial resources on developing competing products and technologies that may be potentially more attractive to customers than our products and technologies or offer competitive products and technologies at reduced prices to improve their competitive positions. We may also face competition from other products with existing technologies and from other smart home devices, and consumers may prefer individual device solutions that provide more narrowly targeted functionality instead of a more comprehensive integrated smart home solution. In addition, our e-commerce channel faces competition from other online retailers, as well as traditional retailers, many of which have larger platforms and greater resources than us, and some of which sell a wider array of products, which could attract a wider array of customers. Any of these competitive factors could make it more difficult for us to attract and retain customers, require us to lower our prices to remain competitive or reduce our revenue and profitability, any of which could have a material adverse effect on our results of operations and financial condition. We may not have available sufficient financial or other resources to continue to make the investments necessary to maintain our competitive position.

We depend on third parties to provide integrated circuit chip sets and other critical components for use in our products.

We do not manufacture the integrated circuit chip sets or other electronic components used in our products. Instead, we purchase them from third-party suppliers or rely on third-party independent contractors for these integrated circuit chip sets and other critical components, some of which are customized or custom made for us. We also use third parties to assemble all or portions of our products. Some of these third-party contractors and suppliers are small companies with limited financial resources. If any of these third-party contractors or suppliers were unable or unwilling to supply these components, our ability to manufacture our products may decrease. As the availability of components decreases, the cost of acquiring those components ordinarily increases. High growth product categories such as the consumer electronics and mobile phone markets have experienced chronic shortages of components during periods of exceptionally high demand. Geopolitical conditions have also negatively impacted the availability of certain electronic components. While we experienced shortages in obtaining necessary integrated circuit chips to be used in our products, we have been able to find additional suppliers for such components. Going forward, we believe we can obtain more chips as needed within a reasonable time and may be able to replace difficult to acquire components with different products or modify our design if necessary. If we do not properly anticipate the need for or procure critical components, we may pay higher prices for those components, our gross margins may decrease and we may be unable to meet the demands of our customers, which could reduce our competitiveness, cause a decline in our market share and have a material adverse effect on our results of operations.

We rely on a limited number of third-party manufacturers to produce our products. We may be unable to achieve our growth and profitability objectives if we cannot secure acceptable third-party manufacturers or existing third-party manufacturer relationships dissolve. In addition, our financial results could be adversely affected if we fail to successfully reduce our current or future production costs.

We depend on certain key manufacturers for our current products and plan to continue to rely on such manufacturers as we transition to sales of our smart products. If these relationships become strained, our results of operations and financial condition could be materially adversely affected. We also cannot predict whether our current or future manufacturing arrangements will be able to develop efficient, low-cost manufacturing capabilities and processes that will enable us to meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market our products. Even if we are successful in developing manufacturing capabilities and processes, we cannot provide any assurance that we will do so in time to meet market demand. Our failure to develop such manufacturing processes and capabilities, if necessary, in a timely manner could prevent us from achieving our growth and profitability objectives. In addition, our results of operations, financial condition and cash flows could be materially adversely affected if our third-party manufacturers were to experience problems with product quality, credit or liquidity issues, labor or materials shortages, or disruptions or delays in their manufacturing process or delivery of the finished products and components or the raw materials used to make such products and components.

We may also need to hire and train a significant number of employees to engage in full-scale commercial manufacturing operations. There are various risks and challenges associated with hiring, training and managing a large workforce in time for us to commence our planned commercial production and sale of our smart products and technologies, including that the workforce will not have experience with manufacturing our smart products and therefore will require significant training.

Additionally, a significant portion of our product strategy will rely upon our ability to successfully rationalize and improve the efficiency of our operations. In particular, our product strategy relies on our ability to reduce our production costs in order to remain competitive. As there is no historical basis for estimating the demand for our smart products and technologies, or our ability to develop, manufacture and deliver our smart products, we may be unable to accurately estimate our inventory and production requirements, which would affect our ability to successfully implement cost reduction measures. If we overestimate our requirements, we may have excess inventory, which would increase our costs. If we underestimate our requirements, our suppliers may have inadequate inventory, which could interrupt the manufacture of the smart products and result in delays in shipments and revenues. We may also rely on a limited number of suppliers; during 2023, we had less than 10 major vendors that accounted for a majority of our cost of sales. For additional information regarding our suppliers, see “Item 1. Business - Third-Party Manufacturing and Suppliers.” In addition, lead times for materials and components may vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. If we are unable to successfully implement cost reduction measures, if these efforts do not generate the level of cost savings that we expect going forward or result in higher-than-expected costs, or if we fail to order sufficient quantities of components in a timely manner, our business, financial condition, results of operations or cash flows could be materially adversely affected.

Our third-party manufacturers and many of our suppliers are located in China, which exposes us to additional risks.

Our third-party manufacturers are in China, which exposes us to additional risks that could negatively impact our business and operations. We are subject to risks associated with shipping products across borders, including shipping delays, customs duties, export quotas and other trade restrictions that could have a significant impact on our revenue and profitability. The U.S. administration has imposed tariffs on certain products imported into the United States with China as the country of origin. While these tariffs have not had a significant impact on the shipment of our products to international markets to date, as we are transitioning our business, we cannot predict the impact of future tariffs on our products and technologies, and the costs of supplies and manufacturing may increase. If we cannot deliver our products on a competitive and timely basis, our relationships with customers will be damaged and our financial condition could also be harmed. The future imposition of, or significant increases in, the level of tariffs, custom duties, export quotas and other barriers and restrictions by the U.S. on China or other countries could disrupt our supply chain, increase the cost of our raw materials and therefore our pricing, and impose the burdens of compliance with foreign trade laws, any of which could potentially affect our bottom line and sales. We cannot assure you that we will not be adversely affected by changes in the trade laws of foreign jurisdictions where we sell and seek to sell our products.

In addition, the prosecution of intellectual property infringement and trade secret theft in China is more difficult than in the United States. Although we take precautions to protect our intellectual property, using Chinese manufacturers could subject us to an increased risk that unauthorized parties will be able to copy or otherwise obtain or use our intellectual property, and we may be unsuccessful in monitoring and enforcing our intellectual property rights against them, which could harm our business. We may also have limited legal recourse in the event we encounter patent or trademark infringers, which could adversely affect our business, results of operations, and financial condition.

Further, such manufacturers may be subject to disruption by natural disasters, public health crises, and political, social or economic instability, including geopolitical conditions. The temporary or permanent loss of the services of any of our contract manufacturers could cause a significant disruption in our product supply chain and operations and delays in product shipments.

Certain goods that we import are sourced from third-party suppliers in China. Our ability to successfully import such materials may be adversely affected by changes in U.S. laws. For example, in December 2021, the U.S. Congress passed the Uyghur Forced Labor Prevention Act ("UFLPA"), which imposed a presumptive ban on the import of goods to the U.S. that are made, wholly or in part, in the Xinjiang Uyghur Autonomous Region of China ("XUAR") or by persons that participate in certain programs in XUAR that entail the use of forced labor. U.S. Customs and Border Protection ("CBP") has published both a list of entities that are known to utilize forced labor, and a list of commodities that are most at risk, such as cotton, tomatoes, and silica-based products. Although none of our Chinese suppliers are in the XUAR, we do not currently have full visibility to the entirety of each supplier's separate supply chains to be able to ensure that the raw materials or other inputs they use to manufacture their goods are not produced in XUAR. As a result of the UFLPA, products and materials we import into the U.S. could be held by the CBP based on a suspicion that inputs used in such materials originated from the XUAR or that they may have been produced by Chinese suppliers accused of participating in forced labor, pending our providing satisfactory evidence to the contrary. Among other consequences, such an outcome could result in negative publicity that harms our brand and reputation and could result in a delay or complete inability to import such materials, which could result in inventory shortages and greater supply chain compliance costs.

Additional risks may include, but are not limited to, the potential impact of fluctuations in foreign currency exchange rates, the increased global focus on environmental and social issues and China's potential adoption of more stringent standards in these areas, other rules and regulations adopted by the Chinese government or provincial or local governments, and the potential impact of global market and economic conditions on the financial stability of our manufacturers.

We may acquire other businesses, license rights to technologies or products, form alliances, or dispose of assets or operations, which could cause us to incur significant expenses and could negatively affect profitability.

We may pursue acquisitions, technology-licensing arrangements, and strategic alliances, or dispose of some of our assets or operations as part of our business strategy. For instance, we acquired Belami in 2023. We may not complete these transactions in a timely manner, on a cost-effective basis, or at all, and if such transactions are completed, we may not realize the expected benefits. If we are successful in completing an acquisition, the products and technologies that are acquired may not be successful or may require significantly greater resources and investments than originally anticipated. We may not be able to integrate acquisitions successfully into our existing business and could incur or assume significant debt and unknown or contingent liabilities. In addition, we may experience diversion of our management's attention from our existing business and initiatives in pursuing such a strategic transaction and could also experience negative effects on our reported results of operations from acquisition or disposition-related charges, amortization of expenses related to intangibles and charges for impairment of long-term assets.

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; for instance, in connection with the acquisition of Belami, during 2023, we sold convertible notes and warrants and issued common stock as consideration for the Belami acquisition. Moreover, we may not be able to locate suitable acquisition opportunities, and this inability could impair our ability to grow or obtain access to technologies or products that may be important to the development of our business. We may also be subject to transaction-related litigation in connection with proposed acquisitions. Any of the foregoing may materially harm our business, financial condition, results of operations, stock price and prospects.

Our products business may become substantially dependent on contracts that are awarded through competitive bidding processes.

We may obtain a significant portion of our products revenues pursuant to contracts that are subject to competitive bidding, including contracts with municipal authorities. Competition for, and negotiation and award of, contracts present varied risks, including, but not limited to:

- investment of substantial time and resources by management for the preparation of bids and proposals with no assurance that a contract will be awarded to us;
- the requirement to certify as to compliance with numerous laws (for example, socio-economic, small business and domestic preference) for which a false or incorrect certification can lead to civil and criminal penalties;
- the need to estimate accurately the resources and cost structure required to service a contract; and
- the expenses and delays that we might suffer if our competitors protest a contract awarded to us, including the potential that the contract may be terminated and a new bid competition may be conducted.

If we are unable to win contracts awarded through the competitive bidding process, we may not be able to operate in the market for products and services that are provided under those contracts for several years. If we are unable to consistently win new contract awards over any extended period, or if we fail to anticipate all of the costs and resources that will be required to secure and perform such contract awards, our growth strategy and our business, financial condition and results of operations could be materially and adversely affected.

If we fail to develop our brand, our business may suffer.

We believe that developing and maintaining awareness of our brand is critical to achieving widespread acceptance of our products and technologies and is an important element in attracting and retaining customers. Efforts to build our brand may involve significant expense and may not generate customer awareness or increase revenue at all, or in an amount sufficient to offset expenses we incur in building our brand. Promotion and enhancement of our brand will depend largely on our success in being able to provide high quality, reliable and cost-effective products and technologies. If customers do not perceive our products and technologies as meeting their needs, or if we fail to market our products and technologies effectively, we will likely be unsuccessful in creating the brand awareness that is critical for broad customer adoption of our products and technologies.

Our inability to protect our intellectual property, or our involvement in damaging and disruptive intellectual property litigation, could adversely affect our business, results of operations and financial condition or result in the loss of use of the related product or service.

We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as third-party nondisclosure and assignment agreements. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

Some of our products, systems, business methods and technologies are covered by United States and international patents and patent applications. At this time, we do not own all of the intellectual property and proprietary information used in our products and technologies, and we do not have any contracts or agreements pending to acquire such intellectual property and proprietary information. If our relationship with the owner of the intellectual property and proprietary knowledge we use is impaired or we otherwise lose our ability to incorporate such intellectual property and proprietary knowledge in our products and technologies, our ability to manufacture and sell our products and technologies would be materially adversely affected. We offer no assurance about the degree of protection which existing or future patents may afford us. Likewise, we offer no assurance that our patent applications will result in issued patents, that our patents will be upheld if challenged, that competitors will not develop similar or superior business methods or products outside the protection of our patents, that competitors will not infringe our patents, or that we will have adequate resources to enforce our patents. Effective protection of our United States patents may be unavailable or limited in jurisdictions outside the United States, as the intellectual property laws of foreign countries sometimes offer less protection or have onerous filing requirements. In addition, because some patent applications are maintained in secrecy for a period of time, we could adopt a technology without knowledge of a pending patent application, and such technology could infringe a third party’s patent.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise learn of our unpatented technology. To protect our trade secrets and other proprietary information, we generally require employees, consultants, advisors and collaborators to enter into confidentiality agreements. We cannot provide any assurance that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, our business could be materially adversely affected.

We rely on our trademarks, trade names, and brand names to distinguish us and our products and services from our competitors. Some of our trademarks may conflict with the trademarks of other companies. Failure to obtain trademark registrations could limit our ability to protect our trademarks and impede our sales and marketing efforts. Further, competitors may infringe on our trademarks, and we may not have adequate resources to enforce our trademarks.

In addition, third parties may bring infringement and other claims that could be time-consuming and expensive to defend. Parties making infringement and other claims against us may be able to obtain injunctive or other equitable relief that could effectively block our ability to provide our products, technologies, services or business methods and could cause us to pay substantial damages. In the event of a successful claim of infringement, we may need to obtain one or more licenses from third parties, which may not be available at a reasonable cost, or at all. It is possible that our intellectual property rights may not be valid or that we may infringe existing or future proprietary rights of others. Any successful infringement claims could subject us to significant liabilities, require us to seek licenses on unfavorable terms, prevent us from manufacturing or selling products, technologies, services and business methods and require us to redesign or, in the case of trademark claims, rebrand our business or products, any of which could have a material adverse effect on our business, financial condition or results of operations.

The expiration or loss of patent protection and licenses may affect our future revenues and operating income.

Much of our business relies on patent and trademark and other intellectual property protection. Although most of the challenges to the intellectual property we rely upon would likely come from other businesses, governments may also challenge intellectual property protections. To the extent intellectual property we rely upon is successfully challenged, invalidated or circumvented, or to the extent it does not allow us to compete effectively, our business will suffer. To the extent that countries do not enforce our intellectual property rights or to the extent that countries require compulsory licensing of intellectual property upon which we rely, our future revenues and operating income will be reduced.

We are, or in the future may be, subject to substantial regulation related to quality and safety standards applicable to our products and technologies. Our failure to comply with applicable quality or safety standards could have an adverse effect on our business, financial condition or results of operations.

Our products are subject to regulation related to quality and safety standards, including safety certification and evaluation to specific safety standards depending on the product type, region and country. Products certified by a NRTL, such as UL, Intertek Testing Lab (ETL) or Canadian Standards (CSA), bear a certification mark signifying that the product complies with the requirements of the product safety standard. UL Standards are used for evaluation of U.S. products, CSA Standards for Canada and IEC (International Electrotechnical Commission) Standards for European countries. We use UL as our main third-party NRTL safety laboratory. While we have received a variety of safety certifications on our products, including UL, Underwriters Laboratories of Canada (cUL), Conformité Européenne (CE) and International Electrotechnical Commission for Electrical Equipment Certification Body (the IECEE CB scheme), we may need or desire to obtain additional certifications for new product configurations, which will increase the time and costs to complete our product launches and which we may be unable to obtain within a reasonable time, or at all. In addition, certain electronic products require FCC certification, and we have obtained FCC certification on applicable products to ensure electromagnetic interference compliance. Compliance with applicable regulatory requirements is subject to continual review and is monitored through periodic inspections and other review and reporting mechanisms. Although we believe that our broad knowledge and experience with electrical codes and safety standards have facilitated certification approvals, we cannot provide any assurance that we will be able to obtain any such certifications for our new products or that, if certification standards are amended, we will be able to maintain such certifications for our existing products.

While we endeavor to take all the steps necessary to comply with applicable laws and regulations, there can be no assurance that we can maintain compliance on a continuing basis. Failure by us or our partners to comply with current or future governmental regulations and quality and safety assurance guidelines could lead to product recalls or related field actions, or product shortages. Efficacy or safety concerns with respect to our products or those of our partners could lead to product recalls, fines, withdrawals, declining sales and/or our failure to successfully commercialize new products or otherwise achieve revenue growth.

We could face significant liabilities in connection with our products, technologies, and business operations, which, if incurred beyond any insurance limits, would adversely affect our business and financial condition.

We are subject to a variety of potential liabilities connected to our product and technology development and business operations, such as potential liabilities related to environmental risks and our e-commerce sales. As a business that markets products for use by consumers and institutions, we may become liable for any damage caused by our products, whether used in the manner intended or not. Any such claim of liability, whether meritorious or not, could be time-consuming and/or result in costly litigation. Although we have obtained insurance against certain of these risks, no assurance can be given that such insurance will be adequate to cover related liabilities or will be available in the future or, if available, that premiums will be commercially justifiable. If we were to incur any substantial liability and related damages were not covered by our insurance or exceeded policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, our business, financial conditions, and results of operations could be materially adversely affected.

We may be subject to legal claims against us or claims by us that could have a significant impact on our resulting financial performance.

At any given time, we may be subject to litigation or claims related to our products and technologies, e-commerce sales, intellectual property, customers, employees, stockholders, distributors and sales of our assets, among other things, the disposition of which may have an adverse effect upon our business, financial condition or results of operations. The outcome of litigation is difficult to assess or quantify. Lawsuits can result in the payment of substantial damages by defendants. If we are required to pay substantial damages and expenses as a result of these or other types of lawsuits, our business and results of operations would be adversely affected. Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations. We may not have adequate resources in the event of a successful claim against us, and insurance may not be available in sufficient amounts or at all to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could adversely affect our business and the results of our operations.

We have limited product distribution experience for our Sky Technologies products and we expect to rely on third parties, who may not successfully sell our products and technologies.

Our ability to increase our customer base, achieve broader market acceptance of our products and technologies, grow our revenue and achieve and sustain profitability will depend, to a significant extent, on our ability to effectively expand our sales and marketing operations and activities, both for our Sky Technologies products and products distributed through our e-commerce websites. We have limited product distribution experience for our Sky Technologies products and currently rely, and plan to rely primarily, on product distribution arrangements with third parties. We also rely on product distribution arrangements for sales of products sold on our e-commerce websites. As a result, our future revenues will depend on the success of the efforts of these third parties. We may also license our technology to certain third parties for commercialization of certain applications relating to our Sky Technologies products. We expect to enter into additional distribution agreements and/or licensing agreements in the future, and we may not be able to enter into these agreements on terms that are favorable to us, if at all. In addition, we may have limited or no control over the distribution activities of these third parties. These third parties could sell competing products and technologies and may devote insufficient sales efforts to our products and technologies. We are also subject to the risks of distributors and resellers encountering financial difficulties, which could impede their effectiveness and also expose us to financial risk, for example, if they are unable to pay for their purchases, or ongoing disruptions in business, such as from natural disasters.

We will rely on third parties maintaining open marketplaces to distribute our mobile application. If such third parties interfere with the distribution of our application, our business would be adversely affected.

We will rely on third parties maintaining open marketplaces, including the Apple App Store and Google Play, to make the mobile application controlling our products and technologies available for download. We cannot assure you that the marketplaces through which we distribute our mobile application will maintain their current structures or that such marketplaces will not charge us fees to list our application for download. We will also depend on these third-party marketplaces to enable us and our users to update our mobile application timely, and to incorporate new features, integrations, and capabilities. We will be subject to requirements imposed by such marketplaces, which may change their technical requirements or policies in a manner that adversely impacts the way in which we or third parties collect, use and share data from users through our mobile application. If we do not comply with these requirements, we could lose access to the mobile application marketplace and users, and our business, results of operations, and financial condition may be harmed.

In addition, Apple, and Google, among others, for competitive or other reasons, could stop allowing or supporting access to our mobile application through their products, could allow access for us only at an unsustainable cost, or could make changes to the terms of access in order to make our mobile application less desirable or harder to access. If it becomes more difficult for our users to access and use the mobile application controlling our smart products on their mobile devices, if our users choose not to access or use the application on their mobile devices, or if our users choose to use mobile products that do not offer access to the application, our user growth, retention and engagement could be seriously harmed.

Our net sales, and ability to market and sell our new products and technologies, might be adversely impacted if our products and technologies do not meet certain certification and compliance standards.

Although not legally required to do so, we strive to obtain certifications for substantially all our Sky Technologies products, both in the United States, and, where appropriate, in jurisdictions outside the United States. For instance, we may seek certification of our products from UL, United Laboratories for Canada (cUL) and Conformité Européenne (CE). Although we believe that our broad knowledge and experience with electrical codes and safety standards have facilitated certification approvals, we cannot ensure that we will be able to obtain any such certifications for our new products and technologies or that, if certification standards are amended, we will be able to maintain such certifications for our existing products. Moreover, although we are not aware of any effort to amend any existing certification standard or implement a new certification standard in a manner that would render us unable to maintain certification for our existing products or obtain ratification for new products and technologies, our net sales might be adversely affected if such an amendment or implementation were to occur.

Defects in our mobile application and the technology powering it may adversely affect our business.

Tools, code, subroutines, and processes contained within our mobile application may contain defects not yet discovered or contained in updates and new versions. Our introduction of updates and new versions with defects or quality problems may result in adverse publicity, reduced downloads and use, product redevelopment costs, loss of or delay in market acceptance of our products and technologies or claims by customers or others against us. Such problems or claims may have a material and adverse effect on our business, prospects, financial condition and results of operations.

Changes to tax laws or exposure to additional tax liabilities may have a negative impact on our operating results.

Continued developments in U.S. tax reform and changes to tax laws and rates in other jurisdictions where we may do business could adversely affect our results of operations and cash flows. It is also possible that provisions of U.S. tax reform could be subsequently amended in a way that is adverse to the Company.

In addition, we may undergo tax audits in the jurisdictions in which we operate. Although we believe that our income tax provisions and accruals are reasonable and in accordance with generally accepted accounting principles in the United States ("GAAP"), and that we prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of any tax audit or litigation could materially affect our operating results and cash flows in the periods for which that determination is made. In addition, future period net income may be adversely impacted by litigation costs, settlements, penalties and interest assessments.

Certain U.S. state and local tax authorities may assert that the Company has a nexus with such states or localities and may seek to impose state and local income taxes on its income allocated to such state and localities.

There is a risk that certain state tax authorities where the Company does not currently file a state income tax return could assert that the Company is liable for state and local income taxes based upon income or gross receipts allocable to such states or localities. States and localities are becoming increasingly aggressive in asserting nexus for state and local income tax purposes. The Company could be subject to additional state and local income taxation, including penalties and interest attributable to prior periods, if a state or local tax authority in a state or locality where the Company does not currently file an income tax return successfully asserts that the Company's activities give rise to nexus for state income tax purposes. Such tax assessments, penalties and interest may adversely affect the Company's cash tax liabilities, results of operations and financial condition.

Taxing authorities may successfully assert that the Company should have collected or in the future should collect sales and use or similar taxes for its services, which could adversely affect the Company's results of operations.

State taxing authorities may assert that the Company had an economic nexus with their state and were required to collect sales and use or similar taxes with respect to past or future products and technologies that the Company has sold or will sell, which could result in tax assessments, penalties, and interest. The assertion of such taxes against the Company for past sales, or any requirement that the Company collect sales taxes on future sales, could have a material adverse effect on its business, cash tax liabilities, results of operations and financial condition.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

We have significant U.S. net operating loss ("NOL") and tax credit carryforwards. Under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change NOLs and certain other tax attributes to offset its post-change income may be limited. In general, an "ownership change" will occur if there is a cumulative change in our ownership by "five percent stockholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Our ability to use NOLs and other tax attributes to reduce future taxable income and liabilities may be subject to annual limitations as a result of prior ownership changes and ownership changes that may occur in the future.

Under the Tax Cuts and Jobs Act of 2017 (the "TCJA"), as amended by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), NOLs arising in taxable years beginning after December 31, 2017 and before January 1, 2021 may be carried back to each of the five taxable years preceding the tax year of such loss, but NOLs arising in taxable years beginning after December 31, 2020 may not be carried back. Additionally, under the TCJA, as modified by the CARES Act, NOLs from tax years that began after December 31, 2017 may offset no more than 80% of current taxable income annually for taxable years beginning after December 31, 2020, but the 80% limitation on the use of NOLs from tax years that began after December 31, 2017 does not apply for taxable income in tax years beginning before January 1, 2021. NOLs arising in tax years beginning after December 31, 2017 can be carried forward indefinitely, but NOLs generated in tax years beginning before January 1, 2018 will continue to have a two-year carryback and twenty-year carryforward period. In addition, for state income tax purposes, the extent to which states will conform to the federal laws is uncertain and there may be periods during which the use of NOL carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

The elimination of monetary liability against our directors, officers, and employees under Florida law and the existence of indemnification rights to our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our articles of incorporation, as amended (the “articles of incorporation”), contain a provision permitting us to eliminate the personal liability of our directors and officers to our Company and stockholders for damages for breach of fiduciary duty as a director or officer to the extent provided by Florida law. Our second amended and restated bylaws (the “bylaws”) also contain provisions regarding indemnification of our directors, officers and employees, including, under certain circumstances, against attorneys’ fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on our behalf. We will also bear the expenses of such litigation for any of our directors, officers, employees or agents, upon such person’s promise to repay us therefore if it is ultimately determined that any such person shall not have been entitled to indemnification. The foregoing obligations could result in our incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit us and stockholders.

Other factors could have a material adverse effect on our future profitability and financial condition.

Many other factors can affect our profitability and financial condition, including:

- changes in, or interpretations of, laws and regulations, including changes in accounting standards and taxation requirements;
- changes in the rate of inflation, interest rates and the performance of investments held by us;
- changes in the creditworthiness of counterparties that transact business with us;
- changes in business, economic and political conditions, including: war, political instability, terrorist attacks in the U.S. and other parts of the world, the threat of future terrorist activity in the U.S. and other parts of the world and related military action; natural disasters; public health crises; the cost and availability of insurance due to any of the foregoing events or other unforeseen events; labor disputes, strikes, slow-downs or other forms of labor or union activity; and pressure from third-party interest groups;
- changes in our business and investments and changes in the relative and absolute contribution of each to earnings and cash flow resulting from evolving business strategies, changing product mix, changes in tax rates and opportunities existing now or in the future;
- difficulties related to our information technology systems, any of which could adversely affect business operations, including any significant breakdown, invasion, destruction, or interruption of these systems;
- changes in credit markets impacting our ability to obtain financing for our business operations; or
- legal difficulties, any of which could preclude or delay commercialization of products or technologies or adversely affect profitability, including claims asserting statutory or regulatory violations, adverse litigation decisions and issues regarding compliance with any governmental consent decree.

Risks Related to Our Operations

Our actual operating results may differ significantly from guidance provided by our management.

From time to time, the Company may release guidance in its earnings releases, earnings conference calls, or otherwise, regarding its future performance that represent management’s estimates as of the date of release. This guidance, if released, would include forward-looking statements, and would be based on projections prepared by the Company’s management. The Company’s guidance will not be prepared with a view toward compliance with published accounting and reporting guidelines, and neither its registered public accountants nor any other independent expert or outside party will compile or examine the projections and, accordingly, no such person will express any opinion or any other form of assurance with respect thereto. Guidance will be based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Company’s control and are based upon specific assumptions with respect to future business decisions, some of which will change. The Company will generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that the Company would release guidance would be to provide a basis for the Company's management to discuss its business outlook with analysts and investors. The Company will not accept any responsibility for any projections or reports published by analysts. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by the Company will not materialize or will vary significantly from actual results. Accordingly, the Company's guidance will only be an estimate of what management believes is realizable as of the date of release. Actual results will vary from the Company's guidance and the variations may be material. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on any such guidance. Any failure to successfully implement the Company's operating strategy or the occurrence of any of the events or circumstances discussed therein could result in the actual operating results being different from its guidance, and such differences may be adverse and material.

We have incurred, and will continue to incur, increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance initiatives.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the Exchange Act, which require, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition with the SEC. In addition, the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), as well as rules adopted by the SEC and Nasdaq to implement provisions of the Sarbanes-Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), was enacted. There are significant corporate governance and executive compensation related provisions in the Dodd-Frank Act that required the SEC to adopt additional rules and regulations in these areas, such as "say on pay" and proxy access. Stockholder activism, the current political and economic environment and the high levels of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the way we operate our business in ways we cannot currently anticipate.

The rules and regulations applicable to public companies substantially increase our legal and financial compliance costs and make some activities more time-consuming and costly. If and when these requirements divert the attention of our management and personnel from other business concerns, our business, financial condition and results of operations could be materially adversely affected. The increased costs have increased our expenses and may require us to reduce costs in other areas of our business. We cannot currently predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. This could be compounded in the event these rules and regulations make it more expensive for us to obtain director and officer liability insurance, which, in the future, could require us to accept reduced coverage or incur substantially higher costs to obtain coverage.

In addition, there has been increased focus from regulatory authorities, investors and other stakeholders on companies' environmental, social and governance ("ESG") policies and practices, including corporate citizenship and sustainability. Public interest and legislative pressure related to public companies' ESG practices continues to grow; for example, the SEC has adopted rules requiring climate-related disclosures and included in its regulatory agenda potential rulemaking on corporate diversity. Furthermore, there exists certain "anti-ESG" sentiment among some individuals and governments, and several states have enacted or proposed "anti-ESG" policies or legislation, which may conflict with other laws and regulations. Compliance with ESG-related rules and regulations could increase compliance burdens and associated regulatory costs, as well as enhance the risk of claims and regulatory actions, which could adversely impact our reputation and our efforts to raise capital, including as a result of public regulatory sanctions.

Our future success depends on our ability to retain key employees and to attract, retain and motivate qualified personnel.

Our success depends substantially on the efforts and abilities of our officers and other key employees and agents. Although we have entered into employment agreements with our executive officers, each of them may terminate their employment with us at any time. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

Recruiting and retaining qualified personnel will also be critical to our success. The loss of the services of our executive officers or other key employees or contractors could impede the achievement of our research and development objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key personnel may be difficult and may take an extended period of time, as competition for experienced personnel in our industry is substantial and we could be impacted by labor shortages. In addition, if any of our officers or other key personnel join a competitor or form a competing company, we may lose some of our customers.

Our culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity and teamwork fostered by our culture, and our business may be harmed.

We believe that our culture has been and will continue to be a key contributor to our success. We expect to continue to hire additional personnel as we expand our business. If we do not continue to develop our company culture or maintain our core values as we grow and evolve, we may be unable to foster the innovation, creativity and teamwork we believe we need to support our growth.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in us and, as a result, the value of our common stock.

As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, should we no longer qualify as non-accelerated filer, our independent registered public accounting firm will be required to report on the effectiveness of our internal control over financial reporting. We are also required to design our disclosure controls and procedures to reasonably assure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

We may identify control deficiencies of varying degrees of severity under applicable SEC and PCAOB rules and regulations that remain unremedied. As a public company, we are required to report, among other things, control deficiencies that constitute a “material weakness” or changes in internal controls that, or that are reasonably likely to, materially affect internal controls over financial reporting. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, if our independent registered public accounting firm determines that we have a material weakness or a significant deficiency in our internal control over financial reporting, or if we are unable to maintain proper and effective internal control over financial reporting, we may not be able to produce timely and accurate financial statements. As a result, our investors could lose confidence in our reported financial information, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities.

We believe that any internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. We may discover weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our financial statements. Our internal control over financial reporting will not prevent or detect all errors and all fraud. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. For example, our directors or executive officers could inadvertently fail to disclose a new relationship or arrangement, causing us to fail to disclose a required related party transaction. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

Unstable market and economic conditions may have serious adverse consequences on our business, financial condition, and stock price.

Global financial markets have recently experienced, because of, among other factors, geopolitical conditions, increasing inflation and interest rates, currency exchange rates, labor shortages and supply chain disruptions and constraints, and have in the past experienced, extreme volatility and disruptions, declines in consumer confidence, declines in economic growth, increases in unemployment rates and uncertainty about economic stability. There can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. In addition, inflationary factors, such as increases in interest rates, government regulations, supply and overhead costs and transportation costs, may adversely affect our operating results, and we may not be able to offset increased costs with increased sales price per unit, particularly as we work toward commercial manufacturing of our products. Our general business strategy and ability to raise capital may be adversely affected by any economic downturn or recession, volatile business environment or continued unpredictable and unstable market conditions. Deterioration in the equity and credit markets may make any necessary debt or equity financing more difficult, more costly, and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon our strategic plans. In addition, there is a risk that one or more of our current service providers and other partners could go out of business, including as a result of difficult economic conditions, which could directly affect our ability to attain our operating goals on schedule and on budget.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, which has resulted in decreased or volatile stock prices for many companies, notwithstanding the lack of a fundamental change in their underlying business models or prospects. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors, including potentially worsening economic conditions and other adverse effects or developments relating to geopolitical conditions and other political, regulatory and market conditions, may negatively affect the market price of shares of our common stock, regardless of our actual operating performance.

As of December 31, 2023, our cash and cash equivalents were approximately $22.4 million, including restricted cash. While we are not aware of any downgrades, material losses, or other significant deterioration in the fair value of our cash equivalents or investments since December 31, 2023, no assurance can be given that further deterioration of the global credit and financial markets would not negatively impact our current portfolio of cash equivalents or our ability to meet our financing objectives. For instance, in March 2023, the FDIC took control and was appointed receiver of Silicon Valley Bank and New York Signature Bank. While the Company did not have any direct exposure to these banks, if other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our operations may be negatively impacted, including any inability on our part, or on our customers' parts, to access cash, cash equivalents or investments. Furthermore, our stock price has declined, and may decline in the future, as a result of the volatility of the stock market and any general economic downturn.

Conditions in Israel, including Israel-Hamas war, may adversely affect our operations, which could negatively impact our revenues and cash flows.

With a number of our individuals working on the development of our product offerings located in Israel, our business and operations are directly affected by economic, political, geopolitical, and military conditions affecting Israel.

In October 2023, Israel declared war against Hamas. The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's economic implications on the Company's business and operations and on Israel's economy in general. In addition, clashes between Israel and Hezbollah in Lebanon have increased. These conflicts, as well as actions that could be taken in the future by NATO, the United States, the United Kingdom, the European Union or Israel's neighboring states and other countries, have created global security concerns that may result in a greater or lasting regional conflict. To date, our operations have not been adversely affected by this situation. However, the individuals working on developing and improving our product offerings are not only within the range of rockets from the Gaza Strip, but also within the range of rockets that can be fired from Lebanon, Syria or elsewhere in the Middle East. If hostile action or hostilities otherwise disrupt our Israeli operations, our ability to improve timely our product offerings could be materially and adversely affected. In addition, several hundred thousand Israeli reservists were drafted to perform immediate military service. If individuals working on improving our product offerings are called for service in the current war with Hamas, we expect such persons would be absent for an extended period. As a result, our operations may be disrupted by such absences, which could materially and adversely affect our business and results of operations. In addition, shifting economic and political conditions in the United States and in other countries may result in changes in how the United States and other countries conduct business and other relations with Israel, which may have an adverse impact on our Israeli operations and our business.

Our internal computer systems, or those of our third-party manufacturers or other contractors or consultants, may fail or suffer security breaches. If our information technology systems security measures are breached or fail, our products and technologies may be perceived as not being secure, customers may curtail or stop buying our products and technologies, we may incur significant legal and financial exposure, and our reputation, results of operations, financial condition and cash flows could be materially adversely affected.

The efficient operation of our business is dependent on our information technology systems, some of which may need enhancement, updating and replacement. We rely on these systems generally to manage day-to-day operations, manage relationships with our customers and maintain our research and development data and our financial and accounting records. Despite our implementation of security measures, our internal computer systems, and those of our third-party manufacturers, information technology suppliers and other contractors, vendors and consultants upon which we rely, experience from time to time, and are vulnerable to damage from computer viruses, criminal cyberattacks, security incidents due to employee or service provider error, insider attacks, natural disasters, terrorism, war, telecommunication and electrical failures, phishing or denial-of-service attacks, ransomware or other malware, social engineering, malfeasance, other unauthorized physical or electronic access, or other vulnerabilities. The failure of our information technology systems, our inability to successfully maintain, enhance and/or replace our information technology systems as needed, or any compromise of the integrity or security of the data we generate from our information technology systems could have a material adverse effect on our results of operations, disrupt our business and product and technology development and make us unable, or severely limit our ability, to respond to customer demands. Any interruption of our information technology systems could result in decreased revenue, increased expenses, increased capital expenditures, customer dissatisfaction and potential lawsuits, any of which could have a material adverse effect on our results of operations, financial condition, and cash flows.

Our information technology systems involve the storage of our confidential information and trade secrets, as well as our customers' personal and proprietary information, in our equipment, networks and corporate systems. Security breaches expose us to the risk of loss of this information, litigation and increased costs for security measures, loss of revenue, damage to our reputation and potential liability. Security breaches or unauthorized access may result in a combination of significant legal and financial exposure, increased remediation and other costs, theft and/or unauthorized use or publication of our trade secrets and other confidential business information, loss of funds, damage to our reputation and a loss of confidence in the security of our products, technologies, services and networks that could have an adverse effect upon our business. While we take steps to prevent unauthorized access to our corporate systems, the techniques used by criminals to obtain unauthorized access to sensitive data continue to evolve and become more sophisticated change frequently and often are not recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures, and future cyberattacks could go undetected and persist for an extended period of time. Furthermore, to the extent artificial intelligence capabilities improve and are increasingly adopted, they may be used to identify vulnerabilities and craft increasingly sophisticated cybersecurity attacks, and vulnerabilities may be introduced from the use of artificial intelligence by us, our financial services providers and other vendors and third-party providers. Further, the risk of a security breach or disruption, particularly through cyberattacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as cyberattacks have become more prevalent and harder to detect and fight against. In addition, hardware, software or applications we procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise network and data security. Any breach or failure of our information technology systems could result in decreased revenue, increased expenses, increased capital expenditures, customer dissatisfaction and potential lawsuits, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our consultants, vendors and others to whom we entrust confidential data, and on whom we rely to provide products and services, face similar threats and growing requirements. We depend on such parties to implement adequate controls and safeguards to protect against and report cyber incidents. If such parties fail to deter, detect, or report cyber incidents in a timely manner, we may suffer from financial and other harm, including to our information, operations, performance, employees, and reputation.

If we are unable to prevent or mitigate the impact of security or data privacy breaches, we could be exposed to litigation and governmental investigations, which could lead to a potential disruption to our business. In addition, we may not have adequate insurance coverage for security incidents or breaches. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

Further, if a high-profile security breach occurs with respect to another provider of smart home solutions, the public may lose trust in the security of our smart products and technologies or in the smart home space generally, which could adversely impact our ability to sell such products and technologies. Even in the absence of any security breach, concerns about security, privacy or data protection may deter consumers from using our smart products and technologies.

Intentional or accidental actions or inactions by employees or other third parties with authorized access to our networks may result in the exposure of vulnerabilities that may be exploited or expose us to liability. Third parties may also conduct attacks designed to temporarily deny customers access to our cloud services.

Because there are many different security breach techniques and such techniques continue to evolve, we may be unable to anticipate attempted security breaches, react in a timely manner or implement adequate preventative measures. Third parties may also conduct attacks designed to temporarily deny users access to our cloud services. Any security breach or other security incident, or the perception that one has occurred, could result in a loss of user confidence in the security of our platform and damage to our brand, reduce the demand for our solutions, disrupt normal business operations, require us to spend material resources to investigate or correct the breach and to prevent future security breaches and incidents, expose us to legal liabilities, including litigation, regulatory enforcement and indemnity obligations, and adversely affect our business, financial condition and results of operations.

We use third-party technology and systems in a variety of contexts, including, without limitation, employee email, content delivery to customers, back-office support, credit card processing, and other functions. Although we have developed systems and processes that are designed to protect customer data and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party service provider, such measures cannot provide absolute security.

We rely upon third-party providers of cloud-based infrastructure to host our solutions. Any disruption in the operations of these third-party providers, limitations on capacity or interference with our use could adversely affect our business, financial condition, revenues, results of operations or cash flows.

We outsource substantially all of the infrastructure relating to our cloud solution to third-party hosting services, such as Amazon Web Services ("AWS"). Customers of our cloud-based solutions need to be able to access our platform at any time, without interruption or degradation of performance, and, in some cases, we need to provide them with service-level commitments with respect to uptime. Our cloud-based solutions depend on protecting the virtual cloud infrastructure hosted by third-party hosting services by maintaining its configuration, architecture, features and interconnection specifications, as well as the information stored in these virtual data centers, which is transmitted by third-party internet service providers. Any limitation on the capacity of our third-party hosting services could impede our ability to onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition, revenues, results of operations or cash flows. In addition, any incident affecting our third-party hosting services' infrastructure that may be caused by cyberattacks, natural disasters, such as fires, floods, severe storms, or earthquakes, power loss, telecommunications failures, terrorist or other attacks, public health crises and other similar events beyond our control could negatively affect our cloud-based solutions. A prolonged service disruption affecting our cloud-based solution for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party hosting services we use.

AWS provides the cloud computing infrastructure that we use to host our platform, manage data, mobile application and many of the internal tools we use to operate our business. Our platform, mobile application and internal tools use computing, storage capabilities, bandwidth and other services provided by AWS. Any significant disruption of, limitation of our access to or other interference with our use of AWS would negatively impact our operations and could seriously harm our business. In addition, any transition of the cloud services currently provided by AWS to another cloud services provider would require significant time and expense and could disrupt or degrade delivery of our platform. Our business relies on the availability of our platform for our customers, and we may lose customers if they are not able to access our platform or encounter difficulties in doing so. The level of service provided by AWS could affect the availability or speed of our platform, which may also impact the usage of, and our customers' satisfaction with, our platform and could seriously harm our business and reputation. If AWS increases pricing terms, terminates or seeks to terminate our contractual relationship, establishes more favorable relationships with our competitors or changes or interprets its terms of service or policies in a manner that is unfavorable with respect to us, our business, financial condition, revenues, results of operations or cash flows may be harmed.

We may collect, store, process and use our customers' personally identifiable information and other data, which subjects us to governmental regulation and other legal obligations related to data privacy, information security and data protection. Any cybersecurity breaches or actual or perceived failure to comply with such legal obligations by us, or by our third-party service providers or partners, could harm our business.

We may collect, store, process and use our customers' personally identifiable information and other data in our transactions with them, and we may rely on third parties that are not directly under our control to do so as well. While we take reasonable measures intended to protect the security, integrity and confidentiality of the personal information and other sensitive information we collect, store or transmit, we cannot guarantee that inadvertent or unauthorized use or disclosure will not occur, or that third parties will not gain unauthorized access to this information. If we or our third-party service providers were to experience a breach, disruption or failure of systems compromising our customers' data, or if one of our third-party service providers or partners were to access our customers' personal data without our authorization, our brand and reputation could be adversely affected, use of our products and technologies could decrease and we could be exposed to a risk of loss, litigation and regulatory proceedings.

We also incur costs in order to comply with cybersecurity or data privacy regulations or with requirements imposed by business partners. Data privacy and cybersecurity laws in the United States and internationally are constantly changing, and the implementation of these laws has become more complex. These laws often develop in ways we cannot predict and may materially increase our cost of doing business, particularly as we expand the nature and types of products and technologies we offer. These laws may impose stringent data protection requirements and provide for penalties for noncompliance. To comply with current or newly enacted laws, we may be subject to increased costs as a result of continually evaluating and modifying our policies and processes and adapting to new requirements that are or become applicable to us. For instance, many jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity, which may cause our customers to lose confidence in the effectiveness of our data security measures.

Despite our compliance efforts, we may fail to achieve compliance with applicable privacy or data protection laws and regulations as they evolve, or adhere to contractual obligations regarding the collection, processing, storage and transfer of data (including data from our customers, prospective customers, partners and employees), either due to internal or external factors such as resource limitations or a lack of vendor cooperation. Any actual or perceived failure to comply with these laws or obligations could result in enforcement action against us, including fines, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to any existing customers and prospective customers), any of which could harm our business, results of operations, and financial condition. Further, privacy concerns may inhibit market adoption of our smart products and technologies, particularly in certain industries and foreign countries.

Natural disasters, geopolitical events, and other highly disruptive events could materially and adversely affect our business, financial condition and results of operations.

Natural disasters and other extreme weather events, the nature, frequency and severity of which may be negatively impacted by climate change, public health crises, geopolitical conditions, acts or threats of war or terrorism, international conflicts, such as the Russia-Ukraine war and Israel-Hamas war, power outages, fires, explosions, equipment failures, sabotage, political instability and the actions taken by governments could cause damage to or disrupt our business operations, or those of our manufacturers or our customers, and could create economic instability. Disruptions to our information technology infrastructure from system failures, shutdowns, power outages, telecommunication or utility failures, and other events, including disruptions at third party information technology and other service providers, could also interfere with or disrupt our operations. Although it is not possible to predict such events or their consequences, these events could increase our costs, result in physical damage to or destruction or disruption of properties used in connection with the manufacture of our products, the lack of an adequate workforce in part or all of our operations, supply chain disruptions and data, utility and communications disruptions. In addition, these events could indirectly result in increases in the costs of our insurance if they result in significant loss of property or other insurable damage. Furthermore, the insurance we maintain may not be adequate to cover our losses resulting from any business interruption, including those resulting from a natural disaster or other severe weather event, and recurring extreme weather events or other adverse events could reduce the availability or increase the cost of insurance. Any of these developments could have a material and adverse effect on our business, financial condition, and results of operations.

We may be exposed to certain regulatory and financial risks related to climate change.

Growing concerns about climate change may result in the imposition of new regulations or restrictions to which we may become subject. A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to climate change. For example, the SEC recently adopted new disclosure requirements relating to climate change. In addition, California recently passed a series of climate disclosure bills, which may lead to other states proposing climate-related regulations that require additional climate-related disclosures. The outcome of new legislation or regulation in the U.S. and other jurisdictions in which we operate may result in new or additional requirements, fees, or restrictions on certain activities for us our manufacturers, our suppliers, or our customers. Compliance with these climate change initiatives may also result in additional costs to us, including, among other things, increased production costs, additional taxes, and reduced emission allowances or additional restrictions on production or operations, as well as increased indirect costs resulting from our manufacturers, suppliers or customers that get passed on to us. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. We may not be able to recover the cost of compliance with new or more stringent laws and regulations, which could adversely affect our results of operations, cash flow or financial condition.

Risks Related to Our Common Stock

We may not be able to maintain our Nasdaq listing and may incur additional costs as a result of our Nasdaq listing.

We are subject to certain Nasdaq continued listing requirements and standards, including, without limitation, minimum market capitalization and other requirements. We cannot provide any assurance that we will be able to continue to satisfy the requirements of Nasdaq's continued listing standards, and failure to maintain our listing, or delisting from Nasdaq, would make it more difficult for stockholders to dispose of our securities and more difficult to obtain accurate price quotations on our securities. This could have an adverse effect on the price of our common stock. Our ability to issue additional securities for financing or other purposes, or otherwise to arrange for any financing we may need in the future, may also be materially and adversely affected if our common stock and/or other securities are not traded on a national securities exchange.

The price of our common stock may be volatile and fluctuate substantially.

Our stock price has been, and is likely to continue to be, volatile and subject to wide fluctuations in response to various factors, some of which we cannot control. The stock market has experienced extreme volatility that has often been unrelated to the operating performance of companies. The market price for our common stock may be influenced by many factors, including, in addition to the factors discussed in this "Risk Factors" section and elsewhere in this Form 10-K, the following:

- our ability to successfully launch, and gain market acceptance of, our smart products and technologies;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to our research and development, marketing efforts, strategic initiatives, or other areas;
- actual or anticipated changes in governmental regulation, including taxation and tariff policies;
- actual or anticipated changes in estimates as to financial results or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- market conditions in the lighting, home décor and smart home sectors;
- conditions in the financial markets in general or changes in general economic conditions; and
- novel and unforeseen market forces and trading strategies.

In addition, due to one or more of the foregoing factors in one or more future quarters, our results of operations may fall below the expectations of securities analysts and investors. In the event any of the foregoing occur, the market price of our common stock could be highly volatile and may materially decline. Further, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

The conversion of outstanding convertible notes or exercise of outstanding warrants into shares of common stock could materially dilute our stockholders.

As of March 21, 2024, we had $1.1 million and $10.35 million aggregate principal amount of convertible notes outstanding, convertible into shares of our common stock at $15.00 and $2,70 per share, respectively, and warrants to purchase 2,063,522 shares of our common stock outstanding at an exercise price ranging from $2,70 to $18.00 per share. The conversion price of the notes or exercise price of the warrants may be less than the market price of our common stock at the time of conversion or exercise and may be subject to future adjustment due to certain events, including our issuance of common stock or common stock equivalents at an effective price per share lower than the conversion rate or exercise rate then in effect. If the entire principal amount of all the outstanding convertible notes is converted into shares of common stock, we would be required to issue an aggregate of no less than approximately 3,916,671 shares of common stock. If all the outstanding warrants are exercised for shares of common stock, we would be required to issue an aggregate of 2,063,522 shares of common stock. If we issue any or all of these shares, the ownership of our stockholders will be diluted.

If securities analysts do not publish research or reports about our business, or if they publish negative evaluations of our stock, the price of our stock could decline.

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. If no or few analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

Our executive officers, directors, principal stockholders, and their affiliates exercise significant influence over us, which will limit your ability to influence corporate matters and could delay or prevent a change in corporate control.

Our executive officers, directors, 5% holders and their affiliates beneficially own, in the aggregate, approximately 39% of our outstanding common stock, as of March 21, 2024. As a result, these stockholders, if they act together, will be able to influence our management and affairs and the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. These stockholders may have interests, with respect to their common stock, that are different from those of other investors, and the concentration of voting power among these stockholders may have an adverse effect on the price of our common stock. In addition, this concentration of ownership might adversely affect the market price of our common stock by:

- delaying, deferring, or preventing a change of control of us;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Sales of a substantial number of shares of our common stock in the public market by our stockholders could cause our share price to fall.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

We are a smaller reporting company, and the reduced reporting requirements applicable to smaller reporting companies may make our common stock less attractive to investors.

We currently qualify as a “smaller reporting company,” which allows us to take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not smaller reporting companies, including reduced disclosure obligations regarding executive compensation in this Form 10-K and our periodic reports and proxy statements. Decreased disclosures in our SEC filings due to our status as a smaller reporting company may make it harder for investors to analyze the results of operations and financial prospects. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile.

Market and economic conditions may negatively impact on our business, financial condition and share price.

Concerns over inflation, high interest rates, energy costs, geopolitical issues, the U.S. mortgage market and a declining real estate market, unstable global credit markets and financial conditions, and labor and supply shortages have led to periods of significant economic instability, diminished liquidity and credit availability, declines in consumer confidence and discretionary spending, diminished expectations for the global economy and expectations of slower global economic growth going forward, increased unemployment rates, and increased credit defaults in recent years. Our general business strategy may be adversely affected by any such economic downturns or recessions, volatile business environments and continued unstable or unpredictable economic and market conditions.

If these conditions continue to deteriorate or do not improve, it may make any necessary debt or equity financing more difficult to complete, more costly, and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance, and share price and could require us to delay or abandon development or commercialization plans.

Because we do not anticipate paying any cash dividends on our common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared or paid cash dividends on our common stock. We currently anticipate that we will retain all of our future earnings, if any, to support operations and to finance the growth and development of our business. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders in the foreseeable future.

Anti-takeover provisions in our charter documents and under Florida law could discourage, delay or prevent a change in control of us and may affect the trading price of our common stock.

As a Florida corporation, we are subject to certain provisions of the Florida Business Corporation Act that have anti-takeover effects and may inhibit a non-negotiated merger or other business combination. Our articles of incorporation and bylaws also contain other provisions which could have anti-takeover effects. These provisions include, without limitation, the authority of our board of directors to designate and issue shares of preferred stock, including to fix the relative rights and preferences of the preferred stock without the need for any stockholder vote or approval; the requirement of a majority stockholder vote to remove directors from office or, if for cause, by a majority of the board of directors; and limitations on who may call special meetings of stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C. CYBERSECURITY

Organizations in our industry are frequently confronted with a broad range of cybersecurity threats, ranging from uncoordinated, individual attempts to gain unauthorized access to an organization's information technology ("IT") environment to sophisticated and targeted cyberattacks sponsored by foreign governments and criminal enterprises. Although we employ comprehensive measures to prevent, detect, address, and mitigate these threats, a cybersecurity incident could potentially result in the misappropriation, destruction, corruption, or unavailability of critical data, personal identifiable information, and other confidential or proprietary data (our own or that of third parties) and the disruption of business operations. The potential consequences of a material cybersecurity incident include remediation and restoration costs, reputational damage, litigation with third parties, and diminution in the value of our investment in research and development, which in turn could adversely affect our competitiveness and results of operations. Accordingly, cybersecurity is an important part of our Enterprise Risk Management ("ERM") program, and the Company seeks to address cybersecurity risks through a comprehensive, cross-functional approach.

The Company's cybersecurity policies, standards, processes, and practices for assessing, identifying, and managing material risks from cybersecurity threats and responding to cybersecurity incidents are integrated into the Company's risk management program and are based on recognized frameworks established by the National Institute of Standards and Technology. The Company has established controls and procedures, including an Incident Response Plan, that provide for the identification, analysis, notification, escalation, communication, and remediation of data security incidents at appropriate levels so that so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner. In particular, the Company's Incident Response Plan (i) is designed to identify and detect information security threats through various mechanisms, such as through security controls and third-party disclosures, and (ii) sets forth a process to (a) analyze any such threats detected within the Company's IT environment or within a third-party's IT environment, (b) contain cybersecurity threats under various circumstances, and (c) better ensure the Company can recover from cybersecurity incidents to a normal state of business operations. The Company has established and maintains other incident response and recovery plans that address the Company's response to a cybersecurity incident.

As part of its cybersecurity program, the Company deploys measures to deter, prevent, detect, respond to and mitigate cybersecurity threats, including firewalls, anti-malware, intrusion prevention and detection systems, identity and access controls, software patching protocols, and physical security measures. The Company periodically assesses and tests the Company's policies, standards, processes, and practices that are designed to address cybersecurity threats and incidents, including by assessing current threat intelligence, conducting tabletop exercises, and vulnerability and security testing,. The Company has a process to report material results of such testing and assessments to the board, and periodically adjusts the Company's cybersecurity program based on these exercises. The Company engages third parties to conduct part of such testing The Company identifies and oversees cybersecurity risks presented by third parties and their systems from a risk-based perspective The Company also conducts cybersecurity training for employees (including mandatory training programs for system users).

Many of the Company's IT systems operate with a hosted architecture or by third-party service providers, and if these third-party IT environments fail to operate properly, our systems could stop functioning for a period of time, which could put our users at risk. Accordingly, our ability to keep our business operating is highly dependent on the proper and efficient operation of IT service providers, and our vendor management process is an important part of our risk mitigation strategy. In particular, we obtain reports from our vendors handling sensitive data as to their efficacy and efficiency in managing cybersecurity issues and follow-up with them on any potential or actual issues. Notwithstanding, if there is a catastrophic event, such as an adverse weather condition, natural disaster, terrorist attack, security breach, or other extraordinary event, the Company, and our service providers, may be unable to provide our products or services for the duration of the event and/or a time thereafter.

Considering the pervasive and increasing threat from cyberattacks, the board and the audit committee, with input from management, assess the Company's cybersecurity threats and the measures implemented by the Company to mitigate and prevent cyberattacks. The audit committee consults with management regarding ongoing cybersecurity initiatives, and requests management to report to the audit committee or the full board regularly on their assessment of the Company's cybersecurity program and risks. Both the audit committee and the full board will receive regular reports from its senior management on cybersecurity risks, timely reports regarding any cybersecurity incident that meets established reporting thresholds, as well as ongoing updates regarding any such incident until it has been addressed. Our board has risk management experience. We hire consultant and third parties to conduct our threat assessments and supplement the monitoring of such threats by utilizing online data tools.

In addition, the Company's information security and/cybersecurity program is managed by our Chief Technology Officer ("CTO") a, whose team is responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture, and processes. The CTO provides periodic reports to our audit committee as well as our Co-Chief Executive Officers and Chief Financial Officer and other members of our senior management as appropriate. We have also established cross-functional teams to collaborate and communicate on cybersecurity-related issues. The reports to management include updates on the Company's cyber risks and threats, the status of projects to strengthen our information security systems, assessments of the information security program, and the emerging threat landscape. Our CTO, Mr. Eliran Ben-Zikri served in the one of the most elite computer units of the Israeli Defense Force and has over 10 years of experience in the cloud technology, previously holding senior positions in leading Israeli technology companies, including eToro and SimilarWeb.

As of the date of this report, the Company is not aware of risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition.

ITEM 2. PROPERTIES

We lease office space in Sacramento, California, Johns Creek, Georgia, Miami, Florida, Pompano Beach, Florida, New York, New York, and Guangdong Province, China. We anticipate moving our principal executive offices from Pompano Beach, Florida to Miami, Florida during 2024. We believe that our facilities are adequate to meet our current needs and that suitable additional or substitute space at commercially reasonable terms will be available as needed to accommodate any future expansion of our operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. As of the date of this Form 10-K, we were not a party to any material legal matters or claims. Legal proceedings are inherently uncertain and, as a result, the outcome of a particular matter or a combination of matters may be material to our results of operations for a particular period, depending upon the size of the loss or our income for that particular period.

We assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. These legal accruals may be increased or decreased to reflect any relevant developments on a quarterly basis. Where a loss is not probable or the amount of the loss is not estimable, we do not record an accrual, consistent with applicable accounting guidance.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on Nasdaq under the symbol "SKYX".

Holders

As of March 21, 2024, there were approximately 197 holders of record of our common stock. This number does not include beneficial owners whose shares may be held in the names of various security brokers, dealers, and registered clearing agencies.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We anticipate that we will retain all available funds and future earnings, if any, for use in the operation of our business and do not anticipate paying cash dividends in the foreseeable future. In addition, future debt instruments may materially restrict our ability to pay dividends on our common stock. Payment of future cash dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of then-existing senior equity and debt instruments and other factors the board of directors deems relevant.

Recent Sales of Unregistered Securities

The following is a summary of issuances of unregistered securities during the fourth quarter of 2023, to the extent not previously disclosed in a Current Report on Form 8-K filed by the Company: 53,764 shares of restricted shares of common stock were granted pursuant to agreements regarding services provided to the Company.

During the first quarter of 2024, 393,703 shares of restricted shares of common stock were granted pursuant to agreements regarding services provided to the Company.

The sales or issuances of the securities described above were deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), including Regulation D and Rule 506 promulgated thereunder, as transactions by the Company not involving a public offering.

Issuer Purchases of Equity Securities

During the quarter ended December 31, 2023, the Company withheld 3,785 shares of common stock, at a price per share of $1.72, to satisfy tax withholding obligations due upon the vesting of a restricted stock grant. We did not pay cash to repurchase these shares, nor was this repurchase part of a publicly announced plan or program.

Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs
October 1, 2023 - October 31, 2023	-	$ -	-	-
November 1, 2023 - November 30, 2023	3,785	1.72	-	-
December 1, 2023 - December 31, 2023	-	-	-	-
Total	3,785	$ 1.72	-	-

(1) Includes shares repurchased to satisfy tax withholding obligations due upon the vesting of restricted stock held by certain employees. We did not pay cash to repurchase these shares, nor were these repurchases part of a publicly announced plan or program.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing elsewhere in this Form 10-K. This discussion and other parts of this Form 10-K contain forward-looking statements that involve risks and uncertainties, such as statements regarding our plans, objectives, strategy, expectations, outlook, intentions, and projections. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the "Risk Factors" section of this Form 10-K. Please also see the section entitled "Cautionary Note Regarding Forward-Looking Statements" contained in this Form 10-K.

Overview

We have a series of advanced-safe-smart platform technologies. Our first-and second-generation technologies enable light fixtures, ceiling fans and other electrically wired products to be installed safely and plugged in to a ceiling's electrical outlet box within seconds, and without the need to touch hazardous wires. The plug and play technology method is a universal power-plug device that has a matching receptacle that is simply connected to the electrical outlet box on the ceiling, enabling a safe and quick plug and play installation of light fixtures and ceiling fans in just seconds. The plug and play power-plug technology eliminates the need of touching hazardous electrical wires while installing light fixtures, ceiling fans and other hard wired electrical products. In recent years, we have expanded the capabilities of our power-plug product to include advanced-safe and quick universal installation methods, as well as advanced-smart capabilities. The smart features include control of light fixtures and ceiling fans by the SkyHome App, through WIFI, BLE and voice control. It allows scheduling, energy savings eco mode, dimming, back-up emergency light, night light, light color changing and much more. Our third-generation technology is an all-in-one safe and smart-advanced platform that is designed to enhance all-around safety and lifestyle of homes and other buildings. Our products are designed to improve all around home and building safety and lifestyle. We are continuing to refine our products and began manufacturing certain advanced and smart products in 2023, and expect additional products, including the Sky Smart Platform, to be available in 2024. We hold over 96 U.S. and global patents and patent applications and have received a variety of final electrical code approvals, including UL, United Laboratories of Canada (cUL) and Conformité Européenne (CE), and 2017 and 2020 inclusion in the NEC Code Book.

We believe our total addressable market in the United States exceeds $500 billion, based on the Company's internal calculations derived from the estimation of the total target user pool, projected average selling price, and projected units per household. We believe there are billions of installations of light and other electrical fixtures globally. Our estimates of the addressable market for our products may prove to be incorrect. The projected demand for our products could differ materially from actual demand. Even if the total addressable market for our products is as large as we have estimated and even if we are able to gain market awareness and acceptance, we may not be able to penetrate the existing market to capture additional market share.

Inflation continued to increase during 2023 and is expected to continue to increase during 2024. Inflationary factors, such as increases in interest rates, supply and overhead costs and transportation costs, may adversely affect our operating results and we may not be able to offset increased costs with increased sales price per unit, particularly as we continue to work toward commercial manufacturing and sale of our products. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience some effect in the foreseeable future (especially if inflation rates continue to rise). In addition, we may be negatively impacted because of supply chain constraints, consequences associated with government regulations, ongoing and potential geopolitical conflicts, employee availability and wage increases. In addition, the Israel-Hamas war may adversely impact our operations in the near future. We have a number of developers working in Israel. If such individuals are called for service or this war escalates regionally, it may create work interruptions leading to longer periods between releases of offering improvements and increased costs.

On April 28, 2023, we completed our acquisition (the "Closing") of all of the issued and outstanding shares of Belami, an online retailer and e-commerce provider specializing in home lighting, ceiling fans, and other home furnishings. We expect these 60 websites will serve as a marketing and growth platform for our smart products and should provide several distribution channels, including to retail customers, builders, and professionals. For additional information regarding the Acquisition, see "Item 1. Business-Overview-E-Commerce."

Results of Operations

Years Ended December 31, 2023 and 2022

	For the year ended December 31,			
	2023	**2022**	**Increase/ (Decrease) $**	**Increase/ (Decrease) %**
Revenue	$ 58,785,762	$ 32,022	58,753,740	NM
Cost of revenues	40,749,913	18,913	40,731,000	NM
Gross profit	18,035,849	13,109	18,022,740	NM
Selling and marketing expenses	18,805,069	7,991,487	10,813,582	135%
General and administrative expenses	37,055,986	18,646,804	18,409,182	99%
Total expenses	55,861,055	26,638,291	29,222,764	108%
Operating loss	(37,825,206)	(26,625,182)	11,200,024	42%
Other income / (expense)				
Interest expense, net	(3,109,307)	(589,009)	2,520,298	NM
Gain on extinguishment of debt	1,201,857	178,250	(1,023,607)	NM
Total other income (expense), net	(1,907,450)	(410,759)	1,496,691	NM
Net loss	(39,732,656)	(27,035,941)	12,696,715	47%

NM: Not meaningful

Revenue

The increase in revenues during 2023, when compared to 2022, is primarily due to revenues from products marketed by Belami which was acquired on April 28, 2023.

We believe that revenues will be higher in 2024 than in 2023, primarily resulting from revenues from Belami, which was acquired in April 2023, and the sale of our advanced and smart products.

Cost of Revenues

The cost of revenues consists primarily of costs associated with selling the products marketed by Belami. The increase in cost of revenues during 2023 when compared to 2022, is primarily due to costs associated with revenues from products marketed by Belami which was acquired on April 28, 2023.

We believe that cost of revenues will increase in 2024 compared to 2023, commensurate with an anticipated increase in revenues.

Selling and Marketing Expenses

Selling and marketing expenses consist primarily of sales and marketing compensation as well as sales and marketing programs.

The increase in selling and marketing expenses during 2023 when compared to 2022 is primarily due to such expenses following the acquisition of Belami aggregating $11.1 million during 2023.

We believe that our selling and marketing expenses will be higher during 2024 when compared to 2023 as we continue to invest to support our anticipated growth and now includes such expenses related to Belami's operations following its acquisition.

General and Administrative Expenses

General and administrative expenses consist primarily of an allocation of product development, finance, legal, human resources, including salaries, wages, and benefits, and depreciation and amortization, including share-based payments.

The increase in general, and administrative expenses during 2023 when compared to 2022 was primarily due to the following:

- Increase in general and administrative expenses following the acquisition of Belami aggregating $8 million
- Increase of depreciation and amortization expenses of $2.0 million primarily related to increase in intangibles acquired during the second quarter of 2023 and right-of-use assets acquired during the third quarter of 2022.
- Increase in consideration due to General Electric of $1.4 million, pursuant to agreements negotiated in November 2023.
- Loss from subsequent measurement of inventory of $1.3 million recognized during 2023.

We believe that our operating expenses may be higher during 2024 when compared to 2023 as we continue to invest to support our anticipated growth and now includes such expenses related to Belami's operations following its acquisition.

Other Income (Expense)

The increase in interest expense during 2023 when compared to 2022 is primarily due to interest imputed pursuant to operating lease liabilities and debt which were entered into the latter part of 2022 and convertible debt (including amortization of debt discount, which were entered into the first quarter of 2023. The debt discount is related to inducements the Company granted to holders of convertible debt.

The variations in gain on extinguishment debt is due to two separate non-recurring transactions: the forgiveness of the PPP loan recognized during 2022 and a gain on forgiveness of debt in April 2023 as the debt forgiven to a lender exceeded the consideration we paid.

Liquidity and Capital Resources

As of December 31, 2023 and 2022, we had $22.4 million and $16.8 million in cash and cash equivalents, restricted cash, and investments in debt securities, respectively.

We have raised additional funds through the sale of our common stock and securities convertible into our common stock and issuance of debt, including completing our initial public offering in February 2022 for gross proceeds of $23.1 million and engaging in private placements and offerings during, 2023 of a combination of convertible notes payable and shares of our common stock aggregating $19.6 million.

These offerings included shares sold pursuant to our ATM offering program which provides us with additional access to capital, as needed, subject to market conditions. During the three months ended December 31, 2023, we issued 783,374 shares of common stock under such program for net proceeds of $1,228,000, net of brokerage fees and legal expenses of approximately $25,000. In aggregate, from the start of the ATM offering program through December 31, 2023, we sold 4,359,832 shares of common stock, generating approximately $9.4 million of proceeds, net of brokerage fees and legal expenses of $604,000. As of March 21, 2024, we had the remaining capacity to issue shares of common stock with a consideration of up to $6.5 million under the offering program.

Our future capital requirements will depend on many factors, including the Belami acquisition and integration of operations, our revenue growth rate, expenditures related to our headcount growth and manufacturing, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, the timing and extent of spending to support development efforts, the price at which we are able to purchase parts to incorporate in our product offerings, the introduction of platform enhancements, and the market adoption of our platforms. We may continue to enter arrangements to acquire or invest in complementary businesses, products, and technologies. We may, because of those arrangements, or the general expansion of our business, be required to seek additional equity or debt financing. If we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, results of operations, and financial condition.

During April and May 2023, the Company repaid in full approximately $6.2 million due to a lender by issuing 574,713 shares of the Company's common stock and paying $2.0 million in cash. The Company also obtained an aggregate $6.5 million in revolving lines of credits and a term loan with two financial institutions during 2023. The lines of credit mature in 2024 and the term loan matures in 2026.

During 2022, we entered into certain lease and sublease agreements, including (i) a sublease agreement entered into during April 2022, pursuant to which we agreed to sublease approximately 3,400 square feet of office space located on the 54th floor of Carnegie Hall Tower, located at 152 West 57th Street, New York, New York, at a fixed monthly base rent starting at $26,893 for the first year of the sublease, and (ii) a lease agreement entered into during September 2022, pursuant to which we agreed to lease approximately 32,200 square feet located at 400 Biscayne Boulevard, Miami, Florida, at a fixed minimum monthly base rent of $214,480 during the first full year of the lease. The Miami, Florida lease provides for rent abatements of a minimum of 10 months, as well as for the lessor's leasehold improvements of up to $2.3 million. We also issued a letter of credit of $2.7 million to one of the lessors as collateral for certain obligations related to the lease.

On February 10, 2023, we entered into a Managed Client Agreement and, as subsequently amended (as amended, the "Office Management Agreement") with RGN-MCA Miami II, LLC ("Spaces"), having a term commensurate with the Miami lease, pursuant to which Spaces will manage one floor of the Miami office for the Company, renting co-working office spaces and providing support services, following completion of the office construction. The Office Management Agreement is subject to final approval by the landlord under the Miami lease. The Company will receive net revenues from the rentals, after deducting up to 16% in platform and management fees and certain operating expenses. The Company projects to receive net revenues to offset a significant portion of the costs of the Miami lease.

We owe approximately $11.5 million under fixed rate obligations as of December 31, 2023. In addition, we owe GE certain minimum royalty payments under a license agreement which amounted to $3.9 million as of December 31, 2023.

2023

During 2023, we used $13.0 million in our operating activities, which consisted of our net loss of $38.0 million adjusted for non-cash equity compensation of $18.0 million as well as an increase of accounts payable and accrued expenses of $5.5 million. We are managing our accounts payable based on vendor terms.

Our net cash provided by investing activities amounted to $3.2 million and consisted primarily of disposition of debt securities of $7.6 million offset by cash used to acquire Belami, net of acquired cash of $4.2 million.

We generated $22.7 million in financing activities, of which $19.6 million was generated from a combination of issuance of convertible notes and proceeds from issuance of shares of common stock at the market.and $6.5 million proceeds from lines of credit lines term loan and offsetting term loan repayment of debt of $3.4 million.

2022

During 2022, we used $13.8 million in our operating activities, which consisted of our net loss of $527.0 million adjusted for non-cash equity compensation of $13.9 million.

We used $8.1 million in our investing activities, which primarily consisted of purchase of debt securities of $7.4 million.

We generated $20.9 million in financing activities, which consisted primarily of proceeds from the issuance of our shares of common stock of $23.1 million.

Going Concern

The Company's liquidity's sources include $22.4 million in cash and cash equivalents and $3.1 million of working capital. However, the Company has a history of recurring operating losses and its net cash used in operating activities amounted to $13.0 million and $13.8 million during 2023 and 2022, respectively. The Company has also generated net cash provided by financing activities of $22.7 million and $20.9 million during 2023 and 2022, respectively. Accordingly, the Company's management cannot ascertain that there is no substantial doubt that it will be able to meet its obligations as they become due within one year after the date that its financial statements are issued.

Management intends to mitigate such conditions by continuing to support its continued growth by decreasing its cash used in operating activities through increased revenues and increased margins from products sold to large retailers and its internet portals, and to the extent necessary, generating cash provided by financing activities through it's at the market offering or other equity or debt financing means.

Non-GAAP Financial Measures

Management considers earnings (loss) before interest, taxes, depreciation and amortization, or EBITDA, as adjusted, an important indicator in evaluating our business on a consistent basis across various periods. Due to the significance of non-recurring items, EBITDA, as adjusted, enables our management to monitor and evaluate our business on a consistent basis. We use EBITDA, as adjusted, as a primary measure, among others, to analyze and evaluate financial and strategic planning decisions regarding future operating investments and potential acquisitions. We believe that EBITDA, as adjusted, eliminates items that are not part of our core operations, such as interest expense and amortization expense associated with intangible assets, or items that do not involve a cash outlay, such as share-based payments and non-recurring items, such as transaction costs. EBITDA, as adjusted, should be considered in addition to, rather than as a substitute for, pre-tax income (loss), net income (loss) and cash flows used in operating activities. This non-GAAP financial measure excludes significant expenses that are required by GAAP to be recorded in our financial statements and is subject to inherent limitations. Investors should review the reconciliation of this non-GAAP financial measure to the comparable GAAP financial measure included below. Investors should not rely on any single financial measure to evaluate our business.

	For the year ended December 31,			
	2023		2022	
Net loss	$	(39,732,656)	$	(27,035,941)
Share-based payments		17,977,252		13,959,795
Interest expense		3,109,307		589,009
Depreciation, amortization		2,885,856		883,231
Transaction costs		516,601		-
EBITDA, as adjusted	$	(15,283,640)	$	(11,603,906)

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Our significant accounting policies are disclosed in Note 2 to our consolidated financial statements for the year ended December 31, 2023, contained in our Annual Report on Form 10-K for the year ended December 31, 2023. The following is a summary of those accounting policies that involve significant estimates and judgment of management.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of share based payments and derivative liabilities, estimates of fair value of warrants issued and recorded as debt discount, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Fair Value of Financial Instruments

Disclosures about fair value of financial instruments require disclosure of the fair value information, whether recognized in the balance sheet, where it is practicable to estimate that value. As of December 31, 2023 and 2022, we believe the amounts reported for cash, prepaid expenses, accounts payable and accrued expenses and other current liabilities, accrued interest, notes payable and convertible note payable approximate fair value because of their short maturities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Stock-Based Compensation

Stock-based compensation is accounted for based on the requirements of ASC 718 - *"Compensation-Stock Compensation*", which requires recognition in the financial statements of the cost of employee, non-employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Stock-based compensation is measured at the grant date based on the value of the award granted using the Black-Scholes option pricing model based on projections of various potential future outcomes and recognized over the period in which the award vests. For stock awards no longer expected to vest, any previously recognized stock compensation expense is reversed in the period of termination. The stock-based compensation expense is included in general and administrative expenses.

Revenue Recognition

We account for revenues in accordance with Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (Topic 606).

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Recent Accounting Pronouncements

Although there are new accounting pronouncements issued or proposed by the Financial Accounting Standards Board, which we have adopted or will adopt, as applicable, we do not believe any of these accounting pronouncements has had or will have a material impact on our financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required to be included in this report appear as indexed in the appendix to this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures and any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving their control objectives.

As of the end of the period covered by this report, management, including our Principal Executive Officers and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based upon the evaluation, our Principal Executive Officers and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive Officers and Principal Financial Officer and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of an issuer's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that an issuer's receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of an issuer's assets that could have a material effect on the consolidated financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, the application of any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that compliance with the policies or procedures may deteriorate.

As required by Rule 13a-15(c) promulgated under the Exchange Act, our management, with the participation of our Principal Executive Officers and Principal Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2023. Management's assessment was based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013 Framework) (the COSO Framework). Based on management's assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2023.

This Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management's report in this Form 10-K.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the quarter ended December 31, 2023, none of the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

2024 Annual Meeting of Stockholders

The Company's 2024 Annual Meeting of Stockholders is scheduled to be held on July 10 2024. Stockholders of record as of May 15, 2024 will be entitled to receive notice of, and vote at, the annual meeting.

Note Extensions

On March 31, 2024, the Company entered into an amendment to three of its previously issued subordinated convertible balloon promissory notes (the "promissory notes") aggregating $575,000 with certain holders of such promissory notes. The amendment extends the maturity date of each respective promissory note to May 16, 2025, increases the interest rate to ten percent (10%) per year starting January 1, 2024 and adjusts the conversion price to $3.00 per share. No other terms of the promissory notes were changed. Each of Leonard J. Sokolow, Co-Chief Executive Officer and a director of the Company, John P. Campi, Co-Chief Executive Officer of the Company, and an investor entered into an amendment to his or its respective promissory note. The amendment is effective as of the original maturity date of the respective note. The Company's Board of Directors approved the amendment. The issuance of the notes was deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, as transactions by the Company not involving a public offering.

Convertible Notes Issued to Belami Sellers

On March 29, 2024, the Company and the Sellers entered into a letter agreement modifying certain obligations under the Stock Purchase Agreement, dated February 6, 2023, between the Company and the Sellers of Belami. In connection with the letter agreement, the Company issued convertible promissory notes to each of the Sellers (the "Seller Note(s)") in substitution of an aggregate of $3,117,408 in cash due to the Sellers on the first anniversary of the Closing, or April 28, 2024. Each Seller received a Seller Note in an amount of $1,039,303 on the same date. In addition to other customary terms, the Seller Notes bear annual interest at 10%, with interest and principal becoming due on May 16, 2025, and can be converted by the Sellers at any time at $3.00 per share of our common stock. The Seller Notes include customary events of default accelerating maturity, including a breach of the Company's covenants, representations and warranties under the Stock Purchase Agreement and a change of control of Belami. The letter agreement further provides that the Company will perform all other obligations arising on the first anniversary of the Closing, including issuance of shares of common stock due to Sellers, and that on such date the non-fundamental representations and warranties expire, and the Company will release $750,000 held in escrow. The issuance of the notes was deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, as transactions by the Company not involving a public offering.

Commission Termination Agreement

On March 29, 2024, Mr. Campi and Ms. Barron each entered into a commission termination agreement with the Company, terminating the incentive compensation-related provisions in their employment agreements and agreeing no amounts would be paid pursuant to such provisions for prior periods.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name and position of each of our executive officers and directors, and each such person's age as of March 21, 2024.

Name	Age	Position(s)
Rani R. Kohen	58	Executive Chairman, Director
John P. Campi	79	Co-Chief Executive Officer
Leonard J. Sokolow	67	Co-Chief Executive Officer, Director
Marc-Andre Boisseau	59	Chief Financial Officer
Steven M. Schmidt	70	President
Patricia Barron	63	Chief Operations Officer
Nancy DiMattia	63	Director
Gary N. Golden	69	Director
Efrat L. Greenstein Brayer	61	Director
Thomas J. Ridge	78	Director
Dov Shiff	76	Director

The following information provides a brief description of the business experience of each executive officer and director.

Rani R. Kohen founded the Company and invented our technologies. He has served as Executive Chairman of the Board since 2016 and as Chairman of our Board of Directors since November 2012. Mr. Kohen also previously served as our Chief Executive Officer from 2004 through 2012. Mr. Kohen is a businessman, entrepreneur and inventor of our technologies. He brings strategic acumen with over 20 years of experience in business, as well as in advanced smart home technologies, product design, lighting, and other related businesses. Since founding the Company, he has succeeded in attracting and engaging accomplished board members, talented management and leading executives from various industries. He has led every major milestone achieved by the Company to date, including securing substantial financing to support the Company's growth. The board of directors believes that with Mr. Kohen's leadership and qualifications, and the continuity that he brings with his advanced business strategies, he will continue to move us forward towards achieving our goals.

John P. Campi has served as our Co-Chief Executive Officer since September 2023. He previously served as our Chief Executive Officer from November 2014 to September 2023 and as our Chief Financial Officer through December 31, 2021. Mr. Campi founded Genesis Management, LLC in 2009, and retired in 2014 upon accepting the role of our Chief Executive Officer. Mr. Campi has extensive experience in the field of cost management, is recognized as a founder of the strategic cost-management discipline known as Activity-Based Cost Management and has extensive experience in the field of supply chain management. From December 2007 to December 2008, Mr. Campi served as the Chief Procurement Officer and an Executive Vice President for Chrysler, where he was responsible for all worldwide purchasing and supplier quality activities. From September 2003 to January 2007, Mr. Campi served as the Senior Vice President of Sourcing and Vendor Management for The Home Depot, Inc., where he led the drive for standardization and optimization of The Home Depot, Inc.'s global supply chain. From April 2002 to September 2003, Mr. Campi served as the Chief Procurement Officer and Vice President for DuPont Global Sourcing and Logistics. Prior to 2002, Mr. Campi led the Global Sourcing activities for GE Power Energy and held a variety of positions with Federal Mogul, Parker-Hannifin Corporation and PricewaterhouseCoopers. Mr. Campi previously served on the board of Trustees of Case Western Reserve University and has been appointed an Emeriti Trustee. Mr. Campi also has served as a member of the advisory board of directors for three startup companies and has served as a Member of the Financial Executives Institute and the Institute of Management Accountants. Mr. Campi received his MBA from Case Western Reserve University. Mr. Campi has extensive executive and advisory experience with established and startup companies, as well as in cost-management and supply chain management.

Leonard J. Sokolow has served as Co-Chief Executive Officer of the Company since September 2023 and as a director of the Company since November 2015. Mr. Sokolow previously served in various roles at Newbridge Financial, Inc. and its subsidiaries, including as Chief Executive Officer and President of Newbridge Financial, Inc. from January 2015 through August 2023; as Chief Executive Officer of Newbridge Financial Inc.'s broker-dealer subsidiary, Newbridge Securities Corporation, and Chief Executive Officer of Newbridge Financial, Inc.'s registered investment adviser subsidiary, Newbridge Financial Services Group, Inc., from July 2022 through August 2023; and as Chairman of Newbridge Securities Corporation from January 2015 through July 2022. Mr. Sokolow previously served in a variety of roles at vFinance, Inc., a publicly traded financial services company, including as Chairman of the board of directors from January 2007, a member of the board of directors from November 1997 and Chief Executive Officer from January 2007 through July 2008, when it merged into National Holdings Corporation, a publicly traded financial services company. Mr. Sokolow also served as President of vFinance, Inc. from January 2001 through December 2006. From July 2008 until July 2012, Mr. Sokolow was President of National Holdings Corporation, and from July 2008 until July 2014, he was Vice Chairman of the board of directors of National Holdings Corporation. From July 2012 until December 2014, Mr. Sokolow was a consultant and partner at Caribou LLC, a strategic advisory services firm. Mr. Sokolow was Founder, Chairman and Chief Executive Officer of the Americas Growth Fund Inc., a closed-end management investment company, from 1994 to 1998. From 1988 until 1993, Mr. Sokolow was an Executive Vice President and the General Counsel of Applica Inc., a publicly traded appliance marketing and distribution company. From 1982 until 1988, Mr. Sokolow practiced corporate, securities and tax law and was one of the founding attorneys and a partner of an international boutique law firm. From 1980 until 1982, he worked as a Certified Public Accountant for Ernst & Young and KPMG Peat Marwick.

Mr. Sokolow has served on the board of directors of Consolidated Water Co. Ltd., a publicly traded developer and operator of advanced water supply and treatment plants and water distribution systems, since June 2006, where he currently serves as Chairman of the Audit Committee and as a member of the Nominations and Corporate Governance Committee. In addition, Mr. Sokolow has served on the board of directors of Vivos Therapeutics, Inc., a publicly traded medical technology company focused on developing and commercializing innovative diagnostic and treatment methods for patients suffering from breathing and sleep issues arising from certain dentofacial abnormalities, since June 2020, where he currently serves as Chairman of the Audit Committee and as a member of the Nominating and Corporate Governance Committee, and on the board of directors of Agrify Corporation, a publicly traded provider of innovative cultivation and extraction solutions for the cannabis industry, since December 2021, where he currently serves as a member of the Audit Committee and the Compensation Committee. Mr. Sokolow previously served on the board of directors of, and as Chairman of the Audit Committee for, Marquee Energy Ltd. (formerly Alberta Oilsands Inc.), a then publicly traded energy company. Our board believes Mr. Sokolow's qualifications to serve as a member of our board include his extensive experience in the financial industry and in strategic planning, mergers, acquisitions, securities, and corporate development advisory services, his service on other public company boards and his history of executive leadership in developing and operating businesses.

Marc-Andre Boisseau has served as our Chief Financial Officer and as our principal financial officer and principal accounting officer since January 1, 2022. Mr. Boisseau is a partner of Boisseau, Felicione & Associates Inc., which provides advisory and tax services for public and private companies in a variety of industries and which he founded in February 2002. Among other positions, Mr. Boisseau served at Citrix Systems, Inc., a publicly-traded software development company, as Corporate Controller from 1995 to December 1999 and as Principal Accounting Officer from March 1997 to December 1999, and as a senior auditor at Ernst & Young. Mr. Boisseau is a Certified Public Accountant.

Steven M. Schmidt has served as our President since June 2021 and has served as a consultant to the Company since August 2019. Mr. Schmidt formed Schmidt Family Investments LLC, which invests in early stage companies, in May 2017, of which he is the sole principal. Mr. Schmidt previously served in a variety of roles at Office Depot, Inc., an office supply retailer, from July 2007 through May 2016, including as Executive Vice President and President, International from November 2011 to May 2016, Executive Vice President, Corporate Strategy and New Business Development from July 2011 until November 2011 and President, North American Business Solutions from July 2007 until November 2011. Prior to joining Office Depot, Inc., Mr. Schmidt spent 11 years with the ACNielsen Corporation, a marketing research firm, most recently serving as President and Chief Executive Officer. Prior to joining ACNielsen, Mr. Schmidt spent eight years at the Pillsbury Food Company, serving as President of its Canadian and Southeast Asian operations. He has also held management positions at PepsiCo and Procter & Gamble.

Patricia Barron has served as our Chief Operations Officer since June 2007. Prior to joining the Company, Ms. Barron was the President and owner of LTG Services, Inc., which focused on safety consulting services, specializing in the review and compliance of electrical products requiring UL, CSA, and CE certifications, since 1989. Prior to that, Ms. Barron worked as a consultant and engineer in the lighting, safety and approval industry and, from June 1977 to August 1984, worked as an engineering assistant for Underwriters Laboratories, Inc. (n/k/a UL) in the ceiling fan category. Ms. Barron received her MBA from Georgia State University. Ms. Barron has extensive industry and executive experience.

Nancy DiMattia has served as a director of the Company since February 2022. Ms. DiMattia has served as Chief Financial Officer of Island Stone North America, a manufacturer and supplier of natural stone and man-made tiles, since October 2022. Ms. DiMattia previously served as Senior Vice President and Chief Financial Officer of Tile Shop Holdings, Inc., a publicly traded specialty retailer of natural stone and man-made tiles, setting and maintenance materials, and related accessories, from September 2019 until January 2022, where she continued to serve in an advisory capacity through March 2022. She also previously provided consulting services to Tile Shop Holdings, Inc. from July 2019 until September 2019. Before joining Tile Shop Holdings, Inc., Ms. DiMattia gained over twenty-five years of experience in financial reporting and accounting processes in positions of increasing responsibility at Virginia Tile Company, a provider of ceramic, porcelain, glass and natural stone tiles, most recently serving as the Corporate Controller from 2005 until March 2019. During her tenure at Virginia Tile Company, she was responsible for establishing sound financial management, promoting effective internal accounting controls, developing and leading highly competent accounting teams, and maintaining a documented system of accounting policies and procedures. Our board believes Ms. DiMattia's qualifications to serve as a member of our board include her retail industry experience, including her experience overseeing retail-related information technology measures and working with a customer base that includes architects and designers, and financial expertise, including managing audits, internal controls and mergers and acquisitions.

Gary N. Golden has served as a director of the Company since February 2022. Since June 2023, Mr. Golden has served as the Chief Financial Officer of Media Culture, a brand response media agency. Mr. Golden was previously employed at vcfo, which offers fractional CFO and human resources services to clients who require advisors they could trust to guide them through major changes, from April 2022 through May 2023. During 2021, Mr. Golden served as interim Chief Financial Officer of ADB Companies, which provides strategy, design, execution and program management services for the communication, utility, and technology industries. Prior to that, during 2021, Mr. Golden served as a project manager and professional services contractor for MMC Group, Inc., which offers full-service workforce solutions, and as interim controller at SportClips Haircuts. During 2020, he served as a special project auditor for WebsterRogers LLP, a South Carolina-based accounting and consulting firm that provides a broad spectrum of assurance, tax and advisory services. From 2013 to 2019, Mr. Golden served as Chief Financial Officer at NBG Home, an affiliate of Nielsen & Bainbridge, LLC and one of the largest home decor manufacturing companies and importers globally. From 2008 to 2013, Mr. Golden served as Chief Financial Officer and Professional Services Contractor for MMC Group, Inc. Mr. Golden has served in a variety of other financial and operational roles, including as Vice President, Controller of Kinko's Inc., Senior Vice President and Corporate Controller of Blockbuster, Inc., and in controller and internal audit roles at Fuqua Industries and Qualex, Inc. Mr. Golden is a licensed Certified Public Accountant and began his career at Arthur Andersen & Inc. Our board believes Mr. Golden's qualifications to serve as a member of our board include his financial expertise, including his status as an "audit committee financial expert," and his experience in the home goods and lighting industry.

Efrat L. Greenstein Brayer has served as a director of the Company since February 2022. Ms. Greenstein Brayer currently serves as Co-Founder and Chief Executive Officer of Merkavah Inc. (d/b/a Ezzree), which provides online emotional and spiritual support care services, and has been principal attorney of the law office of Laura Greenstein since 2000, where she provides services as a corporate finance attorney. Ms. Greenstein Brayer previously served as a contract attorney with Holland & Knight LLP from 2006 through 2012, as associate counsel at Bank Hapoalim B.M. from 1996 through 2000, as an associate at Rogers & Wells (later acquired by Clifford Chance LLP) from 1993 through 1996, and as an associate at Haight, Gardner, Poor & Havens (later acquired by Holland & Knight LLP) from 1988 through 1993. Ms. Greenstein Brayer has also served as an officer or director of several private companies. Our board believes Ms. Greenstein Brayer's qualifications to serve as a member of our board include her corporate law expertise and her experience founding and serving as Chief Executive Officer of a private company, including her experience with customer service and technology innovation.

Governor Thomas J. Ridge has served as a director of the Company since June 2013. Mr. Ridge founded and has served at Ridge Global, LLC, a global strategic consulting company and provider of insurance and risk transfer solutions, since July 2006, where he currently serves as Chairman of the board and Chief Executive Officer and previously served as President. In 2014, Mr. Ridge co-founded Ridge Schmidt Cyber, an executive services firm addressing the increasing demands of cybersecurity. In April 2010, Mr. Ridge became a partner of Ridge Policy Group, a bipartisan, full-service government affairs and issue management group. From January 2003 to January 2005, Mr. Ridge served as the Secretary of the United States Department of Homeland Security, and from September 2001 through January 2003, Mr. Ridge served as the Special Assistant to the President for Homeland Security.

Mr. Ridge served two terms as Governor of the Commonwealth of Pennsylvania, from 1995 to 2001, and served as a member of the U.S. House of Representatives from January 1983 until January 1995. Mr. Ridge previously served as a member of the board of directors of The Hershey Company, a global confectionery leader, from November 2007 to May 2018, Advaxis, Inc., a then publicly traded clinical-stage biotechnology company, from August 2015 to March 2018, and LifeLock, Inc., a then publicly traded provider of identity theft protection, from March 2010 to February 2017, until its merger with a subsidiary of Symantec Corporation, as well as several other public companies. Mr. Ridge serves as Co-Chair of the Bipartisan Commission on Biodefense, as Chairman Emeritus of the board of the National Organization on Disability, and as a member of board of trustees of the Center for the Study of the Presidency, among other private organizations. Our board believes Mr. Ridge's qualifications to serve as a member of our board include his vast experience in both government and industry, his service on other public and private company boards and his expertise in risk management and cybersecurity.

Dov Shiff has served as a director of the Company since February 2014. Mr. Shiff is presently President and Chief Executive Officer of the Shiff Group of Companies. The Shiff Group owns and operates hotels and other real estate in Israel, including Hayozem Resorts & Hotels Ltd., Marina Hotel Tel Aviv Ltd. and Zvidan Investments Ltd. Our board believes Mr. Shiff's qualifications to serve as a member of our board include his experience in developing and operating new businesses.

Family Relationships

There are no family relationships among any of our directors or executive officers.

Composition of our Board of Directors

Our business and affairs are managed under the direction of our board of directors, which currently consists of seven directors. The number of directors is determined by our board of directors or our stockholders, but will not be less than five persons, subject to the terms of our articles of incorporation and our bylaws. Each director is elected to a one-year term and holds office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Vacancies and newly created directorships on the board of directors may be filled at any time by the remaining directors.

Board Committees

Our board of directors has three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. Each member of each standing committee of our board of directors qualifies as an independent director in accordance with the listing standards of Nasdaq. Our board of directors may from time to time establish other committees; for example, the board of directors has established a business strategy and development committee, which consists of Rani R. Kohen, Leonard J. Sokolow, and Nancy DiMattia.

Each standing committee operates pursuant to a charter adopted by our board of directors. The full text of our audit committee charter, compensation committee charter and nominating and corporate governance committee charter are posted on the investor relations section of our website at www.skyplug.com.

Audit Committee

Our audit committee consists of Ms. Greenstein Brayer, Ms. DiMattia and Mr. Golden, who is the chair of the audit committee. The functions of the audit committee include:

- appointing, approving the compensation of and assessing the independence of our independent registered public accounting firm;
- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the overall audit plan with our independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- reviewing our disclosure controls and procedures, as well as reviewing disclosures regarding our internal control over financial reporting;
- establishing policies and procedures for the receipt, retention and treatment of accounting-related complaints and concerns;
- recommending to the board of directors, based upon the audit committee's review and discussions with management and our independent registered public accounting firm, whether our audited financial statements will be included in our annual reports on Form 10-K;
- discussing with management our policies with respect to risk assessment and risk management and our significant financial risk exposures, as well as information security and technology risks (including cybersecurity);
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing and overseeing all related person transactions for potential conflict of interest situations, as well as annually reviewing the related party transactions policy;
- overseeing compliance with, and annually reviewing, the Code of Business Conduct and Ethics; and
- reviewing quarterly earnings releases.

All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and Nasdaq listing rules. Our board of directors has determined that Mr. Golden qualifies as an "audit committee financial expert" within the meaning of applicable SEC regulations and meets the financial sophistication requirements of Nasdaq listing standards. In making this determination, our board of directors considered Mr. Golden's prior experience, business acumen and independence. Both our independent registered public accounting firm and management periodically meet privately with our audit committee.

Compensation Committee

Our compensation committee consists of Ms. Greenstein Brayer, Ms. DiMattia, and Mr. Golden, who is the chair of the compensation committee. The functions of the compensation committee include:

- annually reviewing our overall compensation policy as it applies to our employees generally, and the corporate goals and objectives relevant to compensation of the Executive Chairman, Chief Executive Officer and our other executive officers;
- reviewing and approving or recommending to the board of directors the compensation of our executive officers;
- reviewing and approving or recommending to the board of directors our incentive compensation plans and equity-based plans;
- reviewing and recommending to the board of directors the compensation of our non-management directors;
- reviewing the executive compensation disclosures and, if and when required, preparing the compensation committee report required by SEC rules to be included in our annual proxy statement or Form 10-K, as applicable;
- overseeing risks relating to our compensation policies, practices and procedures;
- reviewing and overseeing the application of the Company's policy for clawback, or recoupment, of incentive compensation;
- reviewing our strategies related to human capital management, including talent acquisition, development and retention, diversity and inclusion and corporate culture; and
- reviewing and approving the retention, termination or compensation of any consulting firm or outside advisor to assist in the evaluation of compensation matters.

Each member of our compensation committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Ms. DiMattia, Mr. Golden and Ms. Greenstein Brayer, who is the chair of the nominating and corporate governance committee. The functions of the nominating and corporate governance committee include:

- identifying and evaluating individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board's committees;
- considering, developing and recommending to the board of directors policies and procedures with respect to the nomination of directors or other corporate governance matters;
- reviewing disclosures relating to our corporate governance practices to be included in our annual proxy statement or Form 10-K, as applicable;
- reviewing our policies and practices regarding corporate social responsibility and ESG matters and related risks;
- reviewing proposals submitted by stockholders for inclusion in our proxy materials; and
- overseeing the evaluation of our board of directors and board committees.

Each member of our nominating and governance committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act.

Code of Business Conduct and Ethics

Our board of directors has adopted a Code of Business Conduct and Ethics, which applies to all of our directors, employees, and officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions). The full text of our Code of Business Conduct and Ethics is posted on the investor relations section of our website at www.skyplug.com. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics by posting such information on our website within four business days following the date of the amendment or waiver.

Involvement in Certain Legal Proceedings

To the best of our knowledge, none of our directors or executive officers were involved in any legal proceedings described in Item 401(f) of Regulation S-K in the past 10 years.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires all persons subject to such reporting requirements to file initial reports of ownership and reports of changes in ownership of our common stock and other equity securities with the SEC. To our knowledge, based solely on a review of these reports filed with the SEC and certain written representations furnished to us that no other reports were required, we believe that all Section 16 filing requirements applicable to our executive officers, directors and greater than 10% shareholders were complied with during the fiscal year ended December 31, 2023, except as follows: a Form 4 filed by Patricia Barron on August 9, 2023, reporting the August 4, 2023 grant of restricted stock units, and related withholding of shares for taxes, and grant of stock options; a Form 4 filed by Dov Shiff on October 10, 2023, reporting the September 30, 2023 issuance of restricted stock paid in lieu of the cash retainer payable for service on the board, pursuant to the non-employee director compensation program; and a Form 4 to be filed by Thomas J. Ridge reporting the conversion of preferred stock into common stock on May 1, 2023 and the June 30, 2023, September 30, 2023 and December 31, 2023 issuances of restricted stock paid in lieu of the cash retainer payable for his service on the Board, pursuant to the non-employee director compensation program.

ITEM 11. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

Compensation Overview

Our “named executive officers” for the year ended December 31, 2023 were:

- John P. Campi, Co-Chief Executive Officer (since September 12, 2023; previously, Chief Executive Officer);
- Leonard J. Sokolow, Co-Chief Executive Officer (since September 12, 2023; previously a non-employe director of the Company)
- Rani R. Kohen, Executive Chairman;
- Marc-Andre Boisseau, Chief Financial Officer;
- Steven M. Schmidt, President; and
- Patricia Barron, Chief Operations Officer.

Our executive compensation program reflects our continued growth and development-oriented focus. We recognize that our ability to excel depends on the knowledge, skill and teamwork of our employees. To this end, we strive to create an environment of mutual respect, encouragement, and teamwork that rewards commitment and performance and is responsive to the needs of our employees. The principles and objectives of our compensation and benefits programs for our employees generally, and for our named executive officers specifically, include to align our compensation program with our corporate strategies, financial objectives and the long-term interests of our stockholders; retain and reward executives whose knowledge, skills and performance ensure our continued success; and ensure that total compensation is fair, reasonable and competitive. The compensation received by our named executive officers is based primarily on their experience and knowledge as well as their responsibilities and individual contributions to the Company.

The compensation committee of our board of directors evaluates our executive compensation values and philosophy and executive compensation plans and arrangements as circumstances require. As part of this review process, we expect the compensation committee to apply our values and philosophy, while considering the compensation levels needed to ensure our executive compensation program remains competitive. We will also review whether we are meeting our retention objectives and the potential cost of replacing a key employee.

Executive Compensation Program Components

Base Salary

Executive officer base salaries are based on job responsibilities and individual contributions and are designed to attract and retain employees over time. Each of our named executive officers (other than Mr. Schmidt) receives a base salary set forth in an employment agreement entered into with the Company, and the board has the discretion to review and adjust each applicable named executive officer’s base salary. Mr. Campi, Mr. Kohen, Ms. Barron and Mr. Boisseau received an annual base salary of $150,000, $300,000, $150,000, and $144,000, respectively, during 2023. Pursuant to the employment agreement that the Company entered into with Mr. Sokolow at the time of his appointment as Co-Chief Executive Officer on September 12, 2023, Mr. Sokolow receives a base salary of $160,000 per year. For his services on the board of directors during the portion of 2023 prior to his appointment as Co-Chief Executive Officer, Mr. Sokolow was paid pursuant to the Company’s non-employee Director Compensation Program (defined below), which is described below under the heading “Director Compensation.”

Incentive and Bonus Compensation

Each named executive officer’s employment agreement also provides for the receipt of incentive and/or bonus compensation, which may be paid annually in cash and/or stock. These incentive compensation and bonus awards are designed to focus our executive officers on our business objectives of growing our business, including increasing our revenue and income.

Mr. Sokolow will receive a minimum bonus every six months during the term of his employment agreement equal to $40,000 in cash or stock, as elected by Mr. Sokolow, and is eligible to receive a performance-based bonus, payable in equity and/or cash, subject to the achievement of performance metrics and other criteria as determined by the Executive Chairman and approved by the compensation committee. Mr. Kohen is eligible to receive annual incentive compensation based on our annual gross revenue, which may be paid in cash, stock and/or options, as well as supplemental bonus compensation of performance-based stock options to purchase up to 17,000,000 shares of common stock at an exercise price ranging between $4.00 and $12.00 per share, determined based on the achievement of specified market capitalizations of the Company, and the potential to receive further options based on the achievement of additional specific market capitalizations of the Company, as described further below under “Agreements with Named Executive Officers.”. Mr. Schmidt is eligible to receive a stock bonus of 20,000 shares that will be payable upon achievement of certain sales program goals, and he may be eligible to receive additional bonus compensation as determined by the Company. Mr. Boisseau is eligible to receive performance-based compensation in the form of a bonus, payable in equity and/or cash, as determined by the compensation committee, subject to the achievement of performance metrics and other criteria as determined by the Executive Chairman and approved by the compensation committee. The actual incentive and/or bonus compensation earned by each of our named executive officers during our most recent fiscal year is set forth in the “Summary Compensation Table” below.

Other Equity Compensation and Awards

Our executive officers may also receive equity awards under our 2021 Stock Incentive Plan (the "2021 Plan"). We use equity awards to align the interests of our named executive officers with those of our stockholders. We believe that equity awards, such as stock options, restricted share units ("RSUs") and non-vested restricted stock, encourage our named executive officers to focus on our long-term success as reflected in increases to our stock prices over a period of several years, growth in our profitability and other elements.

Pursuant to his employment agreement, on September 12, 2023, Mr. Sokolow received (i) 450,000 RSUs, 120,000 of which vested on the date of grant, 300,000 of which will vest in six semi-annual installments of 50,000, beginning on March 12, 2024, and 30,000 of which will vest on March 12, 2027; and (ii) five-year stock options to purchase up to 450,000 shares of the Company's common stock at an exercise price of $1.58 per share, 120,000 of which vested on the date of grant, 300,000 of which will vest in six semi-annual installments of 50,000, beginning on March 12, 2024, and 30,000 of which will vest on March 12, 2027, in each case subject to continuous employment through the applicable vesting date.

During 2023, the compensation committee granted certain equity awards and a cash bonus award to Mr. Boisseau. On April 5, 2023, Mr. Boisseau received 120,000 RSUs and five-year stock options to purchase up to 120,000 shares of the Company's common stock at an exercise price of $3.28 per share, in each case vesting in three equal annual installments beginning on the grant date, subject to continued employment through the applicable vesting date. In addition, on October 19, 2023, Mr. Boisseau received 7,993 RSUs that vested in full on November 15, 2023, and 25,000 RSUs that vest in two equal installments on February 15, 2024 and May 15, 2024, subject to Mr. Boisseau's continuous employment through the applicable vesting date. In October 2023, the compensation committee also approved the payment of a discretionary cash bonus of $50,000 to Mr. Boisseau, of which $25,000 was immediately payable and $12,500 will be payable on each of February 15, 2024 and May 15, 2024. Mr. Boisseau additionally elected to receive certain equity awards in cash, resulting in an additional $25,000 cash bonus payment to Mr. Boisseau, which was paid in November 2023.

On August 4, 2023, the compensation committee granted to Ms. Barron 100,000 RSUs and five-year stock options to purchase up to 100,000 shares of the Company's common stock at an exercise price of $2.08 per share, in each case vesting in four equal annual installments beginning on the grant date, subject to continued employment through the applicable vesting date.

In addition to the equity incentive and supplemental bonus awards granted during fiscal 2023 as described above, pursuant to the Chairman Agreement (as defined below), effective January 1, 2022, Mr. Kohen was granted five-year options to purchase 1,020,000 shares of common stock, which have an exercise price of $12.00 per share, vest as to 340,000 shares on each of January 1, 2023, 2024 and 2025, and expire January 1, 2027.

Pursuant to his employment agreement, Mr. Schmidt received the following equity grants: a five-year option to purchase 60,000 shares of common stock at an exercise price of $0.10 per share, which vested in three equal annual installments on each of October 1, 2020, 2021 and 2022; a five-year option to purchase 60,000 shares of common stock at an exercise price of $6.00 per share, which vested in three equal annual installments on each of October 1, 2020, 2021 and 2022; and a five-year option to purchase 100,000 shares of common stock at an exercise price of $12.00 per share, which vests in four equal annual installments on each of June 1, 2021, 2022, 2023 and 2024 (which includes a signing bonus of options to purchase 25,000 shares). Mr. Schmidt's employment agreement also provides for an annual grant of 25,000 shares of common stock on each of June 1, 2022, 2023 and 2024.

We also grant equity-based sign-on bonuses when necessary and appropriate to advance our and our stockholders' interests, including to attract or retain top executive-level talent. Mr. Kohen's Chairman Agreement provided for a sign-on bonus of a stock option to purchase 120,000 shares of common stock at an exercise price of $12.00 per share, which was granted effective January 1, 2022 and vested in full on January 1, 2023. Mr. Boisseau's agreement provided for a signing bonus consisting of (1) 10,000 shares of restricted common stock, which vested in four equal installments as of the end of each quarter in 2022, and (2) a three-year stock option to purchase 10,000 shares of common stock, which vested in four equal installments at the end of each quarter in 2022, and which were both granted effective March 11, 2022. Those options have an exercise price of $12.34 per share.

Benefits and Perquisites

We offer health insurance to our full-time employees, including our named executive officers. We generally do not provide perquisites or personal benefits to our named executive officers, except in limited circumstances. For instance, Mr. Kohen is eligible to receive a $1,000 per month vehicle allowance, pursuant to the Chairman Agreement. On occasion, the Company pays travel expenses for family members and guests of named executive officers, to accompany named executive officers on trips for business purposes such as trade shows and other events.

Summary Compensation Table

The following table sets forth summary compensation information for the named executive officers and includes all compensation earned by the named executive officers for the respective period, regardless of whether such amounts were actually paid during the period.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)(2)	Option Awards ($)(1)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
John P. Campi	2023	150,000	-	-	-	-	-	150,000
Co-Chief Executive Officer	2022	150,000	-	-	-	90	-	150,090
Leonard J. Sokolow	2023	49,129	-	269,170	22,396	-	112,126	452,821
Co-Chief Executive Officer								
Rani R. Kohen	2023	300,000	-	-		293,962	62,436	656,398
Executive Chairman	2022	300,000	-	-	2,419,539	90	28,496	2,748,125
Marc-Andre Boisseau	2023	144,000	50,000	249,117	81,706	-	-	524,823
Chief Financial Officer	2022	144,000	-	123,400	6,611	-	-	274,011
Patricia Barron	2023	150,000	-	73,429	23,617	-	11,633	258,679
Chief Operations Officer	2022	150,000	-	-	-	90	17,409	167,499
Steven M. Schmidt(5)	2023	-	-	-	-	-	-	-
President	2022	-	-	-	-	-	-	-

(1) The value of stock awards and options in this table represents the fair value of such awards granted or modified during the fiscal year, as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“Topic 718”). The assumptions used to determine the valuation of the awards are discussed in Note 2 and Note 12 to our consolidated financial statements for the year ended December 31, 2023.

(2) During 2023: (i) Mr. Boisseau received 152,993 RSUs and options to purchase 120,000 shares of common stock at an exercise price of $3.28 per share; (ii) Ms. Barron received 100,000 RSUs and options to purchase 100,000 shares of common stock at an exercise price of $2.08 per share; and (iii) Mr. Sokolow received 450,000 RSUs and a stock option to purchase 450,000 shares common stock at an exercise price of $1.58 per share, in addition to 26,615 shares of common stock and stock options to purchase up to 17,500 shares of common stock at an exercise price of $3.28 per share, granted pursuant to our Director Compensation Program for his service as a non-employee director prior to his appointment as our Co-Chief Executive Officer, which are also reported in this table. For more information regarding equity awards granted to our named executive officers during fiscal 2023 and 2022, see “Executive Compensation Program Components-Other Equity Compensation and Awards” above.

(3) Non-Equity Incentive Plan Compensation reflects incentive compensation and commission payable pursuant to each individual’s respective employment agreement, typically as a percent of the Company’s net revenue or sales earned, and in each case as described below under “Agreements with Named Executive Officers.”

In March 2024, Mr. Campi and Ms. Barron each entered into a commission termination agreement, terminating the incentive compensation-related provisions in their employment agreements and agreeing no amounts would be paid pursuant to such provisions for prior periods.

(4) On occasion, the Company pays travel and lodging expenses for family members and guests of named executive officers, to accompany named executive officers on trips for business purposes such as road shows and other events. There was no incremental cost associated with family member travel that required disclosure in the Summary Compensation Table.

(5) Pursuant to the Schmidt Agreement (as defined below), Mr. Schmidt's receives equity compensation for his services to the Company and is eligible to receive additional bonus compensation as determined by the Company, as described below under "Agreements with Named Executive Officers."

Outstanding Equity Awards at Fiscal Year End

The following table sets forth certain information regarding outstanding equity awards held by the named executive officers as of December 31, 2023:

	Option Awards					Stock Awards			
Name	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) Not exercisable**	**Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)**	**Option exercise price ($)**	**Option expiration date**	**Number of shares or units of stock that have not vested (#)**	**Market value of shares or units of stock that have not vested ($)***	**Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)**	**Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)**
John P. Campi	120,000	-	-	$ 6.00	9/1/2024	-	-	-	-
Leonard Sokolow	150,000	-	-	$ 0.60	11/15/2025	-	-	-	-
	150,000	-	-	$ 3.00	4/19/2027	-	-	-	-
	150,000	-	-	$ 4.00	4/19/2027	-	-	-	-
	100,000	-	-	$ 3.00	1/1/2024	-	-	-	-
	100,000	-	-	$ 12.00	1/1/2025	-	-	-	-
	100,000	-	-	$ 12.00	12/31/2025	-	-	-	-
	100,000	-	-	$ 12.00	12/31/2026	-	-	-	-
	17,500	-	-	$ 12.34	3/11/2027	-	-	-	-
	13,124	4,376[1]	-	$ 3.28	4/5/2028	-	-	-	-
	120,000	330,000[2]	-	$ 1.58	9/12/2028	-	-	-	-
	-	-	-	-	-	10,084[3]	$ 16,134	-	-
	-	-	-	-	-	330,000[2]	$ 528,000	-	-
Rani R. Kohen[5]	1,000,000[4]	-	-	$ 0.60	11/15/2025	-	-	-	-
	1,140,000[4]	-	-	$ 6.00	9/1/2024	-	-	-	-
	1,500,000[4][5]	-	-	$ 3.00[5]	11/21/2024	-	-	-	-
	500,000[4][5]	-	-	$ 4.00[5]	11/21/2024	-	-	-	-
	1,000,000[4][5]	-	-	$ 6.00[5]	11/21/2024	-	-	-	-
	460,000[4][6]	680,000[6]	-	$ 12.00[6]	1/1/2027	-	-	-	-
Marc-Andre Boisseau	10,000	-	-	$ 12.34	3/11/2025	-	-	-	-
	40,000	80,000[7]	-	$ 3.28	4/5/2028	-	-	-	-
	-	-	-	-	-	105,000[8]	$ 168,000	-	-
Patricia Barron	200,000	-	-	$ 0.60	11/15/2025	-	-	-	-
	150,000	-	-	$ 1.20	11/15/2025	-	-	-	-
	150,000	-	-	$ 1.80	11/15/2025	-	-	-	-
	50,000	-	-	$ 3.00	4/19/2027	-	-	-	-
	50,000	-	-	$ 4.00	4/19/2027	-	-	-	-
	100,000	-	-	$ 6.00	9/1/2024	-	-	-	-
	25,000	75,000[9]	-	$ 2.08	8/4/2028	-	-	-	-
	-	-	-	-	-	75,000[9]	$ 120,000	-	-
Steven M. Schmidt	60,000	-	$0.10	[10]	10/1/2024	-	-	-	-
	60,000	-	-	$ 6.00[10]	10/1/2024	-	-	-	-
	75,000	25,000[11]	-	$ 12.00[11]	6/1/2026	25,000[12]	$ 40,000	-	-

* Based on the closing stock price of our common stock of $1.60 on December 29, 2023, the last trading day of the 2023 fiscal year.

(1) These options were granted pursuant to the Director Compensation Program and vest in twelve equal monthly installments beginning on April 30, 2023.

(2) These options and RSUs vest as follows: 300,000 will vest in six semi-annual installments of 50,000, beginning on March 12, 2024, and 30,000 will vest on March 12, 2027.

(3) On November 9, 2022, the Company entered into the Advisory Agreement (as defined below) with Newbridge Securities Corporation, pursuant to which Newbridge Securities Corporation agreed to provide financial and general corporate advisory services to the Company. Pursuant to the Advisory Agreement, the Company agreed to issue to affiliates of Newbridge Securities Corporation an aggregate of 200,000 restricted shares of the Company's common stock, which vest on the following schedule: 50,000 shares on November 9, 2022 and 50,000 shares on each of the six-, 12- and 18-month anniversaries of such date. Mr. Sokolow received 40,333 of the restricted shares, of which 10,084 were unvested as of December 31, 2023 and will vest on May 9, 2024. In the event the Advisory Agreement is terminated prior to its expiration, any shares that have not vested as of such date will be forfeited.

(4) These options were granted pursuant to executive chairman agreements entered into with Mr. Kohen.

(5) Pursuant to Mr. Kohen's chairman agreement, Mr. Kohen was granted the following supplemental bonus options as it was determined that the applicable performance conditions had been satisfied: (i) options to purchase 1,500,000 shares of common stock at an exercise price of $3.00 per share; (ii) options to purchase 500,000 shares of common stock at an exercise price of $4.00 per share; and (iii) options to purchase 1,000,000 shares of common stock at an exercise price of $6.00 per share. These options were exercisable as of the date of grant and expire November 21, 2024. Pursuant to the chairman agreement, Mr. Kohen has the following options as supplemental bonus compensation, subject to the Company achieving the specified market capitalization: (i) options to purchase 500,000 shares of common stock at $4.00 per share, upon the Company achieving each of the following market capitalizations: $1.5 billion and $2.0 billion; (ii) options to purchase 500,000 shares of common stock at $5.00 per share, upon the Company achieving each of the following market capitalizations: $2.5 billion and $3.0 billion; (iii) options to purchase 500,000 shares of common stock at an exercise price of $6.00 per share, upon the Company achieving each of the following market capitalizations: $1.5 billion and $2.0 billion; (iv) options to purchase 500,000 shares of common stock at an exercise price of $7.00 per share, upon the Company achieving each of the following market capitalizations: $3.0 billion, $4.0 billion, $5.0 billion and $6.0 billion; and (v) options to purchase 500,000 shares of common stock at an exercise price of $8.00 per share, upon the Company achieving each of the following market capitalizations: $7.0 billion, $8.0 billion, $9.0 billion and $10.0 billion. Mr. Kohen also received supplemental bonus compensation such that, in the event the Company achieves a $10.0 billion valuation, for each valuation increase of $1.0 billion up to $30.0 billion Company valuation, Mr. Kohen will receive an option to purchase 500,000 shares at an exercise price of $12.00 per share.

(6) These options vest as follows: 460,000 vested on January 1, 2023 and 340,000 will vest on each of January 1, 2024 and 2025.

(7) These options vest in equal annual installments on each of April 5, 2024 and 2025.

(8) Of these RSUs, 80,000 vest in in equal annual installments on each of April 5, 2024 and 2025 and 25,000 vest in equal installments on February 15, 2024 and May 15, 2024.

(9) These options and RSUs vest in three equal annual installments on each of August 4, 2024, 2025 and 2026.

(10) Options to purchase 60,000 shares have an exercise price of $0.10 per share and options to purchase an additional 60,000 shares have an exercise price of $6.00 per share.

(11) These options vest on June 1, 2024 and have an exercise price of $12.00 per share.

(12) Mr. Schmidt's employment agreement provides for an annual grant of 25,000 shares of common stock with the last installment vesting on June 1, 2024.

Agreements with Named Executive Officers

John P. Campi (Co-Chief Executive Officer)

Effective September 1, 2019, the Company entered into an Executive Employment Agreement with John Campi, then its Chief Executive Officer and Chief Financial Officer (the "Campi Agreement"), which superseded Mr. Campi's previous employment agreement effective September 1, 2016. Effective September 2023, Mr. Campi began serving under the Campi Agreement as Co-Chief Executive Officer. The Campi Agreement provided for an initial term of one year, which expired August 31, 2020. The term may be, and has been, renewed by the mutual agreement of Mr. Campi and the Company. Subject to other customary terms and conditions of such agreements, the Campi Agreement provides that Mr. Campi will receive: (i) a base salary of $150,000 per year, which may be adjusted each year at the discretion of the board; and (ii) a sign-on bonus of a stock option to purchase 120,000 shares of common stock at an exercise price of $6.00 per share, which vested in its entirety on December 31, 2020;. Mr. Campi was previously eligible to receive an incentive compensation consisting of (a) a cash component, paid on an annual basis, equal to (x) 0.25% of the Company's annual gross revenue and (y) 3.0% of the Company's annual net income, and (b) a stock option component, consisting of five-year options to purchase shares of common stock in an amount equal to 0.5% of the Company's quarterly net income, the exercise price of which will be determined at the time such options are granted. In March 2024, Mr. Campi entered into a commission termination agreement, terminating the incentive compensation-related provisions in his employment agreements and agreeing no amounts would be paid pursuant to such provisions for prior periods Mr. Campi is also entitled to receive expense reimbursement for reasonable expenses, including travel and entertainment, incurred in the performance of his duties.

Pursuant to the Campi Agreement, Mr. Campi may be terminated for "cause," which is defined as an act of fraud, embezzlement, theft or neglect of or refusal to substantially perform the duties of his employment that is materially injurious to the financial condition or business reputation of the Company; a material violation of the Campi Agreement by Mr. Campi that is not cured within 30 days of written notice; and Mr. Campi's death, disability or incapacity. Following the expiration of the initial term, the Campi Agreement may be terminated by the board of directors at its discretion, in which case Mr. Campi will receive a payment equal to 50% of his then-applicable annual base salary. In addition, Mr. Campi may terminate the Campi Agreement at his discretion by providing at least 30 days' prior written notice to the Company.

In the event the Company is acquired, is the non-surviving entity in a merger or sells all or substantially all of its assets, the Campi Agreement will survive, and the Company will use its best efforts to ensure that the transferee or surviving company is bound by the provisions of the Campi Agreement. All shares granted will vest immediately.

Leonard J. Sokolow (Co-Chief Executive Officer)

In connection with his employment as Co-Chief Executive Officer, the Company and Mr. Sokolow entered into an employment agreement, effective as of September 12, 2023 (the "Sokolow Agreement"). Pursuant to the Sokolow Agreement, Mr. Sokolow will receive a base salary of $160,000 per year, subject to annual review and adjustment by the compensation committee, and a minimum bonus every six months during the term of the Sokolow Agreement equal to $40,000 in cash or stock, as elected by Mr. Sokolow. In addition, Mr. Sokolow will be eligible to receive a performance-based bonus, payable in equity and/or cash, subject to the achievement of performance metrics and other criteria as determined by the Executive Chairman and approved by the compensation committee. Subject to the compensation committee's approval, the Company and Mr. Sokolow may agree on an annual bonus structure (in addition to the minimum bonus described above) based on performance metrics and other criteria, and such bonus payments could be a combination of stock, stock options, and cash.

Pursuant to the Sokolow Agreement, on September 12, 2023, the compensation committee granted to Mr. Sokolow (i) 450,000 RSUs, 120,000 of which vested on the date of grant, 300,000 of which will vest in six semi-annual installments of 50,000, beginning on March 12, 2024, and 30,000 of which will vest on March 12, 2027; and (ii) five-year stock options to purchase up to 450,000 shares of the Company's common stock at an exercise price of $1.58 per share, 120,000 of which vested on the date of grant, 300,000 of which will vest in six semi-annual installments of 50,000, beginning on March 12, 2024, and 30,000 of which will vest on March 12, 2027, in each case subject to continuous employment through the applicable vesting date. The awards were granted pursuant to the terms and conditions of the 2021 Plan and applicable equity award agreements.

Mr. Sokolow is also entitled to receive expense reimbursement for reasonable expenses, approved in writing by the Company, incurred in the performance of his duties. He is entitled up to four weeks of vacation per year and to participate in the Company's benefit programs for executive employees. The Sokolow Agreement also contains non-competition and non-solicitation covenants and provides for severance under certain circumstances as described in the Sokolow Agreement. In particular, in the event the Company terminates Mr. Sokolow's employment for any reason other than for Disability or Cause (as such terms are defined in the Sokolow Agreement), the Company gives notice of nonrenewal of the Sokolow Agreement, or if Mr. Sokolow terminates his employment for Good Reason (as defined in the Sokolow Agreement), the Company will provide the following benefits: (i) severance pay equal to six months of Mr. Sokolow's ending annual base salary, minus withholdings, (ii) a gross amount equal to six months of the cost of Mr. Sokolow's monthly health insurance premium for him and his eligible dependents (if any), conditioned on Mr. Sokolow electing to continue health insurance coverage through COBRA, and (iii) the portions of Mr. Sokolow's RSU and stock option awards that are due to vest during six months following his termination date will vest on their respective vesting dates.

The Sokolow Agreement has a three-year term, with automatic renewal annually following the initial three-year term for an additional one year unless terminated by either party by providing at least 30-days' written notice prior to the end of the then term.

Rani R. Kohen (Executive Chairman)

Effective September 1, 2019, the Company entered into an Executive Chairman Agreement with Rani R. Kohen (as amended, the "2019 Chairman Agreement") to serve as the Company's Executive Chairman and Chairman of the board of directors, which superseded Mr. Kohen's previous chairman agreement effective September 1, 2016. Effective as of January 1, 2022, the Company entered into a new Executive Chairman Agreement with Mr. Kohen (the "Chairman Agreement"), which superseded the 2019 Chairman Agreement and contains substantially the same terms. The Chairman Agreement provides that Mr. Kohen will serve for an initial term of three years and that the Chairman Agreement will automatically renew unless Mr. Kohen or the board of directors decide otherwise.

Subject to other customary terms and conditions of such agreements, the Chairman Agreement provides that Mr. Kohen will receive: (i) a base salary of $300,000 per year commencing January 1, 2022 (an increase from $250,000 per year under the 2019 Chairman Agreement), which will be increased by the Company in the event the Company has a significant cash raise; (ii) annual equity compensation consisting of options to purchase 1,020,000 shares of common stock at an exercise price of $12.00 per share, which vest in three equal annual installments on each of January 1, 2023, 2024 and 2025 (subject to certain exceptions) and have a five-year term; (iii) a sign-on bonus stock option to purchase 120,000 shares of common stock at an exercise price of $12.00 per share, which vested in its entirety on January 1, 2023 and has a five-year term; (iv) supplemental bonus compensation of stock options to purchase up to 6,000,000 shares of common stock at an exercise price ranging between $6.00 and $8.00 per share, determined based on the achievement of specified market capitalizations of the Company, as described further below, which have a five-year term; (v) supplemental bonus compensation such that, in the event the Company achieves a $10.0 billion valuation, for each valuation increase of $1.0 billion up to $30.0 billion Company valuation, Mr. Kohen will receive an option to purchase 500,000 shares at an exercise price of $12.00 per share; (vi) supplemental bonus compensation of stock options to purchase up to 4,000,000 shares of common stock at an exercise price ranging between $3.00 and $5.00 per share, determined based on the achievement of specified market capitalizations of the Company, as provided by the previous chairman agreement and described further below; and (vii) incentive compensation equal to 0.5% of the Company's gross revenue, which will be paid in cash, stock and/or options on an annual basis. In the event the Company exceeds a $30.0 billion valuation, the Company and Mr. Kohen will negotiate a mutually acceptable amendment to the Chairman Agreement.

Mr. Kohen is eligible for the following supplemental bonus compensation under the Chairman Agreement (in addition to the supplemental bonus compensation described in clause (v) above): (i) options to purchase 500,000 shares of common stock at an exercise price of $6.00 per share, upon the Company achieving each of the following market capitalizations: $500.0 million, $1.0 billion, $1.5 billion and $2.0 billion; (ii) options to purchase 500,000 shares of common stock at an exercise price of $7.00 per share, upon the Company achieving each of the following market capitalizations: $3.0 billion, $4.0 billion, $5.0 billion and $6.0 billion; and (iii) options to purchase 500,000 shares of common stock at an exercise price of $8.00 per share, upon the Company achieving each of the following market capitalizations: $7.0 billion, $8.0 billion, $9.0 billion and $10.0 billion. Mr. Kohen additionally remains eligible to receive the following supplemental bonus compensation, pursuant to the prior chairman agreement: (i) options to purchase 500,000 shares of common stock at $3.00 per share, upon the Company achieving each of the following market capitalizations: $300.0 million, $500.0 million and $750.0 million; (ii) options to purchase 500,000 shares of common stock at $4.00 per share, upon the Company achieving each of the following market capitalizations: $1.0 billion, $1.5 billion and $2.0 billion; and (iii) options to purchase 500,000 shares of common stock at $5.00 per share, upon the Company achieving each of the following market capitalizations: $2.5 billion and $3.0 billion. Of these, as of December 31, 2023, the following have vested: (i) options to purchase 1.5 million shares at an exercise price of $3.00 per share, (ii) options to purchase 500,000 shares at an exercise price of $4.00 per share; and (iii) options to purchase 1.0 million shares at an exercise price of $6.00 per share.

Mr. Kohen is also entitled to receive a car allowance of $1,000 per month, reimbursement for cell phone costs and expense reimbursement for reasonable expenses, including travel and entertainment, incurred in the performance of his duties. In addition, in the event Mr. Kohen invents additional new products and applications for the Company, including products based on the Company's existing intellectual property, Mr. Kohen will be entitled to receive additional compensation, which will be determined by the board of directors.

Pursuant to the Chairman Agreement, Mr. Kohen may be terminated for "cause," which is defined as an act of fraud, embezzlement or theft; a material violation of the Chairman Agreement by Mr. Kohen that is not cured within 60 days of written notice; and Mr. Kohen's death, disability or incapacity. During the initial term of the Chairman Agreement, if Mr. Kohen is terminated without cause, (i) the Company will pay Mr. Kohen an amount calculated by multiplying Mr. Kohen's monthly salary at the time of such termination by the number of months remaining in the initial term; (ii) Mr. Kohen's annual equity compensation will vest on a pro rata basis; and (iii) Mr. Kohen will receive full payment of all unpaid incentive compensation. Following the expiration of the initial term, the Chairman Agreement may be terminated by the board of directors at its discretion, in which case Mr. Kohen will receive full payment for all incentives and will be entitled to compensation for his invented products. Mr. Kohen may terminate the Chairman Agreement at his discretion by providing at least 90 days' prior written notice to the Company. In the event Mr. Kohen's employment is terminated by reason of his death, the Company will pay Mr. Kohen's beneficiaries 12 months of Mr. Kohen's base salary or Mr. Kohen's base salary through the remainder of the year in which Mr. Kohen's death occurs, whichever is greater, and all annual stock compensation, incentive compensation and supplemental bonus compensation due to Mr. Kohen will be bequeathed to his beneficiaries.

In the event the Company is acquired, is the non-surviving party in a merger or sells all or substantially all of its assets, the Chairman Agreement will not be terminated, and the Company will ensure that the transferee or surviving company is bound by the provisions of the Chairman Agreement. All shares granted and any other compensation will vest and be paid immediately.

Patricia Barron (Chief Operations Officer)

Effective September 1, 2019, the Company entered into an Executive Employment Agreement with Patricia Barron, its Chief Operations Officer (the "Barron Agreement"), which superseded Ms. Barron's previous employment agreement effective July 1, 2016. The Barron Agreement provided for an initial term of one year, which term may be, and has been, renewed by the mutual agreement of Ms. Barron and the Company. Subject to other customary terms and conditions of such agreements, the Barron Agreement provides that Ms. Barron will receive: (i) a base salary of $150,000 per year, which may be adjusted each year at the discretion of the board; (ii) a sign-on bonus of a stock option to purchase 100,000 shares of common stock at an exercise price of $6.00 per share, which vested in its entirety on December 31, 2020. Ms Barron was previously eligible to receive cash incentive compensation equal to 0.25% of the Company's net revenue, payable on an annual or quarterly basis. In March 2024, Ms. Barron entered into a commission termination agreement, terminating the incentive compensation-related provisions in her employment agreements and agreeing no amounts would be paid pursuant to such provisions for prior periods. Ms. Barron is also entitled to receive expense reimbursement for reasonable expenses, including travel and entertainment, incurred in the performance of her duties.

Pursuant to the Barron Agreement, Ms. Barron may be terminated for "cause," which is defined as an act of fraud, embezzlement, theft or neglect of or refusal to substantially perform the duties of her employment that is materially injurious to the financial condition or business reputation of the Company; a material violation of the Barron Agreement by Ms. Barron that is not cured within 30 days of written notice; and Ms. Barron's death, disability or incapacity. Following the expiration of the initial term, the Barron Agreement may be terminated by the board of directors at its discretion, in which case Ms. Barron will receive one month of her then-applicable annual base salary for every year of employment by the Company, as well as any unpaid incentive compensation. In addition, Ms. Barron may terminate the Barron Agreement at her discretion by providing at least 30 days' prior written notice to the Company.

In the event the Company is acquired, is the non-surviving entity in a merger or sells all or substantially all of its assets, the Barron Agreement will survive, and the Company will use its best efforts to ensure that the transferee or surviving company is bound by the provisions of the Barron Agreement. All shares granted will vest immediately.

Steven M. Schmidt (President)

The Company initially entered into a consultant agreement with Steven M. Schmidt on August 20, 2019, as amended June 1, 2021 (as amended, the "Schmidt Agreement"), pursuant to which amendment Mr. Schmidt agreed to serve as the Company's President. The Schmidt Agreement provides for a three-year term, which may be renewed upon the signed written consent of the Company and Mr. Schmidt. Subject to other customary terms and conditions of such agreement, the Schmidt Agreement provides that Mr. Schmidt will receive: (i) a five-year option to purchase 60,000 shares of common stock at an exercise price of $0.10 per share, which vested in three equal annual installments on each of October 1, 2020, 2021 and 2022; (ii) a five-year option to purchase 60,000 shares of common stock at an exercise price of $6.00 per share, which vested in three equal annual installments on each of October 1, 2020, 2021 and 2022; (iii) a stock bonus of 20,000 shares, payable upon achievement of certain sales program goals; (iv) a signing bonus of 25,000 shares of common stock; (v) a five-year option to purchase 100,000 shares of common stock at an exercise price of $12.00 per share, which vests in four equal annual installments on each of June 1, 2021, 2022, 2023 and 2024 (which includes a signing bonus of options to purchase 25,000 shares); and (vi) an annual grant of 25,000 shares of common stock on each of June 1, 2022, 2023 and 2024. Mr. Schmidt may be eligible to receive additional bonus compensation as determined by the Company.

Pursuant to the Schmidt Agreement, Mr. Schmidt may be terminated for "cause," which is defined as an act of fraud, embezzlement, theft or neglect of or refusal to substantially perform his duties that is materially injurious to the financial condition or business reputation of the Company; a material violation of the Schmidt Agreement by Mr. Schmidt that is not cured within 30 days of written notice; Mr. Schmidt's death, disability or incapacity; willful misconduct that damages the Company, its reputation, products, services or customers; and being charged with a felony or misdemeanor involving moral turpitude. The Company may terminate the Schmidt Agreement at any time, in which case Mr. Schmidt will immediately receive all shares of common stock provided for under the Schmidt Agreement and all options provided for will immediately vest. Mr. Schmidt may terminate the Schmidt Agreement at his discretion by providing at least 30 days' prior written notice to the Company.

In the event the Company is acquired, is the non-surviving entity in a merger or sells all or substantially all of its assets, the provisions and rights provided for in the Schmidt Agreement will survive, and the Company will use its best efforts to ensure that the transferee or surviving company is bound by the provisions of the Schmidt Agreement. All shares granted will vest immediately.

Marc-Andre Boisseau (Chief Financial Officer)

Effective January 1, 2022, the Company entered into an employment agreement with Marc-Andre Boisseau, pursuant to which Mr. Boisseau agreed to serve as the Company's Chief Financial Officer (the "Boisseau Agreement"). Subject to other customary terms and conditions of such agreement, the Boisseau Agreement provides that Mr. Boisseau will: (i) receive a base salary of $144,000 per year, subject to annual review and adjustment; (ii) receive a signing bonus consisting of (1) 10,000 shares of common stock, which vested in four equal installments at the end of each quarter in 2022 and (2) a three-year stock option to purchase 10,000 shares of common stock, which vested in four equal installments at the end of each quarter in 2022; and (iii) be eligible to receive performance-based compensation in the form of a bonus, payable in equity and/or cash, as determined by the compensation committee, subject to the achievement of performance metrics and other criteria as determined by the Executive

Chairman and approved by the compensation committee. Mr. Boisseau is also entitled to receive expense reimbursement for reasonable expenses, approved in writing by the Executive Chairman and Chief Executive Officer, incurred in the performance of his duties. The Boisseau Agreement also contains customary non-competition and non-solicitation covenants and does not provide for any specified severance benefits. The Boisseau Agreement provides that Mr. Boisseau's employment is "at will," and either party may terminate his employment at any time and for any reason, without cause, upon 90 days' advance written notice.

Stock Incentive Plans

2021 Stock Incentive Plan

The 2021 Plan was adopted by our board of directors in December 2021 and approved by our stockholders in February 2022 and became effective February 9, 2022 (the "Effective Date"). The 2021 Plan is the successor to the Company's 2018 Stock Incentive Plan (as amended and restated, the "2018 Plan"), and no further awards may be granted under the 2018 Plan after the Effective Date. The following provides a summary of the 2021 Plan.

Eligibility and Types of Awards

The 2021 Plan authorizes the grant of equity-based compensation awards to those employees of, and consultants to, the Company and its subsidiaries who are selected by the compensation committee, and the 2021 Plan also authorizes the compensation committee to grant awards to non-employee directors of the Company. Awards under the 2021 Plan may be granted in the form of stock options, stock appreciation rights (sometimes referred to as "SARs"), restricted shares, RSUs, and other share-based awards.

Administration

The compensation committee, which is comprised of non-employee directors, will administer awards granted under the 2021 Plan. To the extent permitted by applicable law, the compensation committee may delegate its authority to one or more officers or directors of the Company. Further, the board of directors may reserve to itself any of the compensation committee's authority and may act as the administrator of the 2021 Plan.

Shares Available

Subject to adjustments as described below, the total number of shares that may be delivered under the 2021 Plan will not exceed 20,000,000 shares (all of which potentially may be issued pursuant to awards of incentive stock options). Shares tendered or withheld to pay the exercise price of a stock option or to cover tax withholding, and shares repurchased by the Company with stock option proceeds, will not be added back to the number of shares available under the 2021 Plan. Upon exercise of any stock appreciation right that may be settled in shares, the full number of shares subject to that award will be counted against the number of shares available under the 2021 Plan, regardless of the number of shares used to settle the stock appreciation right upon exercise. To the extent that any award under the 2021 Plan or any award granted under the 2018 Plan prior to the effectiveness of the 2021 Plan is forfeited, canceled, surrendered, or terminated without the issuance of shares or an award is settled only in cash, the shares subject to such awards granted but not delivered will be added to the number of shares available for awards under the 2021 Plan. Shares available for awards under the 2021 Plan may consist of authorized and unissued shares, treasury shares (including shares purchased by the Company in the open market) or a combination of the foregoing.

Stock Options

Subject to the terms and provisions of the 2021 Plan, options to purchase shares may be granted to eligible individuals at any time and from time to time as determined by the compensation committee. Options may be granted as incentive stock options (to employees only) or as nonqualified stock options. The compensation committee will determine the number of options granted to each recipient. Each option grant will be evidenced by an award agreement that specifies whether the options are intended to be incentive stock options or nonqualified stock options and such additional limitations, terms and conditions as the compensation committee may determine, consistent with the provisions of the 2021 Plan.

The exercise price for each stock option may not be less than 100% of the fair market value of a share of common stock on the date of grant, and each stock option shall have a term no longer than 10 years. Stock options granted under the 2021 Plan may be exercised by such methods and procedures as determined by the compensation committee from time to time.

Stock Appreciation Rights

The compensation committee in its discretion may grant SARs under the 2021 Plan. A SAR entitles the holder to receive from the Company upon exercise an amount equal to the excess, if any, of the aggregate fair market value of a specified number of shares that are the subject of such SAR over the aggregate exercise price for the underlying shares. The exercise price for each SAR may not be less than 100% of the fair market value of a share on the date of grant, and each SAR shall have a term no longer than 10 years.

The Company may make payment in settlement of the exercise of a SAR by delivering shares, cash or a combination of shares and cash as set forth in the applicable award agreement. Each SAR will be evidenced by an award agreement that specifies the date and terms of the award and such additional limitations, terms and conditions as the compensation committee may determine, consistent with the provisions of the 2021 Plan.

Restricted Shares

Under the 2021 Plan, the compensation committee may grant or sell restricted shares to participants (i.e., shares that are subject to a substantial risk of forfeiture based on continued service and/or the achievement of performance objectives and that are subject to restrictions on transferability) under the 2021 Plan. Except for these restrictions and any others imposed by the compensation committee, upon the grant of restricted shares, the recipient generally will have rights of a stockholder with respect to the restricted shares, including the right to vote the restricted stock and to receive dividends and other distributions paid or made with respect to the restricted shares. However, any dividends payable with respect to unvested restricted shares will be accumulated or reinvested in additional restricted shares until the vesting of the award. During the applicable restriction period, the recipient may not sell, transfer, pledge, exchange or otherwise encumber the restricted shares. Each award of restricted shares will be evidenced by an award agreement that specifies the terms of the award and such additional limitations, terms and conditions, which may include restrictions based upon the achievement of performance objectives, as the compensation committee may determine.

Restricted Share Units

The compensation committee may grant or sell RSUs to participants under the 2021 Plan. RSUs constitute an agreement to deliver shares (or an equivalent value in cash) to the participant at the end of a specified restriction period and/or upon the achievement of specified performance objectives, subject to such other terms and conditions as the compensation committee may specify, consistent with the provisions of the 2021 Plan. RSUs are not common shares and do not entitle the recipients to any of the rights of a stockholder. RSUs will be settled in cash, shares or a combination of cash and shares. Each RSU award will be evidenced by an award agreement that specifies the terms of the award and such additional limitations, terms and conditions as the compensation committee may determine, which may include restrictions based upon the achievement of performance objectives.

Other Share-Based Awards

The compensation committee may grant other share-based awards to participants under the 2021 Plan. Other share-based awards are awards that are valued in whole or in part by reference to shares of common stock, or are otherwise based on the value of the common stock, such as unrestricted shares or time-based or performance-based units that are settled in shares and/or cash. Each other share-based award will be evidenced by an award agreement that specifies the terms of the award and such additional limitations, terms and conditions as the compensation committee may determine, consistent with the provisions of the 2021 Plan.

Dividend Equivalents

As determined by the compensation committee in its discretion, RSUs and other share-based awards may provide the participant with a deferred and contingent right to receive dividend equivalents, either in cash or in additional shares. Any such dividend equivalents will be accumulated or deemed reinvested until such time as the underlying award becomes vested (including, where applicable, vesting based on the achievement of performance objectives). No dividend equivalents may be granted with respect to shares underlying any stock option or SAR.

Change in Control

If a participant is a party to an employment, retention, change in control, severance or similar agreement with the Company or a subsidiary that addresses the effect of a change in control on the participant's awards, then that agreement will control the treatment of the participant's awards under the 2021 Plan in the event of a change in control. In all other cases, the compensation committee retains the discretion to determine the treatment of awards granted under the 2021 Plan in the event of a change in control. For example, the compensation committee may determine (without the consent of any participant) to accelerate the vesting of any award (in whole or in part), to make cash payments in cancellation of vested awards, or to cancel any stock options or SARs without consideration if the price per share in the change of control transaction does not exceed the exercise price per share of the applicable award.

The 2021 Plan generally defines a change in control to include the acquisition of more than 50% of the Company's then-outstanding common stock, other than acquisitions directly from, or by, the Company or by any employee benefit plan sponsored or maintained by the Company, and the consummation of a reorganization, merger, consolidation, sale or other disposition of all or substantially all of the Company's assets, unless, following such transaction, the Company's stockholders own more than 50% of the common stock of the resulting entity in substantially the same proportions as their ownership of the Company's common stock prior to the transaction, no stockholder beneficially owns, directly or indirectly, 50% or more of the outstanding common stock of the entity resulting from such transaction (except to the extent that such ownership existed prior to the transaction), and at least a majority of the members of the board of directors of the resulting entity were members of the Company's board of directors at the time of the transaction. The 2021 Plan contains the complete, detailed definition of change in control.

Adjustments

In the event of any equity restructuring, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, the compensation committee will adjust the number and kind of shares that may be delivered under the 2021 Plan, the number and kind of shares subject to outstanding awards and the exercise price or other price of shares subject to outstanding awards, to prevent dilution or enlargement of rights. In the event of any other change in corporate capitalization, or in the event of a merger, consolidation, liquidation or similar transaction, the compensation committee may, in its discretion, make such an equitable adjustment, to prevent dilution or enlargement of rights. However, unless otherwise determined by the compensation committee, the number of shares subject to any award will always be rounded down to a whole number. Moreover, in the event of any such transaction or event, the compensation committee, in its discretion, may provide in substitution for any or all outstanding awards such alternative consideration (including cash) as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender of all awards so replaced.

The compensation committee, in its sole discretion, may also provide at any time for the exercisability of outstanding stock options and SARs, the lapse of time-based vesting restrictions and the satisfaction of performance objectives applicable to outstanding awards, or the waiver of any other limitation or requirement under any awards.

Transferability

Except as the compensation committee otherwise determines, awards granted under the 2021 Plan will not be transferable by a participant other than by will or the laws of descent and distribution. Except as otherwise determined by the compensation committee, stock options and SARs will be exercisable during a participant's lifetime only by him or her or, in the event of the participant's incapacity, by his or her guardian or legal representative. Any award made under the 2021 Plan may provide that any shares issued as a result of the award will be subject to further restrictions on transfer.

No Repricing of Stock Options or Stock Appreciation Rights

Except in connection with an adjustment involving a change in capitalization or other corporate transaction or event as provided for in the 2021 Plan, the compensation committee may not authorize the amendment of any outstanding stock option or stock appreciation right to reduce the exercise price, and no outstanding stock option or stock appreciation right may be cancelled in exchange for stock options or stock appreciation rights having a lower exercise price, or for another award or for cash, without the approval of the Company's stockholders.

Compensation Recovery Policy

Awards granted under the 2021 Plan are subject to forfeiture or recoupment pursuant to the Company's Compensation Recovery Policy.

Term of the 2021 Plan; Amendment and Termination

No awards may be granted under the 2021 Plan after the date that is 10 years from the Effective Date, or such earlier date as the 2021 Plan may be terminated by the board of directors. The board of directors may, without stockholder approval, amend or terminate the 2021 Plan, except in any respect as to which stockholder approval is required by the 2021 Plan, by law, regulation or the rules of an applicable stock exchange.

2018 Stock Incentive Plan (as Amended and Restated)

The board of directors initially approved the 2018 Plan on April 26, 2018, and in each of August 2019 and November 2021, the board of directors approved the amendment and restatement of the 2018 Plan. Prior to the effectiveness of the 2021 Plan, the Company, acting through the board, or the applicable committee, was authorized to grant stock options, restricted stock awards, deferred bonus awards, deferred stock awards and performance share awards. In connection with the effectiveness of our 2021 Plan, no further awards will be granted under the 2018 Plan. However, all outstanding awards under the 2018 Plan will continue to be governed by their existing terms.

If the Company is merged or consolidated with another entity or sells or otherwise disposes of substantially all of its assets to another company while options or stock awards remain outstanding under the 2018 Plan, unless provisions are made in connection with such transaction for the continuance of the 2018 Plan and/or the assumption or substitution of such options or stock awards with new options or stock awards covering the stock of the successor company, or parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices, then all outstanding options and stock awards that have not been continued or assumed, or for which a substituted award has not been granted, will, whether or not vested or then exercisable, unless otherwise specified in the stock option or stock award agreement, terminate immediately as of the effective date of any such merger, consolidation or sale.

2015 Stock Incentive Plan

The Company previously granted equity awards under the 2015 Plan, which contained substantially the same terms as the 2018 Plan, described above. The Company no longer grants awards under the 2015 Plan as it was replaced by the 2018 Plan.

Termination or Change in Control Benefits

Our named executive officers may become entitled to certain benefits or enhanced benefits in connection with a qualifying termination and/or a change in control of our Company. Our named executive officers' employment agreements entitle them to certain benefits upon certain terminations or in connection with a change in control of the Company. For additional discussion, see "Agreements with Named Executive Officers" above.

Each of our named executive officers holds equity awards that were granted subject to the general terms and termination and change in control provisions of our stock incentive plans. The forms of agreements governing outstanding awards granted under the plans contain additional such provisions. For additional discussion, please see "2018 Stock Incentive Plan (as Amended and Restated)" and "2021 Stock Incentive Plan" above.

Compensation Recovery Policy

During 2023, the board of directors adopted the Company's Compensation Recovery Policy to comply with SEC and Nasdaq Stock Market rules for the clawback of certain executive compensation in the event that we are required to prepare a restatement of our financial statements due to material noncompliance with any financial reporting requirement under the securities laws. In the event of such a restatement, the Compensation Recovery Policy provides that the compensation committee will cause the Company to promptly recover any erroneously awarded incentive-based compensation received by any covered executive officer during the three completed fiscal years immediately preceding the date on which the Company is required to prepare the accounting restatement. Covered executive officers include both current and former executive officers, and incentive-based compensation includes any compensation that is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure. Financial reporting measures are those that are determined and presented in accordance with the accounting principles used in preparing our financial statements, and any measures that are derived wholly or in part from such measures. The amount required to be recovered under the Compensation Recovery Policy in the event of an accounting restatement generally will equal the amount of incentive-based compensation received by the covered executive officer that exceeds the amount of such compensation that otherwise would have been received had it been determined based on the restated amounts, computed without regard to any taxes paid. The Compensation Recovery Policy is effective with respect to covered incentive-based compensation received by a covered executive officer on or after October 2, 2023. The full text of the Compensation Recovery Policy is attached to this Annual Report as Exhibit 97.

DIRECTOR COMPENSATION

Director Compensation

Our board of directors approved a program for non-employee director compensation (the "Director Compensation Program") in March 2022, and the board of directors amended the Director Compensation Program in March 2023. Under the Director Compensation Program, for service on our board, non-employee directors receive an annual cash retainer of $30,000, paid in quarterly installments. Directors may elect to have the cash retainer paid in the form of shares of common stock.,. For 2023, shares were granted on the last day of each quarter, with the number of shares granted determined based on the opening price per share of common stock on Nasdaq on the last day of the quarter. For 2024, all shares will be granted on December 31, 2024, with the number of shares granted to be determined based on the opening price per share of common stock on Nasdaq on such date.

In addition, on the third trading day after the earlier of the date of the earnings release or the date the annual report is filed on Form 10-K (the "Program Grant Date"), non-employee directors receive an annual grant of (i) 5,000 shares of restricted stock, which vest immediately on the Program Grant Date, and (ii) options to purchase up to 5,000 shares of common stock with an exercise price equal to the closing price of common stock on Nasdaq on Program Grant Date, which will vest in twelve equal monthly installments beginning on the last day of the month in which the options were granted and expire five years from the Program Grant Date.

For service as a member of the Audit Committee, Compensation Committee and/or Nominating and Corporate Governance Committee, non-employee directors each receive an additional annual grant of (i) 3,000 shares of restricted stock, which vest immediately on the Program Grant Date, and (ii) options to purchase up to 3,000 shares of common stock with an exercise price equal to the closing price of common stock on Nasdaq on the Program Grant Date, which will vest in twelve equal monthly installments beginning on the last day of the month in which the options were granted and expire five years from the Program Grant Date.

For service as the Chair of the Audit Committee, Compensation Committee and/or Nominating and Corporate Governance Committee, non-employee directors each receive an additional annual grant of (i) 2,000 shares of restricted stock, which vest immediately on the Program Grant Date, and (ii) options to purchase up to 2,000 shares of common stock with an exercise price equal to the closing price of common stock on Nasdaq on the Program Grant Date, which will vest in twelve equal monthly installments beginning on the last day of the month in which the options were granted and expire five years from the Program Grant Date.

For non-employee members of the Business Strategy and Development Committee of the Board, non-employee directors each receive an additional annual grant of (i) 12,500 shares of restricted stock, which vest immediately on the Program Grant Date, and (ii) options to purchase up to 12,500 shares of common stock with an exercise price equal to the closing price of common stock on Nasdaq on the Program Grant Date, which will vest in twelve equal monthly installments beginning on the last day of the month in which the options were granted and expire five years from the Program Grant Date.

Non-employee directors also receive reimbursement of reasonable out-of-pocket expenses for attending meetings and carrying out duties as board members.

Director Compensation Table

The following table summarizes the compensation paid to each non-employee director who served during the fiscal year ended December 31, 2023. All compensation earned by Messrs. Kohen and Sokolow during 2023 has been reported in the "Summary Compensation Table" above under "Executive Compensation."

Name	Fees earned or paid in cash ($)	Stock awards ($)(1)	Option awards ($)(1)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Nancy DiMattia	-	116,531	25,902	-	-	-	142,433
Gary N. Golden	30,000	59,040	19,572	-	-	-	108,612
Efrat L. Greenstein Brayer	30,000	52,480	17,443	-	-	-	99,923
Thomas J. Ridge	-	46,010	6,400	-	-	-	52,410
Dov Shiff	-	46,010	6,400	-	-	-	52,410

(1) The table reflects the grant date fair value, as computed in accordance with Topic 718, of the restricted share awards and options granted to directors in 2023. The assumptions used to determine the valuation of the awards are discussed in Note 2 and Note 12 to our consolidated financial statements for the 2023 fiscal year. All stock options reported in the table above were granted with an exercise price of $3.28 per share and vest in twelve equal monthly installments beginning on April 30, 2023.

There were no unvested stock awards held by non-employee directors as of December 31, 2023. The total number of unexercised option awards (vested and unvested) held by our non-employee directors as of December 31, 2023 was as follows: Ms. DiMattia, 34,500 options; Mr. Golden, 28,000 options; Ms. Greenstein Brayer, 25,000 options; Mr. Ridge, 610,000 options; and Mr. Shiff, 110,000 options.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information known to us regarding beneficial ownership of our issued and outstanding common stock as of March 21, 2024 for:

- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Under those rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and includes securities that the individual or entity has the right to acquire, such as through the exercise of issued stock options or warrants, vesting of RSUs or conversion of convertible notes, within 60 days of March 21, 2024. Except as noted by footnote, and subject to community property laws where applicable, we believe, based on the information provided to us, that the persons and entities named in the table below have sole voting and investment power with respect to all common stock shown as beneficially owned by them.

The percentage of beneficial ownership is based on 96,870,902 shares of common stock issued and outstanding as of March 21, 2024. Shares of our common stock that are subject to options or warrants exercisable, RSUs vesting, or notes convertible within 60 days of March 21, 2024 are deemed to be outstanding for computing the percentage ownership of the person holding such options, warrants, RSUs and/or notes and the percentage ownership of any group in which the holder is a member, but are not deemed outstanding for computing the percentage of any other person.

Except as otherwise indicated below, the address of each beneficial owner is c/o SKYX Platforms Corp., 2855 W. McNab Road, Pompano Beach, Florida 33069.

	Common Stock Beneficially Owned	
Name and Address of Beneficial Owner[	**Number of Shares and Nature of Beneficial Ownership**	**Percentage of Total Common Stock**
Greater than 5% Stockholders		
Dov Shiff, Director[1]	15,133,859	15.6%
Rani R. Kohen, Executive Chairman and Director[2]	15,199,970	14.8%
Motek 7 SQL LLC[3]	6,118,004	6.3%
Strul Associates Limited Partnership[4]	6,023,534	6.1%
Directors and Named Executive Officers (not otherwise included above)		
John P. Campi, Co-Chief Executive Officer[5]	924,352	*
Leonard J. Sokolow, Co-Chief Executive Officer, Director[6]	1,475,177	1.5%
Marc-Andre Boisseau[7]	182,970	*
Steven M. Schmidt, President[8]	298,843	*
Patricia Barron, Chief Operations Officer[9]	837,841	*
Nancy DiMattia, Director[10]	92,770	*
Gary N. Golden, Director[11]	56,000	*
Efrat L. Greenstein Brayer, Director[12]	50,000	*
Thomas J. Ridge, Director[136]	1,598,770	1.6%
All directors and current executive officers as a group (11 persons)[15]	35,850,552	33.8%

* Represents beneficial ownership of less than one percent.

(1) Based on a Form 4 and Schedule 13D/A filed by Mr. Shiff on January 3, 2024 and October 10, 2023, respectively. Includes 13,274,618 shares of common stock held by DZDLUX s.a.r.l., of which Mr. Shiff is a controlling person; 235,712 shares of common stock held by Shiff Group Assets Ltd., of which Mr. Shiff is a controlling person; 1,458,529 shares of common stock held directly by Mr. Shiff; and 40,000 shares held by Mr. Shiff's spouse. Also includes 85,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 and 40,000 shares of common stock issuable upon conversion of the principal amount of an outstanding convertible note held by Shiff Group Investments Ltd., of which Mr. Shiff is the President and Chief Executive Officer. As a result of his positions at DZDLUX s.a.r.l, Shiff Group Assets Ltd. and Shiff Group Investments Ltd., Mr. Shiff may be deemed to be the beneficial owner of the shares held by such entities and have voting and dispositive power over such shares.

(2) Based on a Form 4 and Schedule 13D/A filed by Mr. Kohen on June 13, 2022 and July 7, 2023, respectively. Includes 16,001 shares of common stock held directly by Mr. Kohen, 9,143,969 shares of common stock held by KRNB Holdings LLC and 100,000 shares of common stock held by Mr. Kohen's family member, as well 5,940,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024. As manager of KRNB Holdings LLC, Mr. Kohen may be deemed to be the beneficial owner of the shares held by KRNB Holdings LLC and have voting and dispositive power over such shares.

(3) Based on a Schedule 13G filed by Motek 7 SQL LLC on February 16, 2022. As manager of Motek 7 SQL LLC, Hillel Bronstein may be deemed to be the beneficial owner of the shares held by Motek 7 SQL LLC and have voting and dispositive power over such shares. The business address of Motek 7 SQL LLC is c/o Mansfield Bronstein, PA, 500 Broward Blvd., Suite 1450, Fort Lauderdale, Florida 33394.

(4) Includes 4,855,015 shares of common stock, 125,000 shares of common stock issuable upon exercise of an outstanding warrant, 1,018,519 shares of common stock underlying convertible promissory notes that are exercisable within 60 days of March 21, 2024 held by Strul Associates Limited Partnership., and 25,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 As President of Strul Associates Limited Partnership, Aubrey Strul may be deemed to be the beneficial owner of the shares held by Strul Associates Limited Partnership and have voting and dispositive power over such shares. The business address of Strul Associates Limited Partnership is 20320 Fairway Oaks Drive, #362, Boca Raton, Florida 33434.

(5) Includes 797,685 shares of common stock, 120,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 and 6,667 shares of common stock issuable upon conversion of the principal amount of an outstanding convertible note held by Mr. Campi.

(6) Includes 469,136 shares of common stock held by Mr. Sokolow, 10,084 shares of unvested restricted stock, 955,000 shares of common stock underlying stock options held by Mr. Sokolow that are exercisable within 60 days of March 21, 2024, 16,667 shares of common stock issuable upon conversion of the principal amount of an outstanding convertible note held by Mr. Sokolow, and 24,290 shares of common stock issuable upon exercise of warrants held by Mr. Sokolow.

(7) Includes 40,470 shares of common stock, 90,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 and 52,500 RSUs that vest within 60 days of March 21, 2024 held by Mr. Boisseau.

(8) Includes 103,843 shares of common stock, including, and 195,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 held by Mr. Schmidt.

(9) Includes 112,841 shares of common stock and 725,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 held by Ms. Barron.

(10) Includes 58,270 shares of common stock and 34,500 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 held by Ms. DiMattia.

(11) Includes 28,000 shares of common stock and 28,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 held by Mr. Golden.

(12) Includes 25,000 shares of common stock and 25,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 held by Ms. Greenstein Brayer.

(13) Includes 1,013,770 shares of common stock and 585,000 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024 held by Mr. Ridge.

(14) Includes 26,917,844 shares of common stock,; 8,782,500 shares of common stock underlying stock options that are exercisable within 60 days of March 21, 2024; 62,584 shares of restricted stock that vest within 60 days of March 21, 2024; 24,290 shares of common stock issuable upon the exercise of warrants; and 63,334 shares of common stock issuable upon the conversion of the principal amount of outstanding convertible notes.

Changes in Control

We are unaware of any contract, or other arrangement or provision, the operation of which may at any subsequent date result in a change in control of our Company.

Stock Incentive Plan Information

The following table sets forth equity compensation plan information as of December 31, 2023:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights(3)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(1)(2)	40,654,237	$ 6.45	7,494,553
Equity compensation plans not approved by security holders	71,441	-	
Total	40,725,678	$ 6.45	7,494,553

(1) Includes 40,654,237 shares of common stock issuable upon exercise of stock options and RSUs granted pursuant to our stock incentive plans and to our Executive Chairman under his employment agreement, all of which were approved by our security holders, at a weighted average exercise price of $6.45 per share, which includes: (a) 4,330,000 shares of common stock issuable upon exercise of stock options granted under the 2015 Stock Incentive Plan; (b) 5,725,500 shares of common stock issuable upon exercise of stock options granted under the 2018 Plan; (c) 366,000 shares of common stock issuable upon vesting of restricted stock granted under the 2018 Plan; (d) 5,750,476 shares of common stock issuable upon exercise of stock options granted under the 2021 Plan; (d) 4,482,261 shares of common stock issuable upon vesting of RSUs granted under the 2021 Plan; and (f) 20,000,000 shares of common stock issuable to our Executive Chairman upon vesting and exercise of performance-based stock options granted to our Executive Chairman pursuant to his employment agreement, of which 3,000,000 had vested as of December 31, 2023.

(2) The 2015 Stock Incentive Plan and 2018 Plan were previously replaced and terminated by the 2018 Plan and the 2021 Plan, respectively, and, as such, no securities remained available for issuance under such plans as of December 31, 2023 and no further awards will be granted under such plans. However, all outstanding awards will continue to be governed by their existing terms. All shares available for future issuance are under the 2021 Plan.

(3) Excludes the RSUs referred to in footnote 1 because they have no exercise price.

(4) Includes 71,441 shares of common stock issuable vesting of shares of restricted stock granted by the Company's board of directors in connection with services agreements.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

As required under Nasdaq rules and regulations, a majority of the members of a listed company's board of directors must qualify as "independent," as affirmatively determined by the board of directors. Based upon information requested from and provided by each director concerning his or her background, employment, and affiliations, including family relationships, our board of directors has determined that all members of the board of directors, except Rani R. Kohen, Dov Shiff and Leonard J. Sokolow, are "independent" as that term is defined under applicable SEC rules and regulations and Nasdaq listing requirements and rules. In making such independence determinations, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the transactions described below under "Certain Relationships and Related Party Transactions" and beneficial ownership of our capital stock by each non-employee director. The composition of our board of directors and each of our committees complies with all applicable requirements of Nasdaq and the rules and regulations of the SEC.

Certain Relationships and Related Party Transactions

The following is a description of transactions or series of transactions since January 1, 2022, to which we were or will be a party, in which:

- the amount involved in the transaction exceeds the lesser of (i) $120,000 or (ii) 1% of the average of our total assets at year-end for the last two completed fiscal years; and
- in which any of our executive officers, directors, director nominees or holders of 5% or more of any class of our voting capital stock, or any immediate family member of any of the foregoing, had or will have a direct or indirect material interest.

Notes Payable

During 2020, certain related parties entered into securities purchase agreements with the Company, pursuant to which each agreed to purchase a three-year subordinated convertible promissory note. In March 2024, certain of these related parties entered into an amendment to the note, effective as of the original maturity date of the respective note, which, among other things, extended the maturity date of the note to May 16, 2025. Subject to other customary terms, the note accrues interest at a rate of 6% per annum, or, as amended, 10% per annum effective as of January 1, 2024, which is payable annually in cash or common stock, at the holder's discretion. At any time after issuance and prior to or on the maturity date, the note is convertible at the option of the holder into shares of common stock at a conversion price of $15.00 per share, or, as amended, $3.00 per share. Upon notice to the holder, the Company may prepay, in whole or in part, the outstanding balance of the note at any time prior to the maturity date; provided, that the holder has the right to convert the note into shares of common stock in lieu of prepayment. Upon the occurrence of certain events of default and written notice from the holder, the note will become immediately due and payable and, until paid in full, will bear interest at a rate of 12% per annum. The following table lists the related parties, the principal amount of the note purchased, and the maturity date of the note. The Company has not paid any of the principal on the notes, except for $125,000 in principal paid in December 2023 to Sky Technology Partners, LLC .

Name of Related Party		Principal Amount Purchased	Maturity Date
Leonard J. Sokolow - Co-Chief Executive Officer and director of the Company	$	250,000	May 16, 2025
Sky Technology Partners, LLC - Steven Siegelaub, a former greater than 5% holder with his affiliates, is the managing member	$	300,000	May 16, 2025
Shiff Group Investments Ltd. - Dov Shiff, a director and greater than 5% holder, is the President and Chief Executive Officer	$	600,000	November 3, 2023
John P. Campi - Co-Chief Executive Officer of the Company	$	100,000	May 16, 2025

On each of February 6, 2023 and March 29, 2023, the Company closed the Private Placements, pursuant to which the Company issued and sold subordinated secured convertible promissory notes and warrants to purchase shares of the Company's common stock to certain investors. Strul Associates Limited Partnership, a greater than 5% holder of the Company, purchased notes in the principal amount of $2.0 million and $750,000, respectively, and was issued warrants to purchase 125,000 shares of common stock, dated March 29, 2023. The investors in the private placement have certain registration rights. The notes mature on the fourth anniversary of the closing date and contain customary acceleration events. The principal amount of the notes is convertible at any time after the closing date, in whole or in part, at the option of the holder, into shares of common stock at an adjusted conversion price of $2.70 per share,. Interest on the notes accrues at a rate of 10% per annum. For the February 2023 note, 7% of the interest is payable quarterly in arrears in cash and 3% is payable quarterly in arrears in cash or in shares of the Company's common stock at the note conversion price on the date the principal balance of the note is paid in full or fully converted, at the holder's election. For the March 2023 note, all of the interest is payable quarterly in arrears in cash or in shares of the Company's common stock at the note conversion price on the date the principal balance of the note is paid in full or fully converted, at the holder's election. The notes are secured by substantially all of the Company's accounts, instruments, and tangible and intangible property, which secured interest is subordinated to interests held by other parties in such collateral as of the closing date and certain future debt. The Company may prepay the entire then-outstanding principal amount of the notes at any time, plus a prepayment premium; if the Company exercises such right, the note holder may instead elect to convert the note. After the third anniversary of the closing date, the holder may require the Company to repay the outstanding principal balance and accrued interest on the notes with 30 days' prior written notice. The warrants are exercisable for five years after the closing date and are exercisable immediately after their issuance, in whole or in part. The warrants have an adjusted exercise price of $2.70 per share. In addition, the notes and warrants contain conversion limitations providing that a holder thereof may not convert the note or exercise the warrant to the extent that, if after giving effect to such conversion or exercise, the holder or any of its affiliates would beneficially own in excess of 9.99%, as elected by the holder. The holder may increase or decrease its beneficial ownership limitation upon notice to the Company, provided that in no event such limitation exceeds 9.99%, and that any increase shall not be effective until the 61st day after such notice.

Newbridge Securities Corporation

Leonard J. Sokolow, our Co-Chief Executive Officer and director, previously served in various executive roles at Newbridge Financial, Inc. and its subsidiaries, including Newbridge Securities Corporation, until September 2023.

In January 2022, the Company and Newbridge Securities Corporation entered into a termination agreement, pursuant to which three investment banking agreements previously entered into during October 2018, May 2021, and May 2021, respectively, were terminated, and the parties agreed that there are no continuing rights or obligations under such agreements, and that Newbridge Securities Corporation is not entitled to any fees or payments, in cash or otherwise, pursuant to such agreements.

On November 9, 2022, the Company entered into a corporate advisory engagement agreement (the "Advisory Agreement") with Newbridge Securities Corporation, pursuant to which Newbridge Securities Corporation agreed to provide financial and general corporate advisory services to the Company in connection with certain investment banking matters, such as assisting with investor presentations and investor conferences, providing advice related to capital structures, capital market opportunities and asset allocation or exit strategies, and assisting with the preparation of a due diligence package for use in potential merger and acquisition, joint venture and capital raising transactions. The Advisory Agreement has a 24-month term and may be terminated by either party, at any time, upon 15 days' prior written notice. Pursuant to the Advisory Agreement, the Company issued to affiliates of Newbridge Securities Corporation an aggregate of 200,000 restricted shares of the Company's common stock, which vest on the following schedule: 50,000 shares of common stock on November 9, 2022 and 50,000 shares on each of the six-, 12- and 18-month anniversaries of such date. Mr. Sokolow received 40,333 of the restricted shares. In the event the Advisory Agreement is terminated prior to its expiration, any shares that have not vested as of such date will be forfeited. The common stock is subject to a six-month lock up restriction from the date the shares vest.

Bridge Line Ventures

The Company and Bridge Line Ventures, LLC Series ST-1 ("Bridge Line Ventures"), the manager of which is Bridge Line Advisors, LLC, of which Leonard J. Sokolow, our Co-Chief Executive Officer and a member of our board of directors, previously served as Chief Executive Officer and President, entered into stock purchase agreements during 2021, pursuant to which the Company issued an aggregate of 317,656 shares of common stock (including shares issued pursuant to anti-dilution provisions) and warrants to purchase 231,624 shares of common stock to Bridge Line Ventures. On September 12, 2022, Bridge Line Ventures distributed its shares of common stock and warrants to purchase common stock to its investors, pursuant to a pro rata distribution for no consideration.

Initial Public Offering

In the initial public offering completed in February 2022, 455,353 shares were purchased by our directors, officers and greater than 5% stockholders at the public offering price.

Policies and Procedures for Related Party Transactions

Our board of directors has adopted a written related party transactions policy, which sets forth the policies and procedures for the review and approval or ratification of related person transactions. Pursuant to this policy, the audit committee has the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions, arrangements or relationships between us and related persons in which the aggregate amount involved in any fiscal year exceeds or may be expected to exceed the lesser of $120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years and in which a related person has or will have a direct or indirect material interest. For purposes of this policy, a related person is defined as an executive officer, director, nominee for director or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed fiscal year, and their immediate family members.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth the aggregate fees billed to us for the years ended December 31, 2023 and December 31, 2022 by our independent auditors, M&K CPAs, PLLC:

	2023	2022
Audit Fees[1]	$ 96,000	$ 72,500
Audit-Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
Total Fees	$ 96,000	$ 72,500

(1) Audit fees represent amounts billed for professional services rendered for the audit and/or review of our consolidated financial statements. For 2023, includes fees related to professional services rendered in connection with the issuance of consents related to Registration Statements on Form S-3 and the audit of the financial statements of Belami, Inc. For 2022, includes audit fees for professional services rendered in relation to the review of our registration statement and other documents filed with the SEC in connection with our initial public offering and fees related to professional services rendered in connection with the issuance of a consent related to a Registration Statement on Form S-8.

Pre-Approval Policy

Pursuant to the Audit Committee Charter, the audit committee is required to pre-approve the audit and non-audit services performed by our independent auditors. Notwithstanding the foregoing, separate audit committee pre-approval is not required (a) if the engagement for services is entered into pursuant to pre-approval policies and procedures established by the audit committee regarding our engagement of the independent auditor (the “Pre-Approval Policy”) as to matters within the scope of the Pre-Approval Policy or (b) for de minimis non-audit services that are approved in accordance with applicable SEC rules. For fiscal year 2023, all services performed by our independent auditors were pre-approved by the audit committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

(a)(2) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

(a)(3) Exhibit Index

Exhibit No.	Description of Exhibit
2.1+	Stock Purchase Agreement, dated February 6, 2023, by and among the Company and Mihran Berejikian, Nancy Berejikian, and Michael Lack (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023).
2.2	First Amendment to Stock Purchase Agreement, dated April 28, 2023, by and among SKYX Platforms Corp. and Mihran Berejikian, Nancy Berejikian, and Michael Lack (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2023).
3.1	Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
3.2	Articles of Amendment to Articles of Incorporation, including the Certificate of Designation of Rights, Preferences and Privileges of Series A Convertible Preferred Stock (effective August 12, 2016) (incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
3.3	Articles of Amendment to Articles of Incorporation (effective February 7, 2022) (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022).
3.4	Articles of Amendment to Articles of Incorporation (effective June 14, 2022) (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 14, 2022).
3.5	Articles of Amendment to Articles of Incorporation (effective May 2, 2023) (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2023).
3.6	Second Amended and Restated Bylaws of the Company (effective June 14, 2022) (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 14, 2022).
4.1	Description of the Company's Registered Securities (filed herewith).
4.2	Specimen Common Stock Certificate (filed herewith).
10.1+	Form of Securities Subscription Agreement and Warrant used in 2021 Private Placements (incorporated herein by reference to Exhibit 10.13 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on January 10, 2022).
10.2*	2015 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).

Exhibit No.	Description of Exhibit
10.3*	Form of Stock Option Agreement (2015 Plan) (incorporated herein by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.4*	Form of Stock Award Agreement (2015 Plan) (incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.5*	2018 Stock Incentive Plan, as amended and restated (incorporated herein by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.6*	Form of Stock Option Agreement (2018 Plan) (incorporated herein by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.7*	Form of Stock Award Agreement (2018 Plan) (incorporated herein by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.8*	Executive Employment Agreement, dated September 1, 2019, between the Company and John P. Campi (incorporated herein by reference to Exhibit 10.22 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.9*	Consultant Agreement, dated August 20, 2019, between the Company and Steven M. Schmidt (incorporated herein by reference to Exhibit 10.23 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.10*	First Amendment to Consulting Agreement, dated June 1, 2021, between the Company and Steven M. Schmidt (incorporated herein by reference to Exhibit 10.24 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.11*	Executive Employment Agreement, dated September 1, 2019, between the Company and Patricia Barron (incorporated herein by reference to Exhibit 10.25 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.12	Form of Placement Agent Warrant (incorporated herein by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.13+	Form of Stock Purchase Agreement between the Company and Bridge Line Ventures, LLC Series ST-1 (incorporated herein by reference to Exhibit 10.32 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.14	Form of Common Stock Purchase Warrant issued by the Company to Bridge Line Ventures, LLC Series ST-1 (incorporated herein by reference to Exhibit 10.33 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.15	Form of Securities Purchase Agreement related to Purchase of Subordinated Convertible Balloon Promissory Note, including form of Subordinated Convertible Balloon Promissory Note (incorporated herein by reference to Exhibit 10.34 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.16+	Paycheck Protection Program Term Note, entered into by the Company, as Borrower, for the benefit of PNC Bank, National Association, as Lender, as of April 13, 2020 (incorporated herein by reference to Exhibit 10.35 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.17	Amendment to the Paycheck Protection Term Note, effective June 5, 2020 (incorporated herein by reference to Exhibit 10.36 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.18+	Second Draw Paycheck Protection Program Term Note, entered into by the Company, as Borrower, for the benefit of PNC Bank, National Association, as Lender, as of February 3, 2021 (incorporated herein by reference to Exhibit 10.37 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.19+	Loan Authorization and Agreement (Economic Injury Disaster Loan), dated June 24, 2020, between the U.S. Small Business Administration and the Company (incorporated herein by reference to Exhibit 10.38 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).

Exhibit No.	Description of Exhibit
10.20	Note (Secured Disaster Loans), entered into by the Company, as Borrower, for the benefit of the U.S. Small Business Administration, as of June 24, 2020 (incorporated herein by reference to Exhibit 10.39 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.21	Security Agreement, dated June 24, 2020, between the U.S. Small Business Administration and the Company (incorporated herein by reference to Exhibit 10.40 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.22*	2021 Stock Incentive Plan (effective February 9, 2022) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022).
10.23*	Form of Nonqualified Stock Option Agreement (2021 Plan) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022).
10.24*	Form of Incentive Stock Option Agreement (2021 Plan) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022).
10.25*	Form of Restricted Shares Award Agreement (2021 Plan) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022).
10.26*	Form of Nonqualified Stock Option Agreement (2021 Plan) (August 2022) (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022).
10.27*	Form of Incentive Stock Option Agreement (2021 Plan) (August 2022) (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022).
10.28*	Form of Restricted Shares Award Agreement (2021 Plan) (August 2022) (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022).
10.29*	Form of Restricted Share Unit Award Agreement (2021 Plan) (August 2022) (incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022).
10.30*	Form of Nonqualified Stock Option Agreement (2021 Plan) (April 2023) (incorporated herein by reference to Exhibit 10.12 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023).
10.31*	Form of Restricted Share Unit Award Agreement (three-year vesting) (2021 Plan) (April 2023) (incorporated herein by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023).
10.32*	Form of Restricted Share Unit Award Agreement (one year vesting) (2021 Plan) (April 2023) (incorporated herein by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023).
10.33*	Form of Restricted Shares Award Agreement (2021 Plan) (April 2023) (incorporated herein by reference to Exhibit 10.15 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023).
10.34*	Form of Cash Retention Incentive Agreement (April 2023) (incorporated herein by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023).
10.35*	Executive Chairman Agreement, effective as of January 1, 2022, between the Company and Rani R. Kohen (incorporated herein by reference to Exhibit 10.45 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
10.36*	Chief Financial Officer Agreement, effective as of January 1, 2022, between the Company and Marc-Andre Boisseau (incorporated herein by reference to Exhibit 10.46 to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on January 10, 2022).
10.37	Representative's Warrant, dated February 9, 2022 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022).
10.38+†	Sublease Agreement, executed as of April 28, 2022, by and between the Company and Sicart Associates LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 4, 2022).

Exhibit No.	Description of Exhibit
10.39+	Lease Agreement, by and between 400 Biscayne Commercial Owner, L.P., as Landlord and the Company, as Tenant (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2022).
10.40	Corporate Advisory Engagement Agreement, dated November 9, 2022, between the Company and Newbridge Securities Corporation (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 10, 2022).
10.41+	Form of Securities Purchase Agreement, dated February 6, 2023 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023).
10.42	Form of Subordinated Secured Convertible Promissory Note, dated February 6, 2023 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023).
10.43	Form of Common Stock Purchase Warrant, dated February 6, 2023 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023).
10.44+	Form of Securities Purchase Agreement, dated March 29, 2023 (incorporated herein by reference to Exhibit 10.49 to the Company's Annual Report on Form 10-K for the year ended December 31, 2022).
10.45	Form of Subordinated Secured Convertible Promissory Note, dated March 29, 2023 (filed herewith) (incorporated herein by reference to Exhibit 10.50 to the Company's Annual Report on Form 10-K for the year ended December 31, 2022).
10.46	Form of Common Stock Purchase Warrant, dated March 29, 2023 (incorporated herein by reference to Exhibit 10.51 to the Company's Annual Report on Form 10-K for the year ended December 31, 2022).
10.47	Letter Agreement, effective as of April 27, 2023, between SKYX Platforms Corp. and Nielsen & Bainbridge, LLC (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 28, 2023).
10.48	Form of Closing Promissory Note, dated April 26, 2023 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2023).
10.49	Form of Retained Earnings Promissory Note, dated April 26, 2023 (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2023).
10.50+	Promissory Note and Business Loan Agreement, dated May 1, 2023, between SKYX Platforms Corp. and First-Citizens Bank & Trust Company (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2023).
10.51	Sales Agreement by and between SKYX Platforms Corp. and The Benchmark Company, LLC, dated May 26, 2023 (incorporated herein by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on May 26, 2023).
10.52*	Executive Employment Agreement, dated September 12, 2023, by and between SKYX Platforms Corp. and Leonard J. Sokolow (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 13, 2023).
10.53+	Line of Credit Promissory Note, Business Loan Agreement (Asset Based), and Commercial Security Agreement, signed September 18, 2023, by and between Belami, Inc., as borrower and grantor, and Farmers & Merchants Bank of Central California, as lender (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2023).
10.54+	Term Loan Promissory Note and Business Loan Agreement, signed September 18, 2023, by and between Belami, Inc., as borrower, and Farmers & Merchants Bank of Central California, as lender (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2023).
10.55	Commercial Guaranty, signed September 18, 2023, by and among Belami, Inc., as borrower, SKYX Platforms Corp., as guarantor, and Farmers & Merchants Bank of Central California, as lender (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2023).
10.56†	Licensing Master Services Agreement, signed December 4, 2023, between SKYX Platforms Corp. and GE Technology Development, Inc., and Letter Agreement relating to Trademark License Agreement, between SQL Lighting & Fans, LLC and GE Trademark Licensing, Inc (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 8, 2023.
10.57*	Commission Termination Agreement, dated March 29, 2024, by and between SKYX Platforms Corp and John Campi (filed herewith)

Exhibit No.	Description of Exhibit
10.58*	Commission Termination Agreement, dated March 29, 2024, by and between SKYX Platforms Corp and Patricia Baron (filed herewith)
10.59	Form of Amendment No. 1 to Subordinated Convertible Balloon Promissory Note, dated March 29, 2024 (filed herewith).
10.6	Letter Agreement to the Stock Purchase Agreement, as amended, dated March 29, 2024, by and among SKYX Platforms Corp., Mihran Berejikian, Nancy Berejikian and Michael Lack, and form of Convertible Promissory Note (filed herewith).
18.1	Preferability Letter from M&K CPAS, PLLC (incorporated herein by reference to Exhibit 18.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023).
19.1	SKYX Platforms Corp. Insider Trading Policy (last revised March 2023) (filed herewith).
21.1	List of Subsidiaries (filed herewith).
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith).
24.1	Power of Attorney (included on signature page).
31.1	Certification by Co-Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification by Co-Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.3	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification by Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification by Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.3	Certification by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
97	SKYX Platforms Corp. Compensation Recovery Policy (adopted August 2023) (filed herewith).
101	The following financial statements from the Annual Report on Form 10-K for the year ended December 31, 2023 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Loss, (iii) Consolidated Statements of Stockholders' Equity (Deficit), (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) (filed herewith).

* Indicates management contract or any compensatory plan, contract or arrangement.

+ Certain of the exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

† Portions of this exhibit (indicated by bracketed asterisks) are omitted in accordance with the rules of the SEC because they are both not material and the Company customarily and actually treats such information as private or confidential.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SKYX PLATFORMS CORP.

By: */s/ John P. Campi*
John P. Campi, Co-Chief Executive Officer
Date: April 1, 2024

By: */s/ Leonard J. Sokolow*
Leonard J. Sokolow, Co-Chief Executive Officer and Director
Date: April 1, 2024

POWER OF ATTORNEY

Each individual whose signature appears below constitutes and appoints John P. Campi, Co-Chief Executive Officer, Leonard J. Sokolow, Co-Chief Executive Officer, and Marc-Andre Boisseau, Chief Financial Officer, and each of them singly, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all the said attorneys-in-fact and agents or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John P. Campi John P. Campi	Co-Chief Executive Officer *(Principal Executive Officer)*	April 1, 2024
/s/ Leonard J. Sokolow Leonard J. Sokolow	Co-Chief Executive Officer and Director *(Principal Executive Officer)*	April 1, 2024
/s/ Marc-Andre Boisseau Marc-Andre Boisseau	Chief Financial Officer *(Principal Financial and Accounting Officer)*	April 1, 2024
/s/ Rani R. Kohen Rani R. Kohen	Director, Executive Chairman of the Board	April 1, 2024
/s/ Nancy DiMattia Nancy DiMattia	Director	April 1, 2024
/s/ Gary N. Golden Gary N. Golden	Director	April 1, 2024
/s/ Efrat L. Greenstein Brayer Efrat L. Greenstein Brayer	Director	April 1, 2024

FINANCIAL STATEMENTS

SKYX PLATFORMS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Index to Consolidated Financial Statements

M&K CPAS PLLC

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of SKYX Platforms Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SKYX Platforms Corp. (the Company) as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2023 and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has an accumulated deficit, negative cash flows from operations and recurring net losses, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audits of the consolidated financial statements that were communicated, or required to be communicated, to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Revenue Recognition

As discussed in Note 2 to the consolidated financial statements, the Company recognizes revenue upon the transfer of control of promised goods to the customer upon delivery in an amount that reflects the consideration the Company expects to receive in exchange for the products.

Auditing management's evaluation of agreements with customers involves significant judgement, given the fact that some agreements require managements evaluation and allocation of the transaction price and transfer of goods to the customer.

To evaluate the appropriateness and accuracy of the assessment by management, we evaluated management's assessment in relationship to the relevant agreements and management's disclosure in the consolidated financial statements.

/s/ M&K CPAS, PLLC
We have served as the Company's auditor since 2018
The Woodlands, TX
April 1, 2024

PCAOB ID #2738

SKYX Platforms Corp.

Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 16,810,983	$ 6,720,543
Restricted cash	2,750,000	-
Account receivable, net	3,384,976	-
Investments, available-for-sale	-	7,373,956
Inventory	3,425,734	1,923,540
Deferred cost of revenues	224,445	-
Prepaid expenses and other assets	721,717	311,618
Total current assets	27,317,855	16,329,657
Long-term assets:		
Furniture and equipment, net	436,587	215,998
Restricted cash	2,869,270	2,741,054
Right of use assets	21,214,652	23,045,293
Intangibles, definite life	8,141,032	662,802
Goodwill	16,157,000	-
Other assets	204,807	182,306
Total long-term assets	49,023,348	26,847,453
Total Assets	$ 76,341,203	$ 43,177,110
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,388,475	$ 1,949,823
Notes payable, current	5,724,129	405,931
Operating lease liabilities, current	1,898,428	1,130,624
Royalty obligations, current	800,000	2,638,000
Consideration payable	730,999	-
Deferred revenues	1,475,519	-
Convertible notes, current related parties	825,000	950,000
Convertible notes, current	350,000	350,000
Total current liabilities	24,192,550	7,424,378
Long term liabilities:		
Long term accrued expenses	744,953	-
Notes payable	1,016,924	4,867,004
Consideration payable	3,038,430	-
Operating lease liabilities	22,267,558	22,758,496
Convertible notes	5,758,778	-
Royalty obligations	3,100,000	-
Total long-term liabilities	35,926,643	27,625,500
Total liabilities	60,119,193	35,049,878

Commitments and Contingent Liabilities:	-	-
Redeemable preferred stock - subject to redemption: $0 par value; 0 and 20,000,000 shares authorized; 0 and 880,400 and 12,376,536 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	-	220,099
Stockholders' Equity (Deficit):		
Common stock and additional paid-in capital: $0 par value, 500,000,000 shares authorized; 93,473,433 and 82,907,541 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	162,025,024	114,039,638
Accumulated deficit	(145,803,014)	(106,070,358)
Accumulated other comprehensive loss	-	(62,147)
Total stockholders' equity (deficit)	16,222,010	7,907,133
Non-controlling interest	-	-
Total equity (deficit)	16,222,010	7,907,133
Total Liabilities and Stockholders' Equity (Deficit)	$ 76,341,203	$ 43,177,110

The accompanying notes are an integral part of the consolidated financial statements.

SKYX Platforms Corp.

Consolidated Statements of Operations and Comprehensive Loss

	Year ended December 31,	
	2023	**2022**
Revenue	$ 58,785,762	$ 32,022
Cost of revenues	40,749,913	18,913
Gross profit (loss)	18,035,849	13,109
Selling and marketing expenses	18,805,069	7,991,487
General and administrative expenses-related party	-	248,215
General and administrative expenses	37,055,986	18,398,589
Total expenses, net	55,861,055	26,638,291
Loss from operations	(37,825,206)	(26,625,182)
Other income / (expense)		
Interest expense, net	(3,109,307)	(589,009)
Gain on extinguishment of debt	1,201,857	178,250
Other income	-	
Total other expense, net	(1,907,450)	(410,759)
Net loss	(39,732,656)	(27,035,941)
Common stock issued pursuant to antidilutive provisions	-	4,691,022
Non-controlling interest	-	35,442
Preferred dividends	-	38,055
Net loss attributed to common stockholders	$ (39,732,656)	$ (31,800,460)
Other comprehensive loss:		
Unrealized loss on debt securities	62,147	(62,147)
Net comprehensive loss attributed to common stockholders	$ (39,670,509)	$ (31,862,607)
Net loss per share - basic and diluted	$ (0.45)	$ (0.40)
Weighted average number of common shares outstanding - basic and diluted	88,370,852	79,492,181

The accompanying notes are an integral part of the consolidated financial statements.

SKYX Platforms Corp.

Consolidated Statements of Stockholders' Equity (Deficit)

	For the year ended December 31,	
	2023	2022
Shares of common stock		
Balance, beginning of year	82,907,541	66,295,288
Common stock issued pursuant to offerings	4,359,832	1,650,000
Common stock issued pursuant to services	2,827,662	1,057,293
Common stock issued pursuant to conversion of preferred stock	880,400	12,376,536
Common stock issued pursuant to exercise of options and warrants	-	1,193,351
Common stock issued pursuant to acquisition	1,923,285	-
Common stock issued pursuant to extinguishment of debt	574,713	-
Common stock issued pursuant to antidilutive provisions	-	335,073
Balance, end of year	93,473,433	82,907,541
Common stock and paid-in capital		
Balance, beginning of year	$ 114,039,638	$ 70,880,386
Common stock issued pursuant to offerings	9,289,857	20,552,000
Common stock issued pursuant to services	17,977,252	13,959,795
Common stock issued pursuant to conversion of preferred stock	220,100	3,094,134
Debt discount	5,569,978	-
Common stock issued pursuant to acquisition	12,887,968	-
Common stock issued pursuant to extinguishment of debt	2,040,231	-
Common stock issued pursuant to exercise of options and warrants	-	862,301
Common stock issued pursuant to antidilutive provisions	-	4,691,022
Balance, end of year	$ 162,025,024	$ 114,039,638
Accumulated deficit		
Balance, beginning of year	$ (106,070,358)	$ (74,269,898)
Net loss	(39,732,656)	(27,035,941)
Non-controlling interest	-	(35,442)
Common stock issued pursuant to antidilutive provisions	-	(4,691,022)
Preferred dividends	-	(38,055)
Balance, end of year	$ (145,803,014)	$ (106,070,358)
Accumulated other comprehensive loss		
Balance, beginning of year	$ (62,147)	$ -
Other comprehensive loss	62,147	(62,147)
Balance, end of period	$ -	$ (62,147)
Total Stockholders' Equity (Deficit)	$ 16,222,010	$ 7,907,133

The accompanying notes are an integral part of the consolidated financial statements.

SKYX Platforms Corp.

Consolidated Statements of Cash Flows

	For the twelve months ended December 31, 2023	2022
Cash flows from operating activities:		
Net loss	$ (39,732,656)	$ (27,035,941)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,885,856	883,231
Amortization of debt discount	1,365,789	-
Gain on forgiveness of debt	(1,201,857)	(178,250)
Share-based payments	17,977,252	13,959,796
Change in operating assets and liabilities:		
Inventory	283,911	(1,004,889)
Accounts receivable	(863,217)	-
Prepaid expenses and other assets	(218,127)	(270,600)
Deferred charges	1,258,636	-
Deferred revenues	(453,514)	-
Operating lease liabilities	(687,849)	(109,895)
Accretion operating lease liabilities	890,474	377,748
Other assets	-	(180,132)
Royalty obligation	1,262,000	(1,200,000)
Consideration payable	-	-
Accounts payable and accrued expenses	4,235,229	920,486
Net cash used in operating activities	(12,998,073)	(13,838,446)
Cash flows from investing activities:		
Purchase of debt securities	(136,033)	(7,436,103)
Proceeds from disposition of debt securities	7,572,136	-
Acquisition, net of cash acquired	(4,206,200)	-
Purchase of property and equipment	10,194	(312,689)
Payment of patent costs and other intangibles	-	(307,625)
Net cash provided by (used in) investing activities	3,240,097	(8,056,417)
Cash flows from financing activities:		
Proceeds from issuance of common stock- offerings	9,820,846	23,100,000
Placement cost	(530,989)	(2,548,000)
Proceeds from exercise of options and warrants	-	862,301
Proceeds from line of credit	6,500,000	-
Proceeds from issuance of convertible notes	10,350,000	-
Dividends paid	-	(38,055)
Principal repayments of notes payable	(3,413,225)	(446,035)
Net cash provided by financing activities	22,726,632	20,930,211
Change in cash and cash equivalents, and restricted cash	12,968,656	(964,652)
Cash, cash equivalents and restricted cash at beginning of year	9,461,597	10,426,249
Cash, cash equivalents and restricted cash at end of year	$ 22,430,253	$ 9,461,597

Supplementary disclosure of non-cash financing activities:				
Preferred stock conversion to common	$	220,100	$	3,094,134
Business acquisition:				
Assets acquiring excluding identifiable intangible assets and goodwill and cash		7,090,094		-
Liabilities assumed and consideration payable		19,755,903		-
Identifiable intangible assets and goodwill		19,993,525		-
Debt discount		5,569,978		
Common stock issued pursuant to antidilutive provisions		-		4,691,022
Fair value of shares issued pursuant to acquisition		7,327,716		
Common stock pursuant to extinguishment of debt		2,040,231		-
Right-of-use assets and operating lease liabilities		-		23,621,267
Cash paid during period for:				
Interest	$	1,094,458	$	303,957
Taxes	$	-	$	-

The accompanying notes are an integral part of the consolidated financial statements.

SKYX Platforms Corp.

Notes to Consolidated Financial Statements

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS

SKYX Platforms Corp., a corporation (the "Company"), was incorporated in Florida in May 2004.

The Company maintains offices in Sacramento, California, Johns Creek, Georgia, Miami and Pompano Beach, Florida, New York City, and Guangdong Province, China.

The Company has a series of advanced-safe-smart platform technologies. The Company's first-generation technologies enable light fixtures, ceiling fans and other electrically wired products to be installed safely and plugged-in to a ceiling's electrical outlet box within seconds, and without the need to touch hazardous wires. The plug and play technology method is a universal power-plug device that has a matching receptacle that is simply connected to the electrical outlet box on the ceiling, enabling a safe and quick plug and play installation of light fixtures and ceiling fans in just seconds. The plug and play power-plug technology, eliminates the need of touching hazardous electrical wires while installing light fixtures, ceiling fans and other hard wired electrical products. In recent years the Company has expanded the capabilities of its power-plug product, to include its second generation advanced-safe and quick universal installation methods, as well as advanced-smart capabilities. The smart features include control of light fixtures and ceiling fans by the SkyHome App, through WIFI, Bluetooth Low Energy and voice control. It allows scheduling, energy savings eco mode, dimming, back-up emergency light, night light, light color changing and much more. The Company's third-generation technology is an all-in-one safe and smart-advanced platform that is designed to enhance all-around safety and lifestyle of homes and other buildings.

Since April 2023, the Company also markets home lighting, ceiling fans and other home furnishings from third parties.

Going Concern

The Company's liquidity's sources include $22.4 million in cash and cash equivalents, including restricted cash of $5.6 million, and $3.1 million of working capital. However, the Company has a history of recurring operating losses and its net cash used in operating activities amounted to $13.0 million and $13.8 million during 2023 and 2022, respectively. The Company has also generated net cash provided by financing activities of $22.7 million and $20.9 million during 2023 and 2022, respectively. Accordingly, the Company's management cannot ascertain that there is no substantial doubt that it will be able to meet its obligations as they become due within one year after the date that its financial statements are issued.

Management intends to mitigate such conditions by continuing to support its continued growth by decreasing its cash used in operating activities through increased revenues and increased margins from products sold to large retailers and its internet portals, and to the extent necessary, generate cash provided by financing activities through it's at the market offering or other equity or debt financing means.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Company's significant accounting policies:

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) under the accrual basis of accounting.

Non-controlling Interest

The Company owns 98.8% of SQL Lighting & Fans LLC, which was formed in Florida on April 27, 2011. The subsidiary had no activity during 2022 and 2021**.**

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of share based payments and derivative liabilities, estimates of fair value of warrants issued and recorded as debt discount, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future nonconforming events. Accordingly, actual results could differ significantly from estimates.

Reclassifications

For comparability, reclassifications of certain prior-year balances were made to conform with current-year presentations, such as certain expenses previously included in cost of revenues and reclassified as general, and administrative expenses in 2022 and sales and marketing expenses which were previously included in selling, general, and administrative expenses in 2022.

Basis of Consolidation

The consolidated financial statements include the results of the Company and one of its subsidiaries, SQL Lighting and Fans LLC from January 1, 2022 and the results from its remaining subsidiaries, Belami, Inc., BEC, CA 1, Inc., BEC CA 2, LLC, Luna BEC, Inc., and Confero Group LLC from April 28 to December 31, 2023. All intercompany balances and transactions have been eliminated in consolidation.

Business Combination

The Company accounts for its business acquisitions under the acquisition method of accounting. This method requires recording of acquired assets and assumed liabilities at their acquisition date fair values. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Results of operations related to the business combination are included prospectively beginning with the date of acquisition and transaction costs and transaction costs related to business combinations are recorded within selling, general, and administrative expenses.

The Company acquired the outstanding units of Belami, Inc ("Belami") and its subsidiaries on April 28, 2023. Belami is an online retailer and e-commerce provider specializing in home lighting, ceiling fans, and other home furnishings. The initial allocation of purchase price is subject to adjustment through April 2024. The allocation of purchase price may vary based on the number and fair value of the shares to be issued in April 2024. The initial allocation of the purchase price is as follows:

Assets acquired excluding identifiable intangible assets and goodwill	$	6,863,011
Customer relationships		4,500,000
E-commerce technology platforms		3,900,000
Goodwill		16,157,000
Assumed liabilities		(10,943,450)
	$	20,476,561
Consideration:		
Cash outlay, net of cash acquired	$	4,206,200
Consideration payable		3,382,393
Shares of common stock		12,887,968
	$	20,476,561

Consideration payable primarily consists of the fair value of cash and amounting to $3.1 million payable in April 2024 and $750,000 cash, held in escrow, payable in July 2024. The consideration payable is discounted using an effective rate of 6%.

The goodwill recognized, none of which is deductible for income tax purposes, is attributable to the assembled workforce of Belami and to expected synergies and other benefits that the Company believes will result from combining its operations with Belami's. The intangible assets recognized are primarily attributable to expected increased margins that the Company believes will result from Belami's existing customer relationships and increased margins from the e-commerce technology platforms Belami has developed over the years.

Cash, Cash Equivalents, and restricted cash.

The Company considers all highly liquid securities with original maturities of three months or less when acquired, to be cash equivalents. At December 31, 2023 and December 31, 2022, the Company's cash composition was follows:

	December 31, 2023		December 31, 2022	
Cash and cash equivalents	$	16,810,983	$	6,720,543
Restricted cash		5,619,270		2,741,054
Total cash, cash equivalents and restricted cash	**$**	**22,430,253**	**$**	**9,461,597**

Restricted Cash

The Company issued a letter of credit of $2.8 million in September 2022 to use as collateral for certain obligations to one of its lessors. The letter of credit was issued by a financial institution and was secured by cash of $2.8 million as of December 31, 2023 and 2022. Additionally, pursuant to the Company's acquisition of Belami, Inc., the Company placed $750,000 in an escrow account. Furthermore, the Company secured a line of credit of $2.0 million with cash of the equivalent amount.

Customer Contracts Balances

Accounts receivables are recorded in the period when the right to receive payment or other consideration becomes unconditional. Accounts receivables are recorded at the invoiced amount and are not interest bearing. The Company maintains an allowance for doubtful accounts based upon an estimate of probable credit losses in existing accounts receivable. The majority of the Company's accounts receivable are from third-party payers and are paid within a few days from the order date. The Company determines the allowance based upon individual accounts when information indicates the customers may have an inability to meet their financial obligations, historical experience, and currently available evidence. As of December 31, 2023, and December 31, 2022, the Company's allowance for doubtful accounts was $54,987 and $0, respectively. The Company determines an allowance for sales returns based upon historical experience. As of December 31, 2023, and December 31, 2022, the Company's allowance for sales returns was $182,584 and $0, respectively and is recorded as an accrued expenses in the accompanying consolidated financial statements.

The Company defers the revenue related to undelivered customer orders for which it was paid or has a right to be paid at each measurement date. Such amounts are recognized as deferred revenues in the accompanying balance sheet. As of December 31, 2023, the deferred revenues amounted to $1,475,519. There were no deferred revenues as of December 31, 2022.

The costs associated with such deferred revenues are recognized as deferred charges in the accompanying balance sheet. Such charges include the carrying value of related inventory, freight, and sales charges. The deferred charges amounted to $ 224,445 as of December 31, 2023. There were no deferred charges as of December 31, 2022.

Furniture and Equipment

Furniture and equipment is stated at cost, less accumulated depreciation, and is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Depreciation of property and equipment is provided utilizing the straight-line method over the estimated useful lives, ranging from 3 to 7 years of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of operations.

Inventory

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) method. Cost principally consists of the purchase price (adjusted for lower of cost or market), customs, duties, and freight. The Company periodically reviews historical sales activity to determine potentially obsolete items and evaluates the impact of any anticipated changes in future demand.

	December 31, 2023	December 31, 2022
Inventory, component parts	$ 930,252	$ 1,923,540
Inventory, finished goods	2,495,482	-
Inventory- total	$ 3,425,734	$ 1,923,540

The Company will maintain an allowance based on specific inventory items that are obsolete. The Company tracks inventory as it is repurposed ,disposed, scrapped, or sold at below cost to determine whether additional items on hand should be reduced in value through an allowance method. Losses from subsequent measurement of inventory amounted to $1.3 million and $0 as of December 31, 2023 and 2022, respectively. As of December 31, 2023, and 2022, the Company has determined that no additional allowance is required.

Securities

Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses included in accumulated other comprehensive income.

Available-for-sale debt securities are recorded at fair value with the net unrealized gains and losses (that are not deemed to be other-than-temporary) reported as a component of other comprehensive income (loss). Realized gains and losses and charges for other-than-temporary impairments are included in determining net income, with related purchase costs based on the first-in, first-out method. The Company evaluates its available-for-sale-investments for possible other-than-temporary impairments by reviewing factors such as the extent to which, and length of time, an investment's fair value has been below the Company's cost basis, the issuer's financial condition, and the Company's ability and intent to hold the investment for sufficient time for its market value to recover. For impairments that are other-than-temporary, an impairment loss is recognized in earnings equal to the difference between the investment's cost and its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value of the investment then becomes the new amortized cost basis of the investment, and it is not adjusted for subsequent recoveries in fair value.

Corporate, state and local government debt securities consist of debt from relatively large corporate organizations and certain state and local governmental agencies. The Company reviews trading activity and pricing for each of the debt securities in its portfolio as of the measurement date and determines if pricing data of sufficient frequency and volume in an active market exists to support Level I classification of these securities. When sufficient quoted pricing for identical securities is not available, the Company obtains market pricing and other observable market inputs at dates other than the measurement dates. As a result, the Company classifies its debt securities as Level I and Level II of the fair value hierarchy. Management does not believe that its investment in debt securities were impaired as of December 31, 2022.

Intangible Assets

Intangible assets were recorded in connection with the acquisition of Belami. Intangible assets with finite lives, which consist of customer relationships and e-commerce technology platforms, are being amortized over their estimated useful lives on a straight-line basis. Such intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses the recoverability of its intangible assets by determining whether the unamortized balance can be recovered over the assets' remaining estimated useful life through undiscounted estimated future cash flows. If undiscounted estimated future cash flows indicate that the unamortized amounts will not be recovered, an adjustment will be made to reduce such amounts to fair value based on estimated future cash flows discounted at a rate commensurate with the risk associated with achieving such cash flows. Estimated future cash flows are based on trends of historical performance and the Company's estimate of future performance, considering existing and anticipated competitive and economic conditions.

The Company developed various patents for an installation device used in light fixtures and ceiling fans. Costs incurred for submitting the applications to the United States Patent and Trademark Office for these patents have been capitalized. Patent costs are amortized using the straight-line method over the related 15-year lives. The Company begins amortizing patent costs once a filing receipt is received stating the patent serial number and filing date from the Patent Office.

The Company incurs certain legal and related costs in connection with patent applications. The Company capitalizes such costs to be amortized over the expected life of the patent to the extent that an economic benefit is anticipated from the resulting patent or alternative future use is available to the Company. The Company also capitalizes legal costs incurred in the defense of the Company's patents when it is believed that the future economic benefit of the patent will be maintained or increased, and a successful defense is probable. Capitalized patent defense costs are amortized over the remaining expected life of the related patent. The Company's assessment of future economic benefit or a successful defense of its patents involves considerable management judgment, and an unfavorable outcome of litigation could result in a material impairment charge up to the carrying value of these assets.

Management has determined that there was no impairment of the Company's intangible assets during 2023 and 2022.

Goodwill

Goodwill, which was recorded in connection with the acquisition of Belami, is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill represents the excess of the purchase price of Belami over the fair value of its identifiable net assets acquired. Goodwill is tested for impairment at the reporting unit level. Fair value is typically based upon estimated future cash flows discounted at a rate commensurate with the risk involved or market-based comparables. If the carrying amount of the reporting unit's net assets exceeds its fair value, then an analysis will be performed to compare the implied fair value of goodwill with the carrying amount of goodwill. An impairment loss will be recognized in an amount equal to the excess of the carrying amount over its implied fair value. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis. Accounting guidance on the testing of goodwill for impairment allows entities testing goodwill for impairment the option of performing a qualitative assessment to determine the likelihood of goodwill impairment and whether it is necessary to perform such two-step impairment test.

The initial carrying value of goodwill associated with the Belami acquisition may vary during the first year of initial purchase (through April 2024) if the carrying value of the assets acquired or assumed liabilities or the fair value of the shares issuable in April 2024 varies from the initial allocation of assets previously performed or based on the number of shares the Company has to issue in April 2024.

Management has determined that there was no impairment of the Company's goodwill 2023 and 2022.

GE Agreements

The Company has two U.S. and global agreements with General Electric ("GE") related to the Company's products.

- A U.S. and Global Licensing and Master Service Agreement dated December 4, 2023, which replaced a prior agreement under similar terms. The agreement expires on December 4, 2028 and includes automatic renewal provisions. Pursuant to such agreement, GE's licensing team has the rights to exclusively license certain of Sky's Standard and Smart plug-and-play products set forth in a statement of work in the U.S. and worldwide. Pursuant to the agreement, the Company expects that GE's licensing team will seek and arrange licensee partners for our products in the U.S. and globally, including negotiating agreement terms, managing contracts, collecting payments, auditing partners, assisting with patent strategy and protection, and assisting in auditing product quality control under the "Six Sigma" guidelines. For products licensed to third parties, the Company and GE will each receive a specified percentage of the earned revenue realized from such licensing, unless otherwise provided in the applicable statement of work.

- A letter agreement dated November 28, 2023. The agreement expires on December 15, 2027 and includes a Repayment Plan Under U.S. and Global Trademark Agreement dated June 15, 2011 (as later amended), which expired November 30, 2023, between SQL Lighting & Fans, LLC and GE Trademark Licensing, Inc. Under this new payment arrangement, SQL's revised royalty payment obligation is $2.7 million in the aggregate (the "Royalty Payment") payable in quarterly installments beginning on December 15, 2023 and ending on December 15, 2026 and $1.4 million payable in 2027.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 - Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.

- Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 - Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company's financial assets and liabilities, such as cash and cash equivalents, accounts receivable, inventory, prepaid expenses, other current assets, accounts payable, accrued interest payable, certain notes payable and notes payable - related party, and GE royalty obligation, approximate their fair values because of the short maturity of these instruments.

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion features.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then revalued at each reporting date, with changes in the fair value reported as charges or credits to income.

As of December 31, 2023, the Company had a sufficient number of authorized shares of common stock to accommodate the conversion features on warrants, options, estricted stock units, and convertible notes. These shares have been reserved for issuance by the Company's stock transfer agent, and accordingly, no derivative liability has been calculated on these shares.

Extinguishments of Liabilities

The Company accounts for extinguishments of liabilities in accordance with ASC 405-20 (formerly SFAS 140) "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities". When the conditions are met for extinguishment accounting, the liabilities are derecognized and the gain or loss on the sale is recognized.

Stock-based Compensation

The Company periodically issues common stock, RSUs and stock options to officers, directors, employees and consultants for services rendered.

The Company accounts for stock incentive awards issued to employees and non-employees in accordance with FASB ASC 718, Stock Compensation. Accordingly, stock-based compensation is measured at the grant date, based on the fair value of the award. Stock-based awards to employees are recognized as an expense over the requisite service period, or upon the occurrence of certain vesting events. Additionally, stock-based awards to non-employees are expensed over the period in which the related services are rendered.

In June 2018, the FASB issued ASU 2018-07-Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting, which simplifies the accounting for share-based payments to nonemployees by aligning it with the accounting for share-based payments to employees subject to certain exceptions. The Company adopted ASU 2018-07 with respect to grants of shares of common stock of the Company made in January 2019. The adoption of ASU 2018-07 did not have a material impact on the consolidated financial statements.

Prior to the adoption of ASU 2018-07 in January 2019, stock-based awards granted to non-employees were accounted for in accordance with ASU 505-50 - Equity-Based Payments to Non-Employees ("ASU 505-50"). ASU 505-50 measures stock-based compensation at either the fair value of the consideration received, or the fair value of the equity instruments issued, whichever is more reliably measurable. If the fair value of the equity instruments issued is used, it is measured using the stock price and other measurement assumptions as of the earlier of (1) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is completed.

The expense resulting from share-based payments is recorded in operating expenses in the statements of operations.

Revenue Recognition

The Company currently generates revenues substantially from home lighting, ceiling fans, and smart products through its family of internet sites and marketplaces. A substantial portion of the Company's customers' orders are made and paid contemporaneously by credit card and shipped through third-party delivery providers. The Company recognizes revenues once it concludes that the control of the product is transferred to the customer, which is upon delivery.

The Company records reductions to revenue for estimated customer sales returns and replacements, net of sales tax. The Company receives rebate and cooperative allowances based on a percentage of periodic purchases from certain vendors. These vendor considerations are reflected as a reduction of costs of revenues. The vendor considerations, the rights of returns and replacements are based upon estimates that are determined by historical experience, contractual terms, and current market conditions. The primary factors affecting the Company's accrual for estimated customer rights of returns include estimated customer return rates as well as the number of units shipped that have a right of return that have not expired as of the measurement date.

Cost of Revenues

Cost of revenues represents costs directly related to produce, acquire and source inventory for sale, and provisions for inventory shrinkage and obsolescence. These costs include the costs of purchased products, inbound freight, and custom duties.

Selling, General and Administrative Expenses

Shipping and handling costs incurred by the Company to deliver finished goods are expensed and recorded in selling, general and administrative expenses.

Additionally, selling, general and administrative expenses include marketing, professional fees, distribution, warehouse costs, and other related selling costs. Selling expenses include costs incurred in the selling of merchandise. General and administrative expenses include costs incurred in the administration or general operations of the business.

Stock compensation expense consists of non-cash charges resulting from the issuance of stock units and stock options that are disclosed in the selling, general and administrative expenses and included as operating expenses.

Income Tax Provision

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Operations in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification (Section 740-10-25). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying consolidated balance sheets, as well as tax credit carrybacks and carryforwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its consolidated balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In the management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Uncertain Tax Positions

The Company did not take any uncertain tax positions and had no adjustments to its income tax liabilities or benefits pursuant to the provisions of Section 740-10-25 for the reporting periods ended December 31, 2023, and 2022.

Contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or un-asserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. However, there is no assurance that such matters will not materially and adversely affect the Company's business, consolidated financial position, and consolidated results of operations or consolidated cash flows.

Comprehensive Income or loss

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the stockholders' equity section of the statements of financial condition. Such items along with net income are components of comprehensive income.

Loss Per Share

Basic net earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The Company uses the "treasury stock" method to determine whether there is a dilutive effect of outstanding convertible debt, option and warrant contracts. For the years ended December 31, 2023, and 2022, the Company recognized net loss and a dilutive net loss, and the effect of considering any common stock equivalents would have been antidilutive for the period. Therefore, a separate computation of diluted earnings (loss) per share is not presented for the periods presented.

The Company had the following anti-dilutive common stock equivalents at December, 2023 and 2022:

	December 31, 2023	December 31, 2022
Stock warrants	2,063,522	1,928,211
Stock options	35,807,476	33,289,250
Convertible notes	3,920,005	86,668
Preferred stock	-	880,400
Total	**41,791,003**	**36,164,529**

Anti-dilutive common stock equivalents at December 31, 2023 excludes shares issuable in April 2024 pursuant to the business combination of Belami which range between 1,390,065 and 1,853,421 shares of common stock.

Recently Issued Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on its consolidated financial statements.

Change in Accounting Principles

Historically, the Company recognized its revenues of products shipped by third-party providers upon shipment. During the second quarter of 2023, the Company changed its revenue recognition policy as it believes that it is preferable to recognize the revenues of products shipped by such third-party providers upon delivery. This revenue recognition method is consistent with the method used by Belami. The change in accounting principle does not significantly impact on the revenues historically recorded by the Company.

NOTE 3 DEBT SECURITIES

The components of investments as of December 31, 2022, were as follows:

	Fair value level	Cost	Unrealized loss	Carrying value
Corporate debt securities	Level 1	$ 3,537,556	$ (56,710)	$ 3,480,846
State and local government debt securities	Level 1	908,354	(5,437)	902,917
State and local government debt securities	Level 2	2,945,648	-	2,945,648
Accrued interest	Level 1	44,545	-	44,545
Total		**$ 7,436,103**	**$ (62,147)**	**$ 7,373,956**

The Company disposed of its portfolio of debt securities during 2023.

NOTE 4 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

	December 31, 2023	December 31, 2022
Machinery and equipment	$ 282,799	$ 67,419
Computer equipment	6,846	6,846
Furniture and fixtures	36,059	36,059
Tooling and production	642,509	534,204
Software development costs	109,096	-
Leasehold improvements	30,553	30,553
Total	1,107,862	675,081
Less: accumulated depreciation	(671,275)	(459,083)
Total, net	**$ 436,587**	**$ 215,998**

Depreciation expenses amounted to $93,693 and $70,767 for the years ended December 2023 and 2022, respectively.

NOTE 5 INTANGIBLE ASSETS AND GOODWILL

Intangible assets consisted of the following:

	December 31, 2023	December 31, 2022
Patents and trademarks (useful life 15 years)	$ 1,040,927	$ 869,822
Customer relationships (useful life 7 years)	4,500,000	-
E-commerce technology platforms (useful life 4 years)	3,900,000	-
Less: accumulated amortization	(1,299,895)	(207,020)
Total, net	**$ 8,141,032**	**$ 662,802**

Amortization expense on intangible assets was $1,092,876 and $51,634 during 2023 and 2022, respectively.

The following table sets forth the estimated amortization expense for the next five years:

Twelve months ended December 31, 2024	$ 1,673,613
2025	1,673,613
2026	1,673,613
2027	1,511,113
2028	698,613
2029	698,613

Goodwill increased by $16.2 million during 2023 resulting from the business combination with Belami in April 2023

NOTE 6 DEBTS

The following table presents the details of the principal outstanding:

	December 31, 2023	December 31, 2022	APR at December 31, 2023	Maturity	Collateral
Notes payable	$ -	$ 5,115,000	8.00%	Satisfied prior to maturity	Substantially all Company assets
Convertible Notes (b)	11,525,000	1,300,000	6.00 - 10.00%	September 2023- March 2026	Substantially all company assets
Notes payable to financial institutions a)	6,348,104	-	7.93-8.5	August 2024- August 2026	Inventory, accounts receivable, cash
,Notes payable to Belami sellers	247,927	-	7.93%	April 2024	-
SBA-related loans (c)	145,022	157,835	3.75%	April 2025- November 2052	Substantially all Company assets
Total	**$ 18,266,053**	**$ 6,572,835**			
Unamortized debt discount	(4,591,222)	-			
Debt, net of Unamortized debt Discount	**13,674,831**	**6,572,835**			

	For the year period ended	
	December 31, 2023	December 31, 2022
Interest expense, net	3,109,307	589,009

Interest expense is recognized as net of interest income which amounted to $451,703 and $188,132 during 2023 and 2022, respectively.

As of December 31, 2023, the expected future principal payments for the Company's debt are due as follows:

2024	6,899,129
2025	642,648
2026	10,583,359
2027	3,040
2028 and thereafter	137,877
	$ 18,266,053

(a) The unpaid principal bears annual interest at the Wall Street Journal prime rate.

(b) Included in Convertible Notes are loans provided to the Company from one director, two officers and two investors. The notes each have the following terms: three-year subordinated convertible promissory note of principal face amounts. Subject to other customary terms, the Convertible Notes mature between September 2023 and January 2024 and bear interest at an annual rate of 6%, which is payable annually in cash or common stock, at the holder's discretion. At any time after issuance and prior to or on the maturity date, the note is convertible at the option of the holder into shares of common stock at a conversion price ranging from $15 per share.

All convertible notes are convertible at a price ranging between $2.70 and $15 per share.

During 2023, the Company issued convertible promissory notes for $10.4 million. As an inducement to enter the financing transactions, the Company issued 1,391,667 warrants to the noteholders at an adjusted exercise price of $2.70 per warrant. The Company recorded a debt discount aggregating $5.6 million which was recognized as debt discount and additional paid-in capital in the accompanying balance sheet. The Company recognized $700,000 as amortized debt discount during 2023, and it is reflected as interest expense in the accompanying unaudited consolidated statement of operations. Only the convertible promissory notes issued during fiscal 2023 are secured by substantially all of the assets of the Company.

(c) The Small Business Administration forgave approximately $178,000 of PPP loans during the year ended December 31, 2022, which was recognized as other income.

NOTE 7 OPERATING LEASE LIABILITIES

In April 2022, the Company entered into a 58-month lease related to certain office and showroom space pursuant to a sublease that expires in February 2027. The Company recognized a right-of-use asset and a liability of $1,428,764 pursuant to this lease.

In September 2022, the Company entered in a 124-month lease related to its future headquarters offices and showrooms space. The Company recognized a right-of-use asset and a liability of $22,192,503 pursuant to such lease. In connection with the execution of lease, the Company was required to provide the landlord with a letter of credit in the amount of $2.7 million, which is secured by the same amount of cash.

The following table outlines the total lease cost for the Company's operating leases as well as weighted average information for these leases as of December 31, 2023:

		December 31, 2023
Lease costs:		
Cash paid for operating lease liabilities	$	687,849
Right-of-use assets obtained in exchange for new operating lease obligations		21,214,652
Fixed rent payment	$	280,218
Lease - Depreciation expense	$	1,870,393

		years ended December 31, 2023
Other information:		
Weighted-average discount rate		6.41%
Weighted-average remaining lease term (in months)		102
Minimum Lease obligation		
2024		1,898,428
2025		2,119,073
2026		2,357,033
2027		2,288,363
2028 and thereafter		15,503,089
Total	**$**	**24,165,986**

NOTE 8 ROYALTY OBLIGATIONS

The Company had a license agreement with General Electric ("GE") which provided, among other things, for rights to market certain of the Company's products displaying the GE brand in consideration of royalty payments to GE. The agreement expired in 2023.

The Company owes $2.5 million to GE pursuant to the license agreement. The payments associated with this debt are payable in quarterly tranches aggregating $0.8 million during 2024 and 2025 and $0.9 million in 2026. Additionally, the Company owes an additional $1.4 million pursuant to its agreements with GE which is payable in 2027 which is recorded as an accounts payable in the accompanying balance sheet as of December 31, 2023.

NOTE 9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	December 31, 2023	December 31, 2022
Accrued interest, convertible notes	$ 744,953	$ 104,735
Trade payables	11,513,918	1,369,702
Accrued compensation	874,557	475,417
	$ 13,133,428	**$ 1,949,823**

NOTE 10 INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled.

On December 31, 2023, the Company had a net operating loss carryforward of approximately $37,502,020 available to offset future taxable income indefinitely. Utilization of future net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code.

On December 31, 2022, the Company had a net operating loss carryforward of approximately $27,035,941 available to offset future taxable income indefinitely. Utilization of future net operating losses may be limited due to potential ownership changes under Section 382 of the Internal Revenue Code.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance as of December 31, 2023, and 2022.

The effects of temporary differences that gave rise to significant portions of deferred tax assets at December 31, 2023 and December 31, 2022 were approximately as follows:

	December 31	
	2023	2022
Net operating loss carryforward	$ 28,012,804	$ 17,293,894
Stock-based compensation	5,018,041	2,392,262
Rights of use assets	(6,135,853)	(5,886,344)
Operating lease liabilities	6,989,458	6,101,878
Less Valuation Allowance	(33,884,451)	(19,901,690)
Total Deferred Tax Assets - Net	**$ -**	**$ -**

The Company's tax expense differs from the statutory tax expense for the years ended December 31, 2023 and December 31, 2022 and the reconciliation is as follows.

	2023	2022
Computed statutory tax benefit - Federal	$ (10,885,333)	$ (5,977,363)
Computed statutory tax benefit - State	(1,775,915)	(1,292,961)
Permanent difference	(1,321,512)	
Change in valuation allowance	13,982,761	7,270,323
	$ --	$ --

NOTE 11 RELATED PARTY TRANSACTIONS

Convertible Notes Due to Related Parties

Convertible notes due to related parties represent amounts provided to the Company from a director and the Company's Co-Chief Executive Officers. The outstanding principal on the convertible promissory notes, associated with related parties was $825,000 as of December 31, 2023, and $1,300,000 December 31, 2022 and accrued interest of $151,081 and $104,735, respectively.

Initial Public Offering

The Company issued 455,353 shares of its common stock to certain directors, officers and greater than 5% stockholders which generated gross proceeds of $6,374,942 during 2022.

The Company issued 95,386 shares of its common stock to affiliates of certain directors and greater than 5% stockholders pursuant to certain anti-dilutive provisions during 2022. The issuance of such shares was triggered based on the Company's effective price of its initial public offering in February 2022.

NOTE 12 STOCKHOLDERS' EQUITY

(A) Common Stock

The Company issued the following common stock during 2023, and 2022:

Transaction Type	Shares Issued	Valuation $ (Issued)	Range of Value Per Share
2023 Equity Transactions			
Common stock issued pursuant to acquisition	1,923,285	12,887,968	$ 6.7
Common stock issued, pursuant to services provided	2,827,662	17,977,252	1.22-3.82
Conversion of preferred stock	880,400	220,100	0.25
Issuance of common stock pursuant to offering, net	4,359,832	9,289,857	1.45-3.25
Common stock issued pursuant to extinguishment of debt	574,713	2,040,231	3.55

Transaction Type	Shares Issued	Valuation $ (Issued)	Range of Value Per Share
2022 Equity Transactions			
Common stock issued per exercise of options and warrants	599,651	$ 862,301	$ 0.10 - 14.0
Common stock issued per exercise of warrants, cashless	437,711	-	-
Common stock issued, pursuant to services provided	1,057,293	8,235,880	2.0 - 14.0
Conversion of preferred stock	12,376,536	3,094,134	0.25
Issuance of common stock pursuant to offering, net	1,650,000	23,100,000	14.0
Issuance of common stock, pursuant to anti-dilutive provisions	335,073	4,691,022	14.0

The Company issued 335,073 shares of its common stock to certain stockholders during 2022. The issuance of such shares was triggered based on the Company's effective price of its initial public offering. The shares were recorded as an increase in common stock and additional paid-in capital and accumulated deficit during the period, using the fair value of the shares at the date of issuance.

The Company satisfied its obligations under a note payable, initially maturing in September 2026, amounting to $6.2 million during April 2023. The Company paid $2 million and issued 574,713 shares of its common stock to satisfy such obligations, which generated a gain on extinguishment of debt of $1,201,857.

Valuation of the common stock issued pursuant to acquisition includes the carrying value of shares issuable in April 2024. The Company anticipates that the number of shares of its common stock issuable in April 2024 will range between 1,390,066 and 1,853,421 with a carrying value of $5,560,262.

(B) Preferred Stock

The following is a summary of the Company's Preferred Stock activity during the years 2023 and 2022:

Transaction Type	Quantity	Carrying Value	Value per Share
Preferred Stock Balance at December 31, 2022	**880,400**	**$ 220,100**	**$ 0.25**
Preferred Stock conversions	880,400	220,100	0.25
Preferred Stock Balance at December 31, 2023	**-**	**$ -**	**$ 0.25**

Transaction Type	Quantity	Carrying Value	Value per Share
Preferred Stock Balance at December 31, 2021	**13,256,936**	**$ 3,314,233**	**$ 0.25**
2022 Preferred Stock conversions	(12,376,536)	(3,094,133)	0.25
Preferred Stock Balance at December 31, 2022	**880,400**	**$ 220,100**	**$ 0.25**

The Series A Preferred Stock was convertible at the holder's option. The Company could repurchase shares of the Preferred Stock for $3.50 per share. Holders also have a put option, allowing them to sell their shares of Preferred Stock back to the Company at $0.25 per share, and therefore the stock is classified as Mezzanine equity rather than permanent equity.

Holders of preferred stock converted 880,400 shares and 12,376,536 shares of preferred stock in the shares of common stock during 2023 and 2022, respectively. There were no shares of Series A Preferred Stock outstanding at December 31, 2023 and the Company terminated its designation of the Series A Preferred Stock. The Company has not designated any other preferred stock as of December 31, 2023.

(C) Stock Options

The following is a summary of the Company's stock option activity during 2023 and 2022:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2023	33,289,250	$ 7.73	--	$ --
Exercised	-	1.49	--	--
Granted	3,264,728	2.47	--	--
Forfeited	(746,502)	4.23		--
Outstanding, December 31, 2023	35,807,476	$ 7.33	2.7788	$ 2,998,980
Exercisable, December 31, 2023	**13,242,119**	**$ 4.3**	**2.1793**	**$ 2,938,370**

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding, January 1, 2022	21,927,182	$ 3.36	--	$ --
Exercised	(635,640)	1.49	--	$ --
Granted	13,832,500	11.74	--	--
Forfeited	(1,834,792)	3.81	--	--
Outstanding, December 31, 2022	33,289,250	$ 7.73	3.43	$ 5,994,300
Exercisable, December 31, 2022	**12,236,672**	**$ 3.92**	**2.7**	**$ 5,994,300**

The following table summarizes the range of the Black Scholes pricing model assumptions used by the Company during 2023 and 2022:

	December 31, 2023	December 31, 2022
	Range	Range
Stock price	$ 3.81	$ 6.5 - 12.34
Exercise price	$ 0 - 14	$ 0.1 - 14
Expected life (in years)	5.00 yrs	1.5 - 5.8 yrs
Volatility	55.23%	10 - 31%
Risk-fee interest rate	4.91%	1.37 - 2.97%
Dividend yield	-	-

The Company cannot use its historical volatility as expected volatility because there is not enough liquidity in trades of common stock during a term comparable to the expected term of stock option issued. The Company relies on the expected volatility of comparable publicly traded companies within its industry sector, which is deemed more relevant, to compute its expected volatility.

Unamortized future option expense was $13.0 million (excluding certain market-based options which management cannot ascertain to have a probable outcome amounting to $61 million) at December 31, 2023 and it is expected to be recognized over a weighted-average period of 1.4 years.

(D) Warrants Issued

The following is a summary of the Company’s warrant activity during 2023 and 2022:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2023	1,908,211	**$ 5.45**
Issued	1,391,667	3.0
Exercised	-	-
Forfeited	1,236,356	2.80
Balance, December 31, 2023	2,063,522	**$ 5.76**

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2022	2,127,895	**$ 5.4**
Issued	608,961	3.3
Exercised	(597,021)	3.3
Forfeited/Cancelled	(231,624)	9.8
Balance, December 31, 2022	1,908,211	**$ 5.45**

During 2023, the Company issued convertible promissory notes for $10.4 million. As an inducement to enter the financing transactions, the Company issued 1,391,667 3- year warrants to the noteholders at an adjusted exercise price of $2.70 per warrant. The Company recorded a debt discount aggregating $5.6 million which was recognized as debt discount and additional paid-in capital in the accompanying balance sheet.

During 2022, the Company issued 608,961 3-year warrants at exercise prices ranging between $9.80 and $18.2 in connection with the issuance of common shares.

(E) Restricted stock units

A summary of the Company's non-vested restricted stock units during 2023 and 2022 are as follows

	Shares	Weighted Average Grant Due Fair Value
Non-vested restricted stock units, January 1, 2023	2,516,461	$ 8.39
Granted	5,895,095	1.54
Vested	(3,168,053)	3.24
Forfeited	(307,681)	8.92
Non-Vested restricted stock units, December 31, 2023	4,935,822	7.99
Non-vested restricted stock units, January 1, 2022	770,500	3.3
Granted	2,659,109	9.2
Vested	(912,548)	6.5
Forfeited	(600)	2.5
Non-vested restricted stock units December 31, 2022	2,516,461	8.39

The weighted-average remaining contractual life of the restricted units as of December 31, 2023 is 1.85 years.

One RSU and RSA gives the right to one share of the Company's common stock. RSU and RSAs that vest based on service and performance are measured based on the fair values of the underlying stock on the date of grant. The Company used a Lattice model to determine the fair value of the RSU with a market condition. Compensation with respect to RSU and RSA awards is expensed on a straight-line basis over the vesting period.

For the years ended December 31, 2023, and 2022, the Company recognized compensation expense of $18.0 million, and $14.0 million , respectively, related to RSUs, RSAs and stock options

NOTE 13 CONCENTRATIONS OF RISKS

Major Customers and Accounts Receivable

The Company had no customers whose revenue individually represented 10% or more of the Company's total revenue. The Company had one third-party payor accounts receivable balance representing 24% of the Company's total accounts receivable at December 31, 2023 and none at December 31, 2022.

Liquidity

The Company's cash and cash equivalents are held primarily with two financial institutions. The Company has deposits which exceed the amount insured by the FDIC. To reduce the risk associated with the failure of such counterparties, the Company periodically evaluates the credit quality of the financial institutions in which it holds deposits.

Product and Geographic Markets

The Company generates its income primarily from lighting and heating products sold primarily in the United States.

NOTE 14 PROFORMA FINANCIAL STATEMENTS (unaudited)

The following pro forma consolidated results of operations have been prepared as if the acquisition occurred on January 1, 2022:

	Twelve-month period ended December 31,	
	2023	2022
Revenues	$ 82,823,223	$ 88,824,119
Net loss	$ (39,495,552)	$ (27,001,995)
Basic and diluted loss per share	$ (0.43)	$ (0.32)
Weighted average number of shares outstanding- basic and diluted	92,768,792	84,064,095

These pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results to reflect, among other things, 1) additional amortization that would have been charged assuming the fair value adjustments to amortizable intangible assets had been applied, 2) the shares issued and issuable by the Company to acquire Belami, 3) fair value of the initial grant and options to Belami employees, and 4) the increase in interest expense related to the issuance of convertible notes payable, including amortization of debt discount. Furthermore, it excludes transaction costs related to the Belami acquisition. These pro forma results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that would have resulted had the acquisition occurred on the date indicated or that may result in the future.

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 1, 2024, which is the date the consolidated financial statements were available to be issued. There were no significant subsequent events that required adjustment to or disclosure in the consolidated financial statements with the exception of the following:

The Company generated proceeds of $3.6 million in consideration for the issuance of 2,733,361 shares of common stock pursuant to its at-the market offering,

The selling shareholders of Belami agreed to extend the payment of the Company's consideration payable of $3.1 million from April 2024 to May 2025, under convertible promissory notes. The notes bear annual interest at 10% and are convertible at $3 per share.

Exhibit 23.1

M&K CPAS PLLC

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-262613) and on Form S-3 (File Nos 333-271698 and 333-273075) of our report dated April 1, 2024, relating to the financial statements of SKYX Platforms Corp. for the years ended December 31, 2023 and 2022, which appears in this Form 10-K. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ M&K CPAS, PLLC

www.mkacpas.com
Houston, Texas

April 1, 2024

Exhibit 31.1

CERTIFICATION

I, John P. Campi, certify that:

1. I have reviewed this Annual Report on Form 10-K of SKYX Platforms Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2024

By: */s/ John P. Campi*
John P. Campi
Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Leonard J. Sokolow, certify that:

1. I have reviewed this Annual Report on Form 10-K of SKYX Platforms Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2024

By: */s/ Leonard J. Sokolow*
Leonard J. Sokolow
Co-Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.3

CERTIFICATION

I, Marc-Andre Boisseau, certify that:

1. I have reviewed this Annual Report on Form 10-K of SKYX Platforms Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 1, 2024

By: */s/ Marc-Andre Boisseau*
Marc-Andre Boisseau
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of SKYX Platforms Corp. (the “Company”) for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 1, 2024

By: */s/ John P. Campi*
John P. Campi
Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of SKYX Platforms Corp. (the “Company”) for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 1, 2024

By: */s/ Leonard J. Sokolow*
Leonard J. Sokolow
Co-Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of SKYX Platforms Corp. (the "Company") for the fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 1, 2024

By: */s/ Marc-Andre Boisseau*
Marc-Andre Boisseau
Chief Financial Officer
(Principal Financial and Accounting Officer)