

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

**FORM 10-K**

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

**For the fiscal year ended December 31, 2022**

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**

(State or other jurisdiction of  
incorporation or organization)

**46-3645414**

(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
<b>Common Stock, no par value per share</b>	<b>SKYX</b>	<b>The Nasdaq Stock Market LLC</b>

**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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 \$107,896,912 based on the closing price as reported on The Nasdaq Stock Market LLC as of June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter.

As of March 20, 2023, the registrant had 83,119,862 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 consummate the acquisition of Belami, Inc. ("Belami") and integrate and manage the operations of the acquired business;
- our ability to expand, operate 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 our operations as needed;
- our ability to comply with the terms of, and timely repay, our current debt financing;
- the impact of the COVID-19 pandemic on our business and operations, including the potential impact on manufacturing operations in China;
- 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 our License Agreement (as defined below) with General Electric ("GE");
- 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 tax;
- our ability to successfully sell and distribute our products and technologies;
- 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 potentially deteriorating relationships with China, inflation, labor shortages, supply chain constraints and shortages, including availability of affordable electronic microchips;
- 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 as a result 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.

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## 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.
- If we are unable to successfully launch our smart products and technologies on our anticipated timeline, 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 complete the acquisition of Belami, or any other acquisition, and integrate and manage the operations of the acquired business, 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, which 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.
- Our business has been, and could continue to be, negatively impacted by the lingering effects of the COVID-19 pandemic.
- We depend on a limited number of third-party manufacturers and suppliers.
- The loss of any significant customers, or the loss of our License Agreement with GE, could materially adversely affect us.
- We face substantial risks relating to our intellectual property, 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, such as the COVID-19 pandemic, 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 will 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.

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## 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 60 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.

Our 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, we have developed prototypes that expand the capabilities of our power-plug product, to include advanced safe and quick universal installation methods, as well as advanced smart capabilities, which are currently in the third and final prototype stage prior to launching. The smart features contained in the final prototype 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 will allow scheduling, energy savings 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 second-generation technology, which is in the second stage prototype, 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 prototype 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 prototype 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.

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Since 2015, we have generated over \$29 million in sales from 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: The Weight Bearing Power-Plug". We have decided to wind 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 Smart Sky Platform. Additional information regarding our new line of products is described below under "Products—Advanced Products" and "—Smart Products." We elected to do so since 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. Our first generation of advanced and smart products are in the third and final prototype stage prior to launching. We expect that all advanced and smart products will be commercially available during 2023. As part of the launch of certain products, we have allowed customers to pre-order prior to general availability.

### Recent Developments

On February 6, 2023 (the "Signing Date"), we entered into the Stock Purchase Agreement (the "Stock Purchase Agreement") with the stockholders (the "Sellers") of Belami, a California corporation, pursuant to which we agreed to acquire all of the issued and outstanding shares of Belami from the Sellers (the transactions contemplated by the Stock Purchase Agreement, the "Acquisition"). Belami is a strategic e-commerce lighting and home décor conglomerate that the Company expects will serve as a marketing and growth platform and will provide several distribution channels, including to retail customers, builders and professionals.

At the closing of the Acquisition (the "Acquisition Closing"), Belami's stock will transfer to the Company, and the Company will pay to the Sellers as consideration (i) \$7.0 million in cash, net of indebtedness (other than permitted indebtedness), transaction expenses (as provided in the Stock Purchase Agreement), and bonuses to certain employees and consultants, and the release to Sellers of a \$1.0 million payment held in escrow, which the Company paid into escrow on the Signing Date, and (ii) 2,018,692 shares of the Company's common stock, no par value (the "common stock"), which is equal to \$6.48 million divided by \$3.21, which is the average closing price per share of the common stock on The Nasdaq Stock Market LLC ("Nasdaq") for the 20 trading days immediately preceding the Signing Date. The Company will also pay to the Sellers, on the first anniversary of the Acquisition Closing date (the "Deferred Payment Date"), (i) \$3.22 million in cash and (ii) a number of shares of common stock equal to approximately \$6.4 million divided by the average closing price per share of the common stock on Nasdaq for the 20 trading days immediately preceding the Deferred Payment Date, subject to a minimum price per share of \$3.00 and a maximum price per share of \$4.00. 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. Any payment of the working capital adjustment by the Company will be paid one-third in cash and two-thirds in common stock, equal to such adjustment amount divided by the average closing price per share of common stock on Nasdaq for the 20 trading days immediately preceding the date of the post-closing adjustment, up to 100,000 shares of common stock (with any additional amount to be paid in cash).

In addition, prior to the Acquisition Closing, an amount of cash equal to Belami's retained earnings is required to be distributed to the Sellers. If the amount of cash distributed is insufficient, the Company will be required to deliver a promissory note to Sellers at the Acquisition Closing equal to the difference between retained earnings and the cash distributed, with a term of one year and an interest rate equal to the short-term applicable federal rate then in effect. The Company also agreed to assume Belami's loan agreement with PNC Bank, National Association, consisting of a \$2.0 million revolving line of credit and a term loan of approximately \$2.5 million.

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In connection with the Acquisition, the Company closed private placement offerings (the "Private Placements") pursuant to securities purchase agreements with certain existing Company investors, providing for the issuance and sale by the Company to such investors of (i) subordinated secured convertible promissory notes in the aggregate principal amount of \$10.35 million and (ii) warrants to purchase an aggregate of up to 1,391,667 shares of the Company's common stock for certain investors. The proceeds will be used for the cash component of the Acquisition consideration and to pay certain transaction expenses in connection with the Acquisition and the Private Placements.

In March 2023, the Company also acquired 50% of the equity of a strategic e-commerce private label lighting website, for \$225,000. The other 50% of the equity is owned by Belami. The Company expects that this acquisition will serve as another marketing and growth platform for the Company and will provide additional distribution to both professional and retail channels for the Company's products.

## 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's second-generation prototype, incorporate our "plug and play" technology, which eliminates the need to touch wires during the later plug-in install, replacement and maintenance, and cleaning and, accordingly, could result in reduced incidents of electrical shocks and fires resulting from faulty wiring. The installation of our products and retrofitting of electrical services does not require the services of a licensed electrician but 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. While we have developed and created working prototypes of our advanced and smart products, as described below, we are continuing to refine the product prototypes and expect that all advanced and smart products will be commercially available during 2023.

### *Our First Product: The Weight Bearing Power-Plug*

Our first patented technology was the 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".

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We have previously sold products with the Sky Plug & Receptacle built in, including ceiling fans and light fixtures. We have decided to wind 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 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*

**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, controlling, voice control, safety features, security features, lifestyle features, sound, lights, dimming, emergency back-up battery and much more.

**Sky Smart – Universal Power-Plug & Receptacle:** Our Sky Smart 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 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 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.

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**Sky – Smart 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, secured, 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 safe, 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 buildings and can be easily implemented and installed to the ceiling receptacle in both existing and new homes and buildings within minutes. Our Smart Sky Platform includes distinctive 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 enables 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, 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.

The Smart Sky Platform is inconspicuous to the décor. It is designed to install 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 us 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 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 will eliminate the need for installation of numerous stand-alone devices and their integration into a working unit.

The Smart Sky Platform's location on the ceiling significantly advances smart home products' performance, including the speed and range of both WIFI and Bluetooth, as well as the performance of sensors and alarms.

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.

Installation takes only minutes and fixtures previously hung from that location can still be plugged into the Smart Sky Platform.

## **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.

## **Cyber Security**

We have implemented measures and protocols to ensure that our users' information is safe and fully protected. We use high level of cyber security 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 any 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 NEC (National Electrical Code) 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 National Electrical Code (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.

## 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 complete could be adversely impacted.

We protect our intellectual property through various aspects and strategies including broad and particular intellectual property claims. We have over 60 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, 2022, in the U.S., we owned seven issued patents, which expire from 2036 to 2038, and six pending or published but not yet issued patents, and outside of the U.S., we owned eight issued patents, which expire from 2026 to 2039, and 46 pending or published but not yet issued patents. We intend to diligently maintain and vigorously defend the intellectual property of Sky Technologies, and to enhance our patent protections actively and continuously in the U.S. and globally.

The issued patents are directed to various aspects 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.

## GE- General Electric Agreements

We have two U.S. and global agreements with GE related to our products.

- The first agreement is a U.S. and Global Trademark Agreement dated June 15, 2011 (as later amended) (sometimes referred to as the "License Agreement"), which expires November 30, 2023 and is generally renewed for five-year periods. Pursuant to such agreement, the Company may use the GE brand logo on certain products, including plug and play smart and standard ceiling fans and the Company's standard and smart plug and play devices. We have exclusive U.S. and global rights, including Canada, Asia, Europe, China, Australia, New Zealand and India, subject to a mutually agreed to commercialization plan, to market plug and play smart and standard ceiling fans and the Company's standard and smart plug and play devices under the GE brand. GE will assist us with manufacturing standards, audit of factories, audit of materials, and quality control under "Six Sigma" guidelines, as well as with public relations for products and other.
- The second agreement is a U.S. and Global Licensing and Master Service Agreement dated June 14, 2019. The agreement expires on June 14, 2024 and includes automatic renewal provisions. Pursuant to such agreement, GE's licensing team has the rights to exclusively license the Company's Standard and Smart plug-and-play products in the U.S. and worldwide. Pursuant to the agreement, we expect 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, we 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.

On June 15, 2011, we entered into the License Agreement with GE, pursuant to which we have the right to market certain ceiling light and fan fixtures displaying the GE brand. We and GE subsequently amended the License Agreement, including on April 17, 2013, August 13, 2014, September 25, 2018, May 2019 and December 1, 2020. The License Agreement imposes certain manufacturing and quality control conditions that we must maintain to continue to use the GE brand. The License Agreement is nontransferable and cannot be sublicensed. Various termination clauses are applicable to the License Agreement; however, none were applicable as of December 31, 2022.

On August 13, 2014, we entered into a second amendment to the License Agreement pertaining to our royalty obligations. Under the initial terms of the amendment, we agreed to pay GE a minimum trademark license fee of \$12.0 million by November 30, 2018 (the "Initial Royalty Obligation") for the rights assigned in the original contract. The amendment provided that, if we did not pay to GE royalties equal to the Initial Royalty Obligation over the term of the License Agreement, we would owe the difference to GE in December 2018.

We are expanding our relationship with GE to collaborate on mutual capabilities, and in December 2020, we entered into the current amendment to the License Agreement. The amendments following the second amendment expanded our product range, including smart, and added additional global territory rights. The License Agreement has been extended for an additional five years and expires on November 30, 2023. Pursuant to the third amendment, entered September 2018, the approximate remaining payment of \$10.0 million pursuant to the Initial Royalty Obligation was waived, and we agreed to pay GE an aggregate amount of \$6.0 million, consisting of three annual installments of \$2.0 million to be paid to GE in each of December 2018, 2019 and 2020. In December 2020, we restructured the royalty payment obligations due of approximately \$4.4 million, plus \$0.7 million in interest. We agreed to pay a total of \$5.1 million to GE in quarterly installments through December 2023, including \$100,000 due December 2020, an aggregate of \$500,000 due in four equal installments in 2021, an aggregate of \$1.2 million due in four equal installments in 2022 and an aggregate of \$3.3 million due in four equal installments in 2023 (the "Minimum Payments"). In the event the Company receives significant funding rounds of at least \$50.0 million in funding, it is required to use a portion of such funding to pay certain amounts to GE. The Minimum Payments will be in addition to the royalty payments made to GE during the respective year, as set forth below.

Royalty payments are due quarterly, using a December 1 – November 30 contract year and based upon the prior quarter's sales. Royalty payments will be paid from sales of GE branded product subject to the following repayment schedule:

Net Sales in Contract Year	Percentage of Contract Year Net Sales owed to GE
\$0 to \$50,000,000	7%
\$50,000,001 to \$100,000,000	6%
\$100,000,000+	5%

As of December 31, 2022, the remaining royalty obligations amounted to \$2,638,000, which are expected to be paid in 2023.

## 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, 2022, we had 37 total employees and consultants, 29 of which are full-time. 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.

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**

Our business strategy is to enhance safety and advance smart living lifestyle in homes and other buildings.

Following commercial launch of our advanced and smart products, 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 prevent, including ladder falls, electric shock/electrocutions, fires, carbon monoxide poisonings, injuries, deaths and more.

We will also educate on all our advanced smart technology features.

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 materially differ 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.

**Lead and Seed Strategy:** We expect to lead by selling our highly disruptive line of products through a variety of channels as well as seed our products through licensing to various industries.

- *Lead Through Direct Sales:* We expect to sell our products through various representatives to online customers, builders, rental properties, hotels, big box retail, OEM customers and more. We expect to sell our products to personal consumers primarily through direct sales via our website, to large retailers, distributors and dealers, and through warehouse programs. We plan to rely primarily on product distribution arrangements with third parties and expect that our multi-channel sales strategy will evolve and expand in the future. We expect our primary customers to be retail consumers, retail showrooms, builders residential/commercial, hotels, OEM and licensing.
- *Seed Through Licensing:* After our public relation campaign and our official product launch, we expect to license a variety of our standard and smart products to companies in various industries, including electrical companies, lighting and ceiling fan companies, as well as smart home companies. We intend to expand our sales and marketing operations and activities and intend to build strong customer relationships and expand our brand awareness.

As part of our sales campaign, we intend to use online channels and may also utilize social media influencers. As part of the launch of certain products, we have allowed, and may in the future allow customers to pre-order prior to general availability. Our future revenue streams may also include data aggregation and subscriptions. We can provide no assurance that we will be able to successfully expand our operations or activities, gain market awareness or acceptance of our products, or achieve our expectations described above.

### **Product Usage**

Our products and technologies can be used in new and existing homes and buildings, including by builders, rental properties, hotels, cruise ships, elder living facilities, schools, hospitals, offices, commercial, and retail. We provide a one-year full performance warranty on all our products, as well as part replacements. We intend to provide extended warranty coverage plans in the future.

### **Our Opportunity**

Based on the significance of the safety aspects and lifestyle features of our products, we believe that our products are a necessity in most rooms, homes, and other buildings, both in the U.S. and globally, and that they can help prevent 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 other buildings.

We believe that our series of highly disruptive advanced-safe-smart platform technologies are a necessity as they are expected to disrupt and positively influence various industries, both in the U.S. and globally.

- *Lighting Industry:* We believe that due to ease of the 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.

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 due to the ease of installation, time savings, cost savings on installations and the safety aspect of our product, our product is a necessity for the 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 due to ease of the installation, time savings, cost savings on installations and the safety aspect of our product, our product is a necessity for the 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 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 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 December 2022. Bringing our products to market will require us to take certain steps, including, but not limited to, the following:

*Manufacturing:* While 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, we have not yet begun manufacturing our new advanced or smart products. We expect it may take approximately 90 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.

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- *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 currently rely, and plan to rely primarily, on product distribution arrangements with third parties. We 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"), United 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 UL, cUL or CE 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:

- Global market with numerous potential product applications
- Product sales
- Royalties/Licensing
- Subscription model
- Monitoring services
- Sale of product and licensing rights to additional countries

*Royalties from the Sky Plug & Receptacle.* Management has agreed to license products in the U.S. and globally through the efforts of its GE licensing and trademark agreements. 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 Sales.* We currently generate revenue from our product sales, and management will strive to achieve strong market penetration worldwide for our current products and products in development. We have previously sold our standard products in the United States, Canada and Mexico, and expect to begin selling our new smart products in these markets 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 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 2023 but cannot provide any assurance that we will be able to do so.

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### 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.

Since our inception, we have sold hundreds of thousands of units of our standard Sky Plug & Receptacle. Since 2015 we generated over \$29 million in sales. We have 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.

We hold over 60 U.S. and global patents and patent applications and have received a variety of final electrical code approvals, including UL, United Laboratories for Canada (cUL) and Conformité Européenne (CE), and 2017 and 2020 inclusion in the NEC Code Book.

### 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 and, with respect to products that bear the GE logo, as required by the Licensing Agreement with GE, such manufacturers must be approved by GE to ensure certain quality standards are met. 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. With respect to circuit chips, we believe we have obtained enough to manufacture our products by the anticipated launch date. 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 vary based on our products, market, and industry.

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

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- Our main competitors for our Smart Plug and Play Light Fixture products are: 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, NBG, Minka, Hampton Bay and other. 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.
- Our main competitors for our Smart Plug and Play Ceiling Fan Products: 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, Fanomation, Modern Homes, Hampton Bay and others.
- Our main competitors for our Plug and Play All-In-One Safe-Smart Platform product: we do not have direct competition at this point to our Plug and Play All-In-One Safe-Smart Platform product, although there are many smart home companies that can be our competitors, including companies such as Control 4, Vivint, Apple, Google, Microsoft, Amazon, ADT, Blue, Cove 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.

## 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 USA 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, United Laboratories for Canada (cUL), Conformité Européenne (CE) and IECCE Certification Body (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](http://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.

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## 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](http://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.

## 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 shifted our business strategy to transition to smart products and technologies; accordingly, our revenue has decreased since 2018 as we sell through our existing inventory of discontinued products to facilitate our business transition. 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 the following risks, among others:

- unanticipated problems, delays and expenses relating to 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 UL, cUL or CE certifications for new product configurations;
- operational difficulties;
- 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.

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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 \$26.6 million and \$5.2 million during 2022 and 2021, respectively. As of December 31, 2022, we had an accumulated deficit of approximately \$106.1 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, maintain cost control discipline while balancing development of our enhanced "all-in-one" Smart Sky Platform 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 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 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, an inability to timely and cost-effectively introduce successful smart products and other products and technologies, a security incident or our failure, for any reason, to continue 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 anticipate that 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 expect to derive much of our 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 much of our 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 an all-in-one Smart Sky Platform would result in the loss of a substantial amount of investment dollars. Furthermore, developing 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.

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Even if we can bring our smart products and technologies to market on our projected timeline 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. We began accepting preorders in late 2022. 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. Changes in preferences of users may have a disproportionately greater impact on us than if we offered a wider variety of products. 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 products. If demand declines for any of these or other reasons, our business could be adversely affected.

***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. Our ability to conduct research and development activities as planned may also be negatively impacted if we return to a remote work environment as a result of the COVID-19 pandemic or other factors. Moreover, 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 of 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 business may fail.

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***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 depends in part on our ability to enhance and improve our 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.

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***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 products and technologies popular with customers and consumers, effectively market our products and technologies, effectively manufacture our products, and successfully manage our operations, 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;
- 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 of an enhanced Smart Sky Platform, 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; and
- improving our distribution sales channels.

We also may identify and pursue strategic acquisition candidates that would help support these initiatives, including the Acquisition, which is expected to provide us with direct distribution sales channels.

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, 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. We have evolved our business strategy to focus on producing smart products and technologies using our "plug and play" technologies. This expansion of our products and technologies 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 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 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 partially from sales of our discontinued inventory; we expect to have additional sources of revenues from the e-commerce platform that will be acquired as part of the pending Acquisition. We expect that the release of our new smart products and technologies will require working capital to finish product development and manufacturing, and 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;
- 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 potential worsening global economic conditions resulting from increasing inflation and interest rates, ongoing supply chain disruptions and shortages, labor shortages and geopolitical conditions, and any disruptions to, or volatility in, the credit and financial markets in the United States and worldwide that arise from any economic downturn or recession.

As of December 31, 2022, we had approximately \$6.7 million in cash and cash equivalents and \$7.4 million in investments, available-for-sale. 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 a private placement subordinated secured convertible promissory notes in an aggregate principal amount of \$10.35 million in February and March 2023. We believe that our sources of liquidity and capital will be sufficient to finance our continued operations for at least the next 12 months. 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 secured promissory notes with Nielsen & Bainbridge, LLC ("NBG"), the holders of certain outstanding convertible promissory notes, and the U.S. Small Business Administration (the "SBA"), or any other outstanding secured debt, the creditor could proceed against any or all of the collateral securing our indebtedness to it.

We also have received loan proceeds under the Paycheck Protection Program (the "PPP"), a substantial portion of which has been forgiven. The SBA may audit our loan forgiveness applications and further examine our eligibility for forgiveness, including the facts and circumstances existing at the time the loans were made. We can provide no assurances that any loan forgiven will not require repayment following an audit by the SBA.

***The success of our business depends on the market acceptance of products with our proprietary technology and our ability to respond to rapidly changing technology and customer demands.***

Our future success depends on the market acceptance of our proprietary safe and smart products and technologies. If we are unable to convince current and potential customers of the advantages of our products and technologies, or we are unable to adapt to technological advances, anticipate customer demands and develop new capabilities for our products and technologies, then our ability to market and sell our products and technologies will be limited. If the market for our products and technologies does not develop, if we are unable to adapt new or enhanced products and technologies to emerging industry standards, or if the market does not accept our products and technologies, then our ability to grow our business could be limited. In addition, we may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of our

products and technologies.

***We are subject to risks related to health epidemics and pandemics, including the ongoing COVID-19 pandemic, which could adversely affect our business, prospects, financial condition, and results of operations.***

We face various risks related to public health issues, including epidemics, pandemics, and other outbreaks, such as the lingering effects of the COVID-19 pandemic. The effects and potential effects of the COVID-19 pandemic, including, but not limited to, its impact on general economic conditions, trade and financing markets, changes in customer behavior and continuity in business operations, creates significant uncertainty. In addition, the COVID-19 pandemic may cause an increase in costs resulting from our efforts to mitigate the effects. The extent to which the COVID-19 pandemic may continue to affect our business will depend on continued developments, including the duration of the pandemic and the extent of any further resurgences in cases across the United States or shutdowns of manufacturing facilities in China, the emergence of new variants, some of which have been, and may be in the future, more transmissible or virulent than the initial strain, the timing, availability and acceptance of effective medical treatments and vaccines, the impact on capital and financial markets and the related impact on consumer confidence and spending, all of which are uncertain and cannot be predicted. Even if the COVID-19 pandemic subsides, we may continue to suffer an adverse impact on our business due to the global economic effect of the pandemic, including any economic recession that has occurred or may occur in the future. Additionally, many of the risk factors disclosed in this Form 10-K have been, and we anticipate will continue to be further, heightened or exacerbated by the impact of the COVID-19 pandemic.

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

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. 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. COVID-19 and 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 and we believe we have obtained enough to manufacture our products by the anticipated launch date. 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. For instance, outbreaks of COVID-19 in China have led to manufacturing lockdowns and slowdowns in the past and may continue to do so going forward, which may impact us.

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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 strategy will rely upon our ability to successfully rationalize and improve the efficiency of our operations. In particular, our 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 the years ended December 31, 2022 and 2021, we had two major vendors that accounted for 100% of 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.

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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. For example, the continued impact of the COVID-19 pandemic and related quarantines and work and travel restrictions in China have led to manufacturing lockdowns and slowdowns and could disrupt production and impair our ability to manufacture and launch our products and technologies on our anticipated timelines.

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, in February 2023, we entered into the Stock Purchase Agreement to acquire Belami. 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; for example, we agreed to assume Belami's loan agreement with PNC Bank, National Association, consisting of a \$2.0 million unused revolving line of credit and a term loan of approximately \$2.5 million. 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 February and March 2023, we entered into the Private Placements, pursuant to which we issued convertible notes and warrants, and we agreed to issue common stock as consideration for the 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.

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***We cannot provide any assurance that the Acquisition will successfully be completed or, if completed, that we will be able to realize the expected benefits of the Acquisition.***

There can be no assurance that the proposed Acquisition of Belami will occur. Consummation of the Acquisition is subject to certain customary conditions, and there can be no assurance that the conditions to closing will be satisfied at all or satisfied on the proposed terms and schedules as contemplated by the parties. Satisfaction of the closing conditions may delay the consummation of the Acquisition, and if certain closing conditions are not satisfied prior to the end date specified in the Stock Purchase Agreement, the parties will not be obligated to complete the Acquisition. If the Acquisition is not completed for any reason, we will have incurred substantial expenses. We have incurred substantial legal and accounting fees that are payable by us whether the Acquisition is completed, and our management has devoted considerable time and effort in connection with the pending Acquisition. In particular, the Stock Purchase Agreement contains specified termination rights for each of the parties; among other things, the Company is obligated to pay the Sellers a \$1.0 million termination fee if the Stock Purchase Agreement is terminated under certain circumstances. A failed acquisition could materially adversely affect our business, operating results or financial condition. In addition, the trading price of our securities could be adversely affected to the extent that the current price reflects an assumption that the Acquisition will be completed.

In addition, our success following the announcement of the Acquisition depends in part upon our and Belami's ability to maintain our respective business relationships. Uncertainty about the effect of the Acquisition on customers, suppliers, employees, and other constituencies may have a material adverse effect on us and Belami. In connection with the pendency of the Acquisition, some persons with whom we have a business relationship may delay business decisions or decide to seek to terminate or modify their relationships with us or Belami, which could negatively affect our revenues, earnings and cash flows, as well as the market price of our common stock, regardless of whether the Acquisition is completed. Such risks may be exacerbated by delays or other adverse developments with respect to the completion of the Acquisition.

If the Acquisition is successfully completed, we may not realize the expected benefits of the Acquisition. We and Belami have operated and, until completion of the Acquisition, will continue to operate, independently, and there can be no assurances that our businesses can be combined in a manner that allows for the achievement of substantial benefits. Any integration process may require significant time and resources, and we may not be able to manage the process successfully as our ability to acquire and integrate larger or more complex companies, products or technologies in a successful manner is unproven. If we are not able to successfully integrate Belami's businesses with ours or pursue our customer and product strategy successfully, the anticipated benefits of the Acquisition may not be realized fully or may take longer than expected to be realized. Further, it is



possible that there could be a loss of our and/or Belami's key employees and customers, disruption of either company's or both companies' ongoing businesses or unexpected issues, higher than expected costs and an overall post-completion process that takes longer than originally anticipated. Specifically, the following issues, among others, must be addressed in combining Belami's operations with ours to realize the anticipated benefits of the Acquisition so the combined company performs as the parties hope:

- combining the companies' corporate functions;
- combining Belami's business with our business in a manner that permits us to achieve the synergies anticipated to result from the Acquisition, the failure of which would result in the anticipated benefits of the Acquisition not being realized in the timeframe currently anticipated or at all;
- maintaining existing agreements with customers, distributors, providers, talent, and vendors and avoiding delays in entering into new agreements with prospective customers, distributors, providers, talent and vendors;
- determining whether and how to address possible differences in corporate cultures and management philosophies;
- integrating the companies' administrative and information technology infrastructure; and
- evaluating and forecasting the financial impact of the Acquisition transaction, including accounting charges.

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In addition, at times, the attention of certain members of our management and resources may be focused on completion of the Acquisition and integration planning of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt our ongoing business and the business of the combined company.

We may incur significant, non-recurring costs in connection with the Acquisition and integrating the operations of the Company and Belami, including costs to maintain employee morale and to retain key employees. Management cannot ensure that the elimination of duplicative costs or the realization of other efficiencies will offset the transaction and integration costs in the long term or at all.

Also, Belami may have liabilities that were not discovered during our due diligence investigations. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition, and results of operations.

***We may depend upon a limited number of customers in any given period to generate a substantial portion of our revenue.***

Our industry does not lend to long-term customer contracts, and our dependence on individual key customers can vary from period to period as a result of consumer demands, among other variables. As a result, we may experience more customer concentration in any given future period. The loss of, or substantial reduction in sales to, any of our significant customers could have a material adverse effect on our results of operations in any given future period.

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

We may obtain a significant portion of our 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.

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***We sell, or will sell, products and technologies to companies in industries that tend to be extremely cyclical; downturns in those industries would adversely affect our results of operations.***

The growth and profitability of our business will depend on sales to industries that are subject to cyclical downturns, such as the construction and housing industries. Slowdowns in these industries may adversely affect our sales, which in turn would adversely affect our revenues and results of operations.

***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 our intellectual property 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 our intellectual property, our future revenues and operating income will be reduced.

***The loss of our license arrangements with GE could negatively affect our results of operations.***

We currently have two U.S. and global agreements with GE, whereby we may use the GE brand logo on some of our products and GE's licensing team may license some of our products to both U.S. and global manufacturers. The loss or termination of our arrangements with GE could, among other things: limit our ability to secure additional customers and thereby could have a material adverse effect on our profitability and financial condition; negatively impact our manufacturing capabilities, as our products are produced by third-party manufacturers, mainly in the People's Republic of China, under the strict guidance of GE, and the loss of GE's supervision might adversely affect our relationship with the third-party manufacturers and/or require us to increase our quality control staff in China to assume the guidance role administered by GE, if we are to maintain a similarly high level of quality for our products; cause us to materially revise our marketing plans for new and existing products, which could delay product introductions and have a negative impact on our revenue; and impact relationships with third-party suppliers of electronics and/or services currently or planned to be incorporated in our products and technologies, which could delay or forestall such collaborations and, as a result, negatively impact our products and technologies and potential revenue from such products and technologies.

***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.***

We 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 USA 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, United Laboratories for Canada (cUL), Conformité Européenne (CE) and International Electrotechnical Commission for Electrical Equipment (IECEE) Certification Body (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. 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, 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 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. We have limited product distribution experience and currently rely, and plan to rely primarily, on product distribution arrangements with third parties. As a result, our future revenues from sales of our products and technologies, if any, 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. 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 or the effects of the COVID-19 pandemic.

***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 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.

Finally, on August 16, 2022, the Inflation Reduction Act (the "IRA") was signed into law. Among other things, the IRA includes a new corporate alternative minimum tax of 15% for certain large companies and a 1% excise tax on corporate stock repurchases applicable to repurchases after December 31, 2022. We are in the process of evaluating the potential impacts of the IRA. While we do not currently expect the IRA to have a material impact on our effective tax rate, our analysis is ongoing and incomplete, and it is possible that the IRA could have a material adverse effect on our tax liability.

***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.

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***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, including epidemics and pandemics, such as the ongoing COVID-19 pandemic; 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.

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***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 The Nasdaq Stock Market LLC ("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 proposed rules regarding 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.

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***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.

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***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, the COVID-19 pandemic, 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. 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) due to supply chain constraints, consequences associated with government regulations, and ongoing and potential geopolitical conflicts, employee availability and wage increases. 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 may not survive these difficult economic times, 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, including in connection with the ongoing COVID-19 pandemic, 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 the ongoing COVID-19 pandemic, 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, 2022, our cash and cash equivalents were approximately \$6.7 million, and we held approximately \$7.4 million of investments, available-for-sale. 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, 2022, 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 does 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.

In addition, any failure by the U.S. federal government to increase the debt ceiling or any government shutdown could adversely affect the U.S. and global economy and our liquidity, financial condition, and earnings. U.S. debt ceiling and budget deficit concerns have increased the possibility of credit-rating downgrades and economic slowdowns, or a recession in the United States or globally. The U.S. federal government hit its borrowing limit, or debt ceiling, on January 19, 2023. If the government fails to increase the debt limit, the U.S. government's sovereign credit rating may be downgraded and the U.S. government could default on its debts, which could adversely affect the U.S. and global financial markets and economic conditions. Absent quantitative easing by the Federal Reserve, these developments could cause interest rates and borrowing costs to further increase, which may negatively impact our ability to access the debt markets on favorable terms. In addition, disagreement over the federal budget has previously caused the U.S. federal government to shut down for periods of time. If appropriations are delayed or a government shutdown was to occur and was to continue for an extended period of time, we could be at risk of program or contract cancellations and other disruptions and non-payment. Continued adverse political and economic conditions could have a material adverse effect on our business, financial condition and results of operations.

***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 and consultants are vulnerable to damage from computer viruses, cyberattacks and other unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. 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, because the techniques used to obtain unauthorized access, disable, or sabotage systems change frequently or may be designed to remain dormant until a triggering event, we may be unable to anticipate these techniques or implement adequate preventative measures. 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.

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, fire, flood, severe storm, earthquake, power loss, telecommunications failures, terrorist or other attacks, regional epidemics, or global pandemics such as COVID-19 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.

Regulatory scrutiny of privacy, data collection, use of data and data protection is intensifying globally, and the personal information and other data we collect, store, process and use is increasingly subject to legislation and regulations in numerous jurisdictions around the world, especially in Europe. 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. For example, the General Data Protection Regulation (the "GDPR"), which came into effect in the European Union in May 2018 and superseded prior European Union data protection legislation, imposes more stringent data protection requirements and provides for greater penalties for noncompliance.

Further, data protection legislation is also becoming increasingly common in the United States at both the federal and state level. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (the "CCPA"), which went into effect on January 1, 2020. The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. In November 2020, California voters passed the California Privacy Rights and Enforcement Act of 2020, which generally becomes effective in 2023 and amended and expanded the CCPA with additional data privacy compliance requirements and established a regulatory agency dedicated to enforcing these requirements. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. The burdens imposed by the CCPA and other similar laws that may be enacted at the federal and state level may require us to modify our data processing practices and policies and/or to incur substantial expenditures in order to comply.

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, such as the COVID-19 pandemic, 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, such as epidemics and pandemics (including the COVID-19 pandemic), geopolitical conditions, acts or threats of war or terrorism, international conflicts, 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. 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 and smart home sectors;
- conditions in the financial markets in general or changes in general economic conditions, including government efforts to mitigate any economic downturn or recession resulting from ongoing economic conditions, including the impact of the COVID-19 pandemic and other geopolitical conditions;
- novel and unforeseen market forces and trading strategies, such as the massive short squeeze rally caused by retail investors and social media activity affecting companies such as GameStop Corp.; and
- the other factors described in this "Risk Factors" section.

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 Series A Convertible Preferred Stock, no par value ("Series A Preferred Stock") or exercise of outstanding warrants into shares of common stock could materially dilute our stockholders.***

As of March 29, 2023, we had \$1.3 million and \$10.35 million aggregate principal amount of convertible notes outstanding, convertible into shares of our common stock at \$15.00 and \$3.00 per share, respectively, 880,400 shares of Series A Preferred Stock outstanding and warrants to purchase 2,063,522 shares of our common stock outstanding at an exercise price ranging from \$3.00 to \$12.00 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 3,536,669 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 all of the Series A Preferred Stock outstanding are converted into shares of common stock, we would be required to issue an aggregate of 880,400 shares of common stock. If we issue any or all 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 51% of our outstanding common stock, as of March 20, 2023. 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;

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- 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 our business, financial condition and share price.***

Concerns over inflation, increasing 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. Holders of our Series A Preferred Stock receive interest payments quarterly, at a rate of 6% per year, and rank senior with respect to interest on junior securities, dividends, distributions, or liquidation preference. 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 your sole source of gain for 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 issue additional shares of preferred stock and, to the extent there is any undesignated preferred stock, 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.

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## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

## **ITEM 2. PROPERTIES**

We lease office space in 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 2023. 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**

There are no legal proceedings or arbitration proceedings currently pending against our Company. 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. In the future, we may become party to legal matters and claims in the ordinary course of business, the resolution of which we do not anticipate would have a material adverse impact on our financial position, results of operations or cash flows. However, legal proceedings are inherently uncertain. 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 20, 2023, there were approximately 178 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.

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##### Dividend Policy

We have never declared or paid any cash dividends on our common stock. Holders of our Series A Preferred Stock receive interest payments quarterly, at a rate of 6% per year, and rank senior with respect to interest on junior securities, dividends, distributions or liquidation preference. 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; Use of Proceeds from Registered Securities

The following is a summary of issuances of unregistered securities during the fourth quarter of 2022, to the extent not previously disclosed in a Current Report on Form 8-K filed by the Company: 59,000 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.

##### Use of Proceeds

On February 14, 2022, we completed our initial public offering. We received approximately \$20.5 million in net proceeds after deducting underwriting discounts and commissions of \$1.8 million and offering expenses of approximately \$700,000. There has been no material change in the use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) of the Securities Act of 1933, as amended, and other periodic reports previously filed with the SEC, which are used for general corporate purposes.

##### Issuer Purchases of Equity Securities

On December 31, 2022, the Company withheld 862 shares of common stock, at a price per share of \$2.52, to satisfy tax withholding obligations due upon the vesting of a restricted stock grant held by Mr. Boisseau. We did not pay cash to repurchase these shares, nor was this repurchase 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.*

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##### Overview

We have a series of advanced-safe-smart platform technologies. Our 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, 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 second-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. While we have developed and created working prototypes of our advanced and smart products, we are continuing to refine the product prototypes and expect to begin manufacturing during 2023 for the advanced products and the smart universal power-plug, ceiling fans and lighting products and for the Smart Sky Platform. We hold over 60 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 materially differ 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.

During April 2022, we entered into a sublease agreement, 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. The New York office space supports our general and administrative functions, sales and marketing, and business development.

During September 2022, we entered into a lease agreement, pursuant to which we agreed to lease approximately 32,200 square feet located at 400 Biscayne Boulevard, Miami Florida. The fixed minimum monthly base rent amounts to \$214,480 during the first full year. The lease provides for rent abatements of a minimum of 10 months. The lease also provides for the lessor's leasehold improvements of up to \$2.3 million. The Miami office space will support our headquarters, general and administrative functions, sales and marketing, and business development.

Inflation and related risk of recession has increased during 2022 and is expected to continue to increase during 2023. 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 work toward commercial manufacturing 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 as a result of supply chain constraints, consequences associated with government regulations, ongoing and potential geopolitical conflicts, employee availability and wage increases.

During February 2023, we announced the Acquisition, pursuant to which we agreed to acquire all of the issued and outstanding shares of Belami, a strategic e-commerce lighting and home décor conglomerate. The Company will pay both cash and common stock as consideration for the Acquisition. The Acquisition is expected to close during the second quarter of 2023. The Company expects that Belami will serve as a marketing and growth platform and will provide several distribution channels, including to retail customers, builders and professionals. For additional information regarding the Acquisition, see "Item 1. Business—Recent Developments."

In connection with the Acquisition, the Company closed the Private Placements, pursuant to which the Company issued and sold (i) subordinated secured convertible promissory notes in the aggregate principal amount of \$10.35 million and (ii) warrants to purchase an aggregate of up to 1,391,667 shares of the Company's common stock for investors. The proceeds will be used for the cash component of the Acquisition consideration and to pay certain transaction expenses in connection with the Acquisition and the Private Placements.

In addition, in March 2023, the Company acquired 50% of the equity of a strategic e-commerce private label lighting website, for \$225,000. The other 50% of the equity is owned by Belami. The Company expects that this acquisition will serve as another marketing and growth platform for the Company and will provide additional distribution to both professional and retail channels for the Company's products.

## Results of Operations

### Years Ended December 31, 2022 and 2021

	2022	2021	Increase / (Decrease) (\$)	Increase / (Decrease) (%)
Revenue	\$ 32,022	\$ 43,109	\$ (11,087)	(26)%
Cost of revenues	(18,913)	(88,461)	(69,548)	(79)%
Gross profit	13,109	(45,352)	58,461	NM
Selling, general and administrative expenses	26,638,291	5,142,731	21,495,560	NM
Operating loss	(26,625,182)	(5,188,083)	21,437,099	NM
Other income / (expense)				
Interest expense, net	(589,009)	(560,382)	28,627	5%
Other income - loan forgiveness	178,250	—	178,250	NM
Other income	—	18,051	(18,051)	NM
Total other income (expense), net	(410,759)	(542,331)	(131,572)	(24)%
Net loss	\$ (27,035,941)	\$ (5,730,414)	\$ 21,305,527	NM

NM: Not meaningful

### Revenue

The decrease in revenues was directly related to the planned reduction of discontinued inventory as we continued to shift our focus to the development of our new patented "Smart" platforms and technologies. During 2022 and 2021, we opted to sell through our existing inventory of discontinued products to facilitate our planned transition into our new product lines.

We believe that revenues will be higher in 2023 than in 2022, since we launched the marketing of our advanced and smart products in late 2022 and expect to begin commercial sales in 2023. We also expect the pending Acquisition to increase our revenues, assuming the Company successfully consummates the Acquisition.

### Cost of Revenues

During 2022 and 2021, revenues were mostly derived from the sale of a small number of replacement parts and standard canopy kits. The inventory and related costs of such products are not significant and are not reflected on our balance sheet nor in the cost of revenues. The reduction in cost of revenues was related to the decrease in sales, which resulted from our decision to discontinue our old products and transition to our patented "Smart" platforms and technologies.

We believe that cost of revenues will increase in 2023 compared to in 2022, commensurate with an anticipated increase in revenues.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of an allocation of product development, sales, finance, legal, human resources, including salaries, wages, and benefits, and depreciation and amortization, including non-cash equity-based compensation.

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

- Increase of \$12.5 million related to share-based payments during 2022 when compared to 2021, which was primarily due to a greater number of shares of common stock issued and options granted for services during 2022;
- Increased investments in marketing programs and product development of approximately \$2.4 and \$1.9 million, respectively, in anticipation of the launch of our product offerings during 2022 compared to 2021; and
- Increase in other spending amounting to \$3.8 million related to support of planned increase in scope of operations.

We believe that our selling, general, and administrative expenses will be higher during 2023 when compared to 2022 as we continue to invest to support our anticipated growth.

## Other Income (Expense)

The increase in interest expense in 2022 when compared to the prior year was primarily due to higher weighted-average interest-bearing obligations during 2022, resulting from the compounding of accrued interest.

The increase in other income - loan forgiveness during 2022 when compared to the prior year was due the forgiveness of a PPP loan during the first quarter of fiscal 2022, which did not occur during 2021.

We believe that interest expenses will increase during fiscal 2023 when compared to 2022, primarily as a result of increased operating lease liabilities.

## Liquidity and Capital Resources

As of December 31, 2022 and 2021, we had \$16.8 million and \$10.4 million in cash and cash equivalents, restricted cash, and investments in debt securities, respectively. As we develop our revenue base, 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 the Private Placements in February and March 2023 for gross proceeds of \$10.35 million, pursuant to which we issued convertible notes and warrants. We believe that our existing cash and debt securities will be sufficient to support our working capital and capital expenditure requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including consummation of the Acquisition, our revenue growth rate, expenditures related to our headcount growth, 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 in arrangements to acquire or invest in complementary businesses, products, and technologies. We may, because of those arrangements, including the pending Acquisition, 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 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.

We owe approximately \$5.5 million under fixed rate obligations and \$1.3 million under convertible notes as of December 31, 2022. We issued an additional \$8.1 million in convertible notes during the first quarter of 2023. In addition, we owe GE certain minimum royalty payments under the License Agreement which amounted to \$2.6 million as of December 31, 2022.

## 2022

During 2022, we used \$13.8 million in our operating activities, which consisted of our net loss of \$27.0 million adjusted for non-cash equity compensation of \$14.0 million and an increase of inventory of \$1.0 million. We have recently increased our inventory in preparation for the anticipated launch of commercial sales of our advanced and smart products during 2023.

Our net cash used in investing activities amounted to \$8.1 million and consisted primarily of purchases of debt securities of \$7.4 million.

We generated \$20.9 million in financing activities, of which \$20.6 million was generated from our initial public offering.

## 2021

During 2021, we used \$4.6 million in our operating activities, which consisted of our net loss of \$5.7 million adjusted for non-cash equity compensation of \$1.5 million.

We generated \$12.9 million in financing activities, which consisted primarily of proceeds from issuance of our shares of common stock of \$13.0 million.

## Non-GAAP Financial Measures

Management considers selling, general, and administrative expenses, adjusted for non-cash stock compensation, an important indicator in consistently evaluating our business operations and the use of cash in our operating activities. We use such measure to analyze and evaluate our liquidity and capital resources and intend to continue using such measure until we generate revenues. Such measure eliminates significant items that do not involve cash outlay. This measure should be considered in addition to, rather than as a substitute, for selling, general and administrative expenses. 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,	
	2022	2021
Sales, general, and administrative expenses, as reported	\$ 26,638,291	\$ 5,142,731
Non-cash share-based payments	(13,959,796)	(1,463,033)

Non-cash, sales, general, and administrative expenses, as adjusted	\$	12,678,495	\$	3,679,698
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## 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 2022 consolidated financial statements. The following is a summary of those accounting policies that involve significant estimates and judgment of management.

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### 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 or not recognized in the balance sheet, where it is practicable to estimate that value. As of December 31, 2022 and 2021, we believe the amounts reported for cash, prepaid expenses, accounts payable, accounts payable – related party, 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 of options 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. Expected volatility is the assumption having the greatest impact on the fair value of options. Our expected volatility is based on the historical volatility of comparable companies. 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.

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### 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 several 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 Rules 13a-15(e) or 15d-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.

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As of the end of the period covered by this report, management, including our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based upon the evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2022.

#### 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 Officer 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 Officer and Principal Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2022. 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, 2022.

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, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

### *2023 Annual Meeting of Stockholders*

The Company's 2023 Annual Meeting of Stockholders is scheduled to be held on June 28, 2023. Stockholders of record as of May 9, 2023 will be entitled to receive notice of, and vote at, the annual meeting.

### *Private Placement*

On March 29, 2023 (the "Closing Date"), the Company closed a private placement offering (the "March 2023 Private Placement") pursuant to a securities purchase agreement (the "Private Placement Agreement") with certain existing Company investors, providing for the issuance and sale by the Company to such investors of (i) subordinated secured convertible promissory notes in the aggregate principal amount of \$2.25 million (the "Notes") and (ii) warrants to purchase an aggregate of up to 375,000 shares of the Company's common stock (the "Warrants"). The proceeds will be used for the cash component of consideration for the Acquisition and to pay certain transaction expenses in connection with the Acquisition and the March 2023 Private Placement. Pursuant to the Private Placement Agreement, the proceeds cannot be used to satisfy any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), for the redemption of any common stock or certain securities that may be converted or exercised into common stock or for the settlement of any outstanding litigation.

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The terms of the March 2023 Private Placement are substantially the same as the private placement offering of convertible notes and warrants completed by the Company on February 6, 2023, as described in the Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on February 7, 2023.

The Private Placement Agreement contains customary representations and warranties and provides the investors with 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 respective holder, into shares of common stock at an initial conversion price of \$3.00 per share, subject to adjustment and a minimum conversion price of \$2.70 per share. Interest on the Notes accrues at a rate of 10% per annum, all of which 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 a Note 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, holders 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 initial exercise price of \$3.00 per share, subject to adjustment and a minimum exercise price of \$2.70 per share. Investors may demand the Company repay their Notes in the event the Acquisition does not close by June 30, 2023, or earlier upon notice from the Company.

The Notes and the Warrants contain conversion limitations providing that a holder thereof may not convert the Notes or exercise the Warrants 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 4.99% or 9.99%, as elected by the holder, or such other percentage as the holder may select, of the number of shares of common stock outstanding immediately after giving effect to such conversion or exercise. A 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. In no event will the aggregate number of shares of common stock that may be issued pursuant to the Acquisition and the Private Placements, including the number of shares of common stock issued or issuable upon conversion of the Notes and exercise of the Warrants, plus the number of shares of common stock issued or issuable in connection with the Acquisition, exceed 19.99% of the common stock outstanding on the Closing Date prior to closing the February 2023 private placement, unless the Company obtains stockholder approval.

The issuance of the Notes and Warrants in the March 2023 Private Placement were deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, including Regulation D and Rule 506 promulgated thereunder, as transactions by the Company not involving a public offering.

#### ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

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### 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 20, 2023.

Name	Age	Position(s)
Rani R. Kohen	57	Director, Executive Chairman
John P. Campi	78	Chief Executive Officer
Marc-Andre Boisseau	58	Chief Financial Officer
Steven M. Schmidt	69	President
Patricia Barron	62	Chief Operations Officer
Thomas J. Ridge	77	Director
Dov Shiff	75	Director
Leonard J. Sokolow	66	Director
Gary N. Golden	68	Director
Efrat L. Greenstein Brayer	60	Director
Nancy DiMattia	62	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 Chief Executive Officer since November 2014 and served 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.

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**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 assurance, 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. 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, 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.

**Governor Thomas J. Ridge** has served as a director of the Company since June 2013. Mr. Ridge has served as Chief Executive Officer of Ridge Global, LLC, a global strategic consulting company and provider of insurance and risk transfer solutions, since July 2006, where he also currently serves as Chairman of the board 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 in 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 Inc. (NYSE: HSY), a global confectionery leader, from November 2007 to May 2018, Advaxis, Inc. (then Nasdaq: ADXS), a clinical-stage biotechnology company, from August 2015 to March 2018, and LifeLock, Inc. (then NYSE: LOCK), a 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 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 retail, 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.

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**Leonard J. Sokolow** has served as a director of the Company since November 2015. Mr. Sokolow has served as Chief Executive Officer and President of Newbridge Financial, Inc. and Chairman of its broker dealer subsidiary, Newbridge Securities Corporation, since January 2015. 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 November 1999 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. (Nasdaq: CWCO), a 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. (Nasdaq: VVOS), a medical technology company focused on developing and commercializing innovative treatments for adult patients suffering from sleep-disordered breathing, since June 2020, where he currently serves as Chair of the Audit Committee and as a member of the Nominating and Corporate Governance Committee, and on the board of directors of Agrify Corporation (Nasdaq: AGFY), a developer of precision hardware and software grow solutions for the indoor agriculture marketplace, as well as providing associated consulting, engineering, and construction services, 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.) (then TSXV: MQX), an 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.

**Gary N. Golden** has served as a director of the Company since February 2022. Since April 2022, Mr. Golden has been with vcfo, which offers fractional CFO and HR services to clients who require advisors they could trust to guide them through major changes. 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 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 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) from 1993 through 1996, and as an associate at Haight, Gardner, Poor & Havens (later acquired by Holland & Knight) 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 in customer service and technology innovation.

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**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. She most recently served 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.

### **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, as of March 2023, 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](http://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;

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- 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 will 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 our strategies related to human capital management; 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.

#### **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](http://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, 2022, except as follows: an inadvertently omitted holding of a subordinated convertible promissory note on the initial Form 3 for Leonard J. Sokolow filed February 9, 2022; inadvertently omitted restricted shares on the initial Form 3 for Steven M. Schmidt filed February 9, 2022; a Form 4 filed by Thomas J. Ridge on March 16, 2022, reporting the March 11, 2022 grant of shares of restricted stock and options pursuant to the non-employee director compensation program; Forms 4 filed by Mr. Ridge on April 6, 2022 and July 6, 2022, reporting the March 31, 2022 and June 30, 2022, respectively, issuances 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 filed by Dov Shiff on July 6, 2022, reporting the June 30, 2022 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.

## **ITEM 11. EXECUTIVE COMPENSATION**

### **EXECUTIVE COMPENSATION**

#### **Compensation Overview**

Our "named executive officers" for the year ended December 31, 2022 were:

- John P. Campi, Chief Executive Officer (and former Chief Financial Officer through December 31, 2021);
- Rani R. Kohen, Executive Chairman;
- Marc-Andre Boisseau, Chief Financial Officer (since January 1, 2022);
- 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 contribution 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 2022.

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#### 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. Campi is eligible to receive annual incentive compensation consisting of both a cash component, based on our annual gross revenue and annual net income, and an equity component, consisting of a number of options to purchase common stock determined based on our quarterly net income. 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." Ms. Barron is eligible to receive annual incentive compensation consisting of a cash payment based on our net revenues. 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 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.

In addition to the equity incentive and supplemental bonus awards 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. Each of Mr. Campi's, Mr. Kohen's and Ms. Barron's 2019 agreement provided for a sign-on bonus of a stock option to purchase 120,000, 120,000 and 100,000 shares of common stock, respectively, at an exercise price of \$6.00 per share, which vested in full on December 31, 2020, January 1, 2020 and December 31, 2020, respectively. Mr. Schmidt's agreement provided for a signing bonus of 25,000 shares of common stock and options to purchase 25,000 shares of common stock at an exercise price of \$12.00 per share, which vested in full on June 1, 2021. 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. The options have an exercise price of \$12.34 per share.

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#### 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; Mr. Kohen did not receive this allowance during 2021. 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 road 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 <sup>(1)</sup>	Year	Salary (\$) <sup>(2)</sup>	Bonus (\$)	Stock Awards (\$) <sup>(3)(4)</sup>	Option Awards (\$) <sup>(3)(4)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(5)</sup>	Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
John P. Campi <i>Chief Executive Officer (and former</i>	2022	150,000	—	—	—	90	—	—	150,090

<i>Chief Financial Officer through December 31, 2021)</i>	2021	150,000	—	—	—	99	—	—	150,099
Rani R. Kohen	2022	300,000	—	—	2,419,539	90	—	28,496	2,748,125
<i>Executive Chairman</i>	2021	250,000	—	—	—	198	—	—	250,198
Marc-Andre Boisseau	2022	144,000	—	123,400	6,611	—	—	—	274,011
<i>Chief Financial Officer (since January 1, 2022)</i>									
Patricia Barron	2022	150,000	—	—	—	90	—	17,409	167,499
<i>Chief Operations Officer</i>	2021	150,000	—	—	—	99	—	—	150,099
Steven M. Schmidt	2022	—	—	—	—	—	—	—	—
<i>President</i>	2021	—	—	75,000	64,962	—	—	—	139,962

- Mr. Schmidt has served as a consultant to the Company since August 2019 and has served as our President since June 2021.
- During 2021, each of Mr. Campi and Mr. Kohen deferred a portion of their salary due to circumstances resulting from the impact of the COVID-19 pandemic and preparation for our initial public offering, including \$150,000 deferred by Mr. Campi and \$67,500 deferred by Mr. Kohen. These deferred amounts are included in this table.

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- 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, 2022.
- Pursuant to his amended employment agreement Mr. Schmidt received: (i) during 2021, 25,000 shares of common stock and options to purchase 100,000 shares of common stock at an exercise price of \$12.00 per share, and (ii) during 2022, 25,000 shares of common stock. Pursuant to his employment agreement, during 2022, Mr. Boisseau received 10,000 shares of common stock and options to purchase 10,000 shares of common stock at an exercise price of \$12.34 per share. For more information regarding stock awards and option awards granted to Messrs. Kohen, Boisseau and Schmidt during fiscal 2022 and 2021, see "Agreements with Named Executive Officers" below.
- 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."
- 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 aforementioned compensation table

#### 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, 2022:

Name	Option Awards				Stock Awards				
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) Not exercisable	Equity incentive plan awards: Number of securities underlying unexercised 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	—	—	—	—
Rani R. Kohen <sup>(1)</sup>	1,000,000	—	—	\$ 0.60	11/15/2025	—	—	—	—
Rani R. Kohen <sup>(1)</sup>	1,140,000	—	—	\$ 6.00	9/1/2024	—	—	—	—
Rani R. Kohen <sup>(1)(2)</sup>	1,500,000	—	—	\$ 3.00 <sup>(2)</sup>	11/21/2024	—	—	—	—
Rani R. Kohen <sup>(1)(2)</sup>	500,000	—	—	\$ 4.00 <sup>(2)</sup>	11/21/2024	—	—	—	—
Rani R. Kohen <sup>(1)(2)</sup>	1,000,000	—	—	\$ 6.00 <sup>(2)</sup>	11/21/2024	—	—	—	—
Rani R. Kohen <sup>(1)(3)</sup>	—	1,140,000 <sup>(3)</sup>	—	\$ 12.00 <sup>(3)</sup>	1/1/2027	—	—	—	—
Marc-Andre Boisseau	10,000	—	—	\$ 12.34	3/11/2025	—	—	—	—
Patricia Barron	—	—	—	\$0.60 –	—	—	—	—	—
Patricia Barron	500,000	—	—	\$1.80 <sup>(4)</sup>	11/15/2025	—	—	—	—
Patricia Barron	—	—	—	\$3.00 –	—	—	—	—	—
Patricia Barron	100,000	—	—	\$4.00 <sup>(5)</sup>	4/19/2027	—	—	—	—
Patricia Barron	100,000	—	—	\$ 6.00	9/1/2024	—	—	—	—
Steven M. Schmidt	60,000	—	—	(6)	10/1/2024	—	—	—	—
Steven M. Schmidt	60,000	—	—	\$ 6.00 <sup>(6)</sup>	10/1/2024	—	—	—	—
Steven M. Schmidt <sup>(8)</sup>	50,000	50,000 <sup>(7)</sup>	—	\$ 12.00 <sup>(7)</sup>	6/1/2026	50,000 <sup>(8)</sup>	126,000	—	—

\* Based on the closing stock price of our common stock of \$2.52 on December 30, 2022, the last trading day of the 2022 fiscal year.

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- These options were granted pursuant to executive chairman agreements entered into with Mr. Kohen.

- (2) 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.
- (3) These options become exercisable as follows: 460,000 vested on January 1, 2023 and 340,000 will vest on each of January 1, 2024 and 2025.
- (4) Represents the range of exercise prices – options to purchase 200,000 shares have an exercise price of \$0.60 per share, 150,000 have an exercise price of \$1.20 per share and 150,000 have an exercise price of \$1.80 per share.
- (5) Represents the range of exercise prices – options to purchase 50,000 shares have an exercise price of \$3.00 per share and 50,000 have an exercise price of \$4.00 per share.
- (6) 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.
- (7) These options become exercisable in two equal installments on each of June 1, 2023 and 2024 and have an exercise price of \$12.00 per share.
- (8) Mr. Schmidt's employment agreement provides for an annual grant of 25,000 shares of common stock on each of June 1, 2023 and 2024.

## Agreements with Named Executive Officers

### *John P. Campi (Chief Executive Officer)*

Effective September 1, 2019, the Company entered into an Executive Employment Agreement with John Campi, its Chief Executive Officer and then-Chief Financial Officer (the "Campi Agreement"), which superseded Mr. Campi's previous employment agreement effective September 1, 2016. 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; (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; and (iii) 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. 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.

### *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 will 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 will vest 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 will 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. As of December 31, 2021, the following options 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; and (iii) cash incentive compensation equal to 0.25% of the Company's net revenue, payable on an annual or quarterly basis. 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**

### ***2018 Stock Incentive Plan (as Amended and Restated)***

The board of directors initially approved the 2018 Stock Incentive Plan (as amended and restated, 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. In connection with the effectiveness of our 2021 Plan, no further awards will be granted under the 2018 Plan. However, all outstanding awards will continue to be governed by their existing terms.

#### *Stock Options*

The board, or the appointed committee, shall have sole and absolute discretionary authority (i) to determine, authorize and designate those persons pursuant to the 2018 Plan who are to receive options under the 2018 Plan, (ii) to determine the number of shares of common stock to be covered by such options and the terms thereof, (iii) to determine the type of option granted, and (iv) to determine other such details concerning the vesting, termination, exercise, transferability and payment of such options. Options will be granted in accordance with such determinations as evidenced by a written option agreement.

#### *Bonus and Restricted Stock Awards*

The board, or the applicable committee, may, in its sole discretion, grant awards of common stock in the form of bonus awards and restricted stock awards. The terms and conditions of each stock award agreement may change from time to time and need not be uniform with respect to Eligible Persons (as defined in the 2018 Plan), and the terms and conditions of separate stock award agreements need not be identical.

#### *Deferred Stock Awards*

The board, or the committee, may authorize grants of shares of common stock to be received at a future date upon such terms and conditions as the board, or the committee, may determine. Such awards will be conferred upon the Eligible Person as consideration for the performance of services and subject to the fulfillment of specified conditions during the deferral period. The terms and conditions of each deferred stock award agreement may change from time to time and need not be uniform with respect to Eligible Persons, and the terms and conditions of separate deferred stock award agreements need not be identical.

#### *Performance Share Awards*

The board, or the committee, may authorize grants of shares of common stock, which will become payable upon the achievement of specified performance objectives, upon such terms and conditions as the board, or the committee, may determine. Such awards shall be conferred upon the Eligible Person upon the achievement of specified performance objectives during a specified performance period, such objectives and period being set forth in the grant. Such grants may include a minimum acceptable level of achievement and/or a formula for measuring and determining the number of performance shares to be issued if performance exceeds the threshold level but does not meet a maximum achievement level. The terms and conditions of each performance share award may change from time to time and need not be uniform with respect to Eligible Persons, and the terms and conditions of separate performance share award agreements need not be identical.

## *Adjustments*

If the Company effects a subdivision or consolidation of its shares or other capital readjustment, the payment of a stock dividend or other increase or reduction of the number of shares of common stock outstanding, without receiving consideration therefore in money, services or property, then (i) the number, class and per share price of shares of common stock subject to outstanding options and other awards under the 2018 Plan and (ii) the number of and class of shares then reserved for issuance under the 2018 Plan and the maximum number of shares for which awards may be granted to an Eligible Person during a specified time period will be appropriately and proportionately adjusted. The board, or a committee, will make such adjustments, and its determinations will be final, binding and conclusive.

### *Change in Control*

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.

### *Federal Income Tax Consequences*

Subject to other customary terms, the Company may, prior to certificating any common stock, deduct or withhold from any payment pursuant to a stock option or stock award agreement an amount that is necessary to satisfy any withholding requirement of the Company that the Company believes, in good faith, is necessary in connection with U.S. federal, state or local taxes as a consequence of the issuance or lapse of restrictions on such common stock.

### ***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.

### ***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 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, restricted share units, 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 restricted share units to participants under the 2021 Plan. Restricted share units 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. Restricted share units are not common shares and do not entitle the recipients to any of the rights of a stockholder. Restricted share units will be settled in cash, shares or a combination of cash and shares. Each restricted share unit 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, restricted share units 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 shall be subject to forfeiture or recoupment pursuant to any compensation recovery policy that the Company may adopt in the future, including a policy adopted to comply with applicable SEC and Nasdaq rules.

### *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.

### **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.

## **DIRECTOR COMPENSATION**

### **Director Compensation**

Prior to March 2022, we did not pay cash compensation to our non-employee directors for service on our board. Our non-employee directors were reimbursed for reasonable expenses incurred in attending meetings and carrying out duties as board members. Directors who are employed by us do not receive compensation for service on our board of directors.

As compensation for service on our board during 2021, each non-employee director received, effective December 31, 2021, 20,000 shares of common stock and five-year options to purchase 25,000 shares of common stock, which vested on the effective date of grant, have an exercise price of \$12.00 per share and expire December 31, 2026. As compensation for his former role as chairman of the audit committee and for his service on the corporate development committee, Mr. Sokolow additionally received 4,000 shares of common stock and five-year options to purchase 75,000 shares of common stock, which vested on the effective date of grant, have an exercise price of \$12.00 and expire December 31, 2026.

Our board of directors approved a program for non-employee director compensation (the "Director Compensation Program") on March 7, 2022. For service on our board, non-employee directors receive an annual cash retainer of \$30,000, paid in quarterly installments (which began as of February 14, 2022 and is pro-rated as applicable). Directors may

elect to have the cash retainer paid in the form of shares of common stock, determined based on the closing price per share of common stock on Nasdaq on the last day of the quarter.

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 annual grant of (i) 1,000 shares of restricted stock, which vest immediately on the Program Grant Date, and (ii) options to purchase up to 1,000 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) 1,000 shares of restricted stock, which vest immediately on the Program Grant Date, and (ii) options to purchase up to 1,000 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 will also receive reimbursement of reasonable out-of-pocket expenses for attending meetings and carrying out duties as board members.

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As compensation for service on our board during 2022, each non-employee director received, effective March 11, 2022, 5,000 shares of common stock, which vested on the effective date of grant, and five-year options to purchase up to 5,000 shares of common stock, which vest in twelve equal installments on the last day of each month following date of grant, have an exercise price of \$12.34 per share and expire March 11, 2027.

As compensation for their service on our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, on March 11, 2022, Ms. Greenstein Brayer, Mr. Golden and Ms. DiMattia were each granted (i) 3,000 shares of common stock, which vested on the effective date of grant, and (ii) five-year options to purchase up to 3,000 shares of common stock, which vest in twelve equal installments on the last day of each month following date of grant, have an exercise price of \$12.34 per share and expire March 11, 2027.

As compensation for his service as the Chair of our Audit Committee and Compensation Committee, on March 11, 2022, Mr. Golden was granted (i) 2,000 shares of common stock, which vested on the effective date of grant, and (ii) five-year options to purchase up to 2,000 shares of common stock, which vest in twelve equal installments on the last day of each month following date of grant, have an exercise price of \$12.34 per share and expire March 11, 2027.

As compensation for her service as the Chair of our Nominating and Corporate Governance Committee, on March 11, 2022, Ms. Greenstein Brayer was granted (i) 1,000 shares of common stock, which vested on the effective date of grant, and (ii) five-year options to purchase up to 1,000 shares of common stock, which vest in twelve equal installments on the last day of each month following date of grant, have an exercise price of \$12.34 per share and expire March 11, 2027.

As compensation for his service on our Business Strategy and Development Committee, on March 11, 2022, Mr. Sokolow was granted (i) 12,500 shares of common stock, which vested on the effective date of grant, and (ii) five-year options to purchase up to 12,500 shares of common stock, which vest in twelve equal installments on the last day of each month following date of grant, have an exercise price of \$12.34 per share and expire March 11, 2027.

Five non-employee directors elected to receive their annual cash retainer in shares of common stock, of which four each received 285 shares on March 31, 2022, 3,750 shares on June 30, 2022, 2,032 shares on September 30, 2022 and 2,976 shares on December 31, 2022. One non-employee director receiving shares of common stock instead of cash resigned on June 28, 2022, and therefore received 285 shares on March 31, 2022 and 3,668 shares on June 30, 2022.

As compensation for service on our board during 2021, each non-employee director was entitled to receive, effective December 31, 2021, 20,000 shares of common stock and five-year options to purchase 25,000 shares of common stock, which vest on the effective date of grant, have an exercise price of \$12.00 per share and expire December 31, 2026. As compensation for his former role as chairman of the audit committee and for his service on the corporate development committee, Mr. Sokolow was additionally eligible to receive 4,000 shares of common stock and five-year options to purchase 75,000 shares of common stock, which vest on the effective date of grant, have an exercise price of \$12.00 and expire December 31, 2026.

#### 2023 Director Compensation

In March 2023, the Compensation Committee recommended, and the Board of Directors approved, certain changes to the Director Compensation Program such that (i) the Chair of the Audit Committee, Compensation Committee and/or Nominating and Corporate Governance Committee will each receive 2,000 shares of restricted common stock and options to purchase 2,000 shares and (ii) the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee will each receive 3,000 shares of restricted common stock and options to purchase 3,000 shares. All other terms of the Director Compensation Program, including grant dates and vesting terms, remain the same.

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#### Director Compensation Table

The following table summarizes the compensation paid to each non-employee director who served during the fiscal year ended December 31, 2022. All compensation earned by Mr. Kohen during 2022 has been reported in the "Summary Compensation Table" above under "Executive Compensation."

Name	Fees earned or paid in cash (\$)	Stock awards (\$) <sup>(1)</sup>	Option awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)	Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Nancy DiMattia	—	124,880	39,918	—	—	—	164,798

Gary N. Golden	26,162	123,400	49,900	—	—	—	199,062
Efrat L. Greenstein Brayer	26,162	111,060	44,912	—	—	—	187,135
Phillips S. Peter <sup>(2)</sup>	—	72,698	7,462	—	—	—	80,168
Thomas J. Ridge	—	87,860	24,948	—	—	—	112,808
Dov Shiff	—	87,860	24,948	—	—	—	112,808
Leonard J. Sokolow	—	242,110	87,328	—	—	112,126 <sup>(3)</sup>	441,564

(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 2022. 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 applicable fiscal year.

There were no unvested stock awards held by non-employee directors as of December 31, 2022, other than Mr. Sokolow, as described in footnote 3. The total number of unexercised option awards (vested and unvested) held by our non-employee directors as of December 31, 2022 was as follows: Ms. DiMattia, 8,000 options; Mr. Golden, 10,000 options; Ms. Greenstein Brayer, 9,000 options; Mr. Peter, 426,250 options; Mr. Ridge, 630,000 options; Mr. Shiff, 130,000 options; and Mr. Sokolow, 967,500 options.

(2) Mr. Peter resigned from the board of directors effective June 28, 2022.

(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. 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 will 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, of which 30,250 were unvested as of December 31, 2022. 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. For additional information, see "Item 13. Certain Relationships and Related Party Transactions, and Director Independence" of this Form 10-K.

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## 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 30, 2023 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 or conversion of convertible notes or preferred stock, within 60 days of March 20, 2023. 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 83,119,862 shares of common stock issued and outstanding as of March 30, 2023.

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.

Name and Address of Beneficial Owner	Common Stock Beneficially Owned	
	Number of Shares and Nature of Beneficial Ownership	Percentage of Total Common Stock
<b>Greater than 5% Stockholders</b>		
Dov Shiff, Director <sup>(1)</sup>	15,134,132	18.2%
Rani R. Kohen, Executive Chairman and Director <sup>(2)</sup>	14,859,970	16.7%
Motek 7 SQL LLC <sup>(3)</sup>	6,118,004	7.4%
Strul Associates Limited Partnership <sup>(4)</sup>	6,556,658	7.8%
Steven Siegelau <sup>(5)</sup>	4,317,025	5.2%
<b>Directors and Named Executive Officers (not otherwise included above)</b>		
Thomas J. Ridge, Director <sup>(6)</sup>	1,599,043	1.9%
Leonard J. Sokolow, Director <sup>(7)</sup>	1,315,101	1.6%
Gary N. Golden, Director <sup>(8)</sup>	20,000	*
Efrat L. Greenstein Brayer, Director <sup>(9)</sup>	18,000	*
Nancy DiMattia, Director <sup>(10)</sup>	25,043	*
John P. Campi, Chief Executive Officer <sup>(11)</sup>	1,324,352	1.6%
Marc-Andre Boisseau <sup>(12)</sup>	16,223	*
Steven M. Schmidt, President <sup>(13)</sup>	307,755	*
Patricia Barron, Chief Operations Officer <sup>(14)</sup>	800,000	1.0%
<b>All directors and current executive officers as a group (11 persons)<sup>(15)</sup></b>	<b>35,419,619</b>	<b>38.6%</b>

\* Represents beneficial ownership of less than one percent.

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- (1) Based on a Form 4 and Schedule 13D/A filed by Mr. Shiff on January 4, 2023 and January 5, 2023, respectively. Includes 10,817,072 shares of common stock held by Shiff Group Investments Ltd., 235,712 shares of common stock held by Shiff Group Assets Ltd., 3,896,348 shares of common stock held directly by Mr. Shiff and 40,000 shares held by Mr. Shiff's spouse, as well as 105,000 shares of common stock underlying stock options that are currently exercisable 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. As the President and Chief Executive Officer of Shiff Group Investments Ltd. and a controlling person of Shiff Group Assets 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 filed by Mr. Kohen on June 13, 2022 and February 15, 2022, 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 5,600,000 shares of common stock underlying stock options that are currently exercisable. 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, FL 33394.
- (4) Includes 5,514,991 shares of common stock, 125,000 shares of common stock issuable upon exercise of an outstanding warrant, and 916,667 shares of common stock underlying convertible promissory notes that are currently exercisable held by Strul Associates Limited Partnership. 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 address for Strul Associates Limited Partnership is 20320 Fairway Oaks Drive, #362, Boca Raton, Florida 33434.
- (5) Based on a Schedule 13G filed by Mr. Siegelaub on February 16, 2022. Includes the following shares of common stock: (i) 1,667,316 shares held by Safety Investors 2014 LLC; (ii) 1,189,971 shares held by Investment 2013, LLC; (iii) 184,622 shares held by 301 Office Ventures, LLC; (iv) 87,424 shares held by Enterprises 2013, LLC; (v) 731,021 shares held by Investment 2018, LLC; (vi) 42,857 shares held by DRS Real Estate Ventures LLC; (vii) 83,333 shares held jointly by Mr. Siegelaub and his spouse; and (viii) 68,814 shares held by Mr. Siegelaub. This also includes: (i) 20,000 shares of common stock issuable upon conversion of the principal amount of an outstanding convertible note held by Sky Technology Partners, LLC; (ii) 200,000 shares of common stock underlying stock options held jointly by Mr. Siegelaub and his spouse that are currently exercisable; and (iii) 41,667 shares issuable upon exercise of warrants held by Investment 2018 LLC. As the managing member of each of 301 Office Ventures, LLC, Enterprises 2013, LLC, Investment 2013 LLC, Safety Investors 2014 LLC, Investment 2018 LLC, DRS Real Estate Ventures LLC and Sky Technology Partners, LLC, Mr. Siegelaub may be deemed to be the beneficial owner of the shares held by such entities and have voting and dispositive power over such shares. The address for Mr. Siegelaub and his affiliated entities is 361 E. Hillsboro Blvd., Deerfield Beach, Florida 33441.
- (6) Includes 794,043 shares of common stock, 605,000 shares of common stock underlying stock options that are currently exercisable and 200,000 shares of common stock issuable upon conversion of Series A Preferred Stock held by Mr. Ridge.
- (7) Includes 356,543 shares of common stock held by Mr. Sokolow, including 20,167 shares of unvested restricted stock, and 3,600 shares of common stock held by Newbridge Securities Corporation. This also includes: (i) 867,500 shares of common stock underlying stock options held by Mr. Sokolow that are currently exercisable; (ii) 16,667 shares of common stock issuable upon conversion of the principal amount of an outstanding convertible note held by Mr. Sokolow; and (iii) the following shares of common stock issuable upon exercise of outstanding warrants: 28,759 shares issuable upon exercise of Newbridge Warrants (as defined below) held by Mr. Sokolow and 21,865 shares issuable upon exercise of Newbridge Warrants held by Newbridge Securities Corporation. Mr. Sokolow is the Chief Executive Officer and President of Newbridge Financial, Inc. and Chairman of Newbridge Securities Corporation, its broker dealer subsidiary, and, accordingly, may be deemed to be the beneficial owner of the shares held by Newbridge Securities Corporation and have voting and dispositive power over such shares.

- (8) Includes 10,000 shares of common stock and 10,000 shares of common stock underlying stock options that are currently exercisable held by Mr. Golden.
- (9) Includes 9,000 shares of common stock and 9,000 shares of common stock underlying stock options that are currently exercisable held by Ms. Greenstein Brayer.
- (10) Includes 17,043 shares of common stock and 8,000 shares of common stock underlying stock options that are currently exercisable held by Ms. DiMattia.
- (11) Includes 1,197,685 shares of common stock, 120,000 shares of common stock underlying stock options that are currently exercisable and 6,667 shares of common stock issuable upon conversion of the principal amount of an outstanding convertible note held by Mr. Campi.
- (12) Includes 6,223 shares of common stock and 10,000 shares of common stock underlying stock options that are currently exercisable held by Mr. Boisseau.
- (13) Includes 137,755 shares of common stock, including 50,000 shares of unvested restricted stock, and 170,000 shares of common stock underlying stock options that are currently exercisable held by Mr. Schmidt.
- (14) Includes 100,000 shares of common stock and 700,000 shares of common stock underlying stock options that are currently exercisable held by Ms. Barron.
- (15) Includes 26,901,161 shares of common stock, including 70,167 shares of unvested restricted stock, as well as 8,204,500 shares of common stock underlying stock options that are currently exercisable, 50,624 shares of common stock issuable upon the exercise of warrants, 63,334 shares of common stock issuable upon the conversion of the principal amount of outstanding convertible notes and 200,000 shares of common stock issuable upon conversion of Series A Preferred Stock.

### 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, 2022:

Plan category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	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 <sup>(1)(2)</sup>	35,480,211	\$ 7.18	15,564,627
Equity compensation plans not approved by security holders	275,000	0	1,111,000
<b>Total</b>	<b>35,755,711</b>	<b>\$ 7.18</b>	<b>16,675,627</b>

- (1) Includes 35,113,190 shares of common stock issuable upon exercise of stock options 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 \$7.31 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) 6,760,500 shares of common stock issuable upon exercise of stock options granted under the 2018 Stock Incentive Plan; (c) 3,764,690 shares of common stock issuable upon exercise of stock options granted under the 2021 Stock Incentive Plan; and (d) 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, 2022.
- (2) The 2015 Stock Incentive Plan and 2018 Stock Incentive Plan were previously replaced and terminated by the 2018 Stock Incentive Plan and the 2021 Stock Incentive Plan, respectively, and, as such, no securities remained available for issuance under such plans as of December 31, 2022 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 Stock Incentive Plan.

### 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 addition, Phillips S. Peter, who served as a director during 2022, was independent under such criteria. 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, 2021, 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. Subject to other customary terms, the note accrues interest at a rate of 6% per annum, 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. 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.

Name of Related Party	Principal Amount Purchased	Maturity Date
Leonard J. Sokolow – director of the Company	\$ 250,000	September 22, 2023
Sky Technology Partners, LLC – Steven Siegelau, a greater than 5% holder with his affiliates, is the managing member	\$ 300,000	October 30, 2023
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 – Chief Executive Officer of the Company	\$ 100,000	November 10, 2023

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, 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 note are 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 initial conversion price of \$3.00 per share, subject to adjustment and a minimum conversion price of \$2.70 per share. Interest on the notes accrues at a rate of 10% per annum, of which, 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 holder may demand the Company repay the notes in the event the Acquisition does not close by June 30, 2023, or earlier upon notice from the Company. 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 initial exercise price of \$3.00 per share, subject to adjustment and a minimum exercise price of \$2.70 per share. In addition, the note 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

In October 2018, the Company entered into an investment banking agreement with Newbridge Securities Corporation, pursuant to which Newbridge Securities Corporation agreed to provide business development, consulting and advisory services, including capital raising and placement agency services, to the Company. This agreement was renewed periodically prior to its termination. Leonard J. Sokolow, a member of the Company's board of directors, is the Chief Executive Officer and President of Newbridge Financial, Inc. and Chairman of Newbridge Securities Corporation, its broker dealer subsidiary. In connection with entering into the agreement, the Company paid Newbridge Securities



Corporation a \$25,000 fee and agreed to issue shares of common stock equal to \$50,000, which were paid as of December 31, 2020.

Pursuant to the agreement, the Company agreed to pay placement agent fees equal to 8.0% of the gross purchase price upon closing of sales of the Company's equity securities and 4.0% upon closing of any line of credit, secured or unsecured term loan or other non-convertible debt facility arranged by Newbridge Securities Corporation for the Company. Upon the closing of any such equity or debt transaction, the Company agreed to issue to Newbridge Securities Corporation, or its permitted assigns, warrants to purchase: (i) in an equity transaction, 10% of the sum of (A) the number of shares of common stock issued by the Company and (B) the number of shares of common stock issuable by the Company upon the exercise or conversion of convertible securities issued; and (ii) in a debt transaction, 10% of the facility amount, divided by a per share price equal to the last equity, warrants or options issued by the Company at the time of closing. The agreement further provided, among other things, that such warrants would contain provisions providing for cashless exercise, price protection and piggyback registration rights and would not be callable or redeemable by the Company.

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The agreement also provided for sales commission with respect to certain agreements, including territorial licenses, marketing agreements and commercial contracts. If the transaction were with an organization located, identified or introduced by Newbridge Securities Corporation, the Company was required to pay Newbridge Securities Corporation a \$75,000 fee at closing, plus 1% of the net revenues received by the Company, payable quarterly during the contract's term. If the Company requested Newbridge Securities Corporation assist with closing the transaction, the Company was required to pay Newbridge Securities Corporation a \$50,000 fee at closing, plus 0.25% of the net revenues received by the Company, payable quarterly for the lesser of five years or the contract's term.

For investors introduced by the Company, the compensation payable to Newbridge Securities Corporation was 50% of the then-applicable fees for an investor introduced by Newbridge Securities Corporation. For investors introduced by a third party, the fee payable to Newbridge Securities Corporation was mutually agreed upon by the Company and Newbridge Securities Corporation.

Pursuant to the agreement, as of December 31, 2022, the Company had paid Newbridge Securities Corporation an aggregate of \$609,472 in placement agent fees (not including expenses). In March 2021, effective as of December 31, 2020, the Company issued 10,000 shares to Newbridge Securities Corporation and its affiliates pursuant to the agreement, of which Newbridge Securities Corporation received 3,600 shares and Mr. Sokolow received 4,500 shares. In addition, on December 31, 2020, the Company issued three-year warrants to purchase an aggregate of up to 14,375 shares of common stock at an exercise price of \$12.00 per share (subject to adjustment, including in the event of certain subsequent equity sales by the Company) (the "2020 Newbridge Warrants"), including warrants to purchase up to 5,674 shares and 4,469 shares issued to Newbridge Securities Corporation and Mr. Sokolow, respectively. In addition, during 2021, the Company issued the following three-year warrants with an exercise price of \$12.00 per share (subject to adjustment, including in the event of certain subsequent equity sales by the Company): (i) warrants dated October 26, 2021 to purchase an aggregate of up to 3,750 shares of common stock, including warrants to purchase up to 725 shares and 1,088 shares issued to Newbridge Securities Corporation and Mr. Sokolow, respectively, (ii) warrants dated November 29, 2021 to purchase an aggregate of up to 12,501 shares of common stock, including warrants to purchase up to 2,250 shares and 3,375 shares issued to Newbridge Securities Corporation and Mr. Sokolow, respectively, and (iii) warrants dated December 22, 2021 to purchase an aggregate of up to 73,434 shares, including warrants to purchase up to 13,216 shares and 19,827 shares issued to Newbridge Securities Corporation and Mr. Sokolow, respectively (collectively, the "2021 Newbridge Warrants" and, together with the 2020 Newbridge Warrants, the "Newbridge Warrants"). The initial exercise price of \$12.00 per share of the 2021 Newbridge Warrants was adjusted to \$9.80 per share pursuant to applicable anti-dilution provisions in connection with the completion of the Company's initial public offering. The Newbridge Warrants may be exercised, in whole or in part, at any time on or prior to the third anniversary of the effective date of the applicable warrant. Among other terms, the Newbridge Warrants provide for cashless exercise if, one year following the effective date of the warrant, there is no effective registration statement registering the shares of common stock issuable upon exercise of the Newbridge Warrants, as well as certain anti-dilution rights. The Newbridge Warrants also provide for certain piggyback registration rights, subject to certain exceptions.

The Company entered into two investment banking engagement agreements with Newbridge Securities Corporation in May 2021, pursuant to which Newbridge Securities Corporation agreed to provide certain corporate advisory services and merger and acquisition services, respectively. In January 2022, the Company and Newbridge Securities Corporation entered into a termination agreement, pursuant to which the three investment banking agreements described above 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.

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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 agreed to issue to affiliates of Newbridge Securities Corporation an aggregate of 200,000 restricted shares of the Company's common stock, which will 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, a member of our board of directors, is Chief Executive Officer and President, entered into the following stock purchase agreements with the Company (collectively, the "Bridge Line SPAs"):

- Stock Purchase Agreement, dated February 26, 2021, as amended March 30, 2021, June 30, 2021 and August 31, 2021, pursuant to which Bridge Line Ventures purchased 25,373 shares of common stock at a purchase price per share of \$12.00.
- Stock Purchase Agreement, dated March 30, 2021, as amended April 30, 2021, June 30, 2021 and August 31, 2021, pursuant to which Bridge Line Ventures purchased 37,500 shares of common stock at a purchase price per share of \$12.00.
- Stock Purchase Agreement, dated April 30, 2021, as amended June 30, 2021 and August 31, 2021, pursuant to which Bridge Line Ventures purchased 2,084 shares of common stock at a purchase price per share of \$12.00.
- Stock Purchase Agreement, dated June 30, 2021, as amended August 31, 2021, pursuant to which Bridge Line Ventures purchased 150,000 shares of common stock at a purchase price per share of \$12.00.
- Stock Purchase Agreement, dated August 31, 2021, pursuant to which Bridge Line Ventures purchased 16,667 shares of common stock at a purchase price per share of \$12.00.

Each of the Bridge Line SPAs contains substantially the same terms. Among other things, the Bridge Line SPAs contain anti-dilutive price protection measures, which apply for 24 months following the date of closing of the Bridge Line SPAs, subject to certain exceptions, which anti-dilution provisions were triggered by the Company's initial public offering. As such, on February 14, 2022, the Company issued 86,032 shares of common stock to Bridge Line Ventures.

In addition, on each of June 30, 2021 and August 31, 2021, pursuant to the Bridge Line SPAs, Bridge Line Ventures received a three-year warrant to purchase up to 214,957 and 16,667 shares of the Company's common stock, respectively, at an initial exercise price of \$12.00 per share (subject to adjustment, including in the event of certain subsequent equity sales by the Company) (the "Bridge Line Ventures Warrants"). The initial exercise price of \$12.00 per share was automatically adjusted to \$9.80 per share pursuant to applicable anti-dilution provisions in connection with the completion of the Company's initial public offering. The Bridge Line Ventures Warrants may be exercised, in whole or in part, at any time on or prior to June 30, 2024 or August 31, 2024, respectively. Among other terms, the Bridge Line Ventures Warrants provide for cashless exercise of the Bridge Line Ventures Warrants if, after June 30, 2022 or August 31, 2022, respectively, there is no effective registration statement registering the shares of common stock issuable upon exercise of the Bridge Line Ventures Warrants.

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.

#### *Other Options and Warrants*

In November 2021, Investment 2018, LLC purchased 41,667 shares and three-year warrants to purchase up to 41,667 shares of common stock at an initial exercise price of \$12.00 per share (subject to adjustment, including in the event of certain subsequent equity sales by the Company), for an aggregate purchase price of \$500,000. In connection with the completion of the Company's initial public offering, applicable anti-dilution provisions were automatically triggered, and, accordingly, Investment 2018, LLC received 9,354 shares of common stock on February 14, 2022 and the initial exercise price of the warrants of \$12.00 per share was automatically adjusted to \$9.80 per share. As the managing member of Investment 2018 LLC, Mr. Siegelau may be deemed to be the beneficial owner of the shares held by such entity.

In December 2021, Mr. Sokolow exercised an option to purchase 75,000 shares, dated January 1, 2017, with an exercise price of \$2.60 per share, and Mr. Shiff exercised an option to purchase 25,000 shares, dated January 1, 2017, with an exercise price of \$2.60 per share.

#### *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, 2022 and December 31, 2021 by our independent auditors, M&K CPAs, PLLC:

	<b>2022</b>	<b>2021</b>
Audit Fees <sup>(1)</sup>	\$ 72,500	\$ 48,000
Audit-Related Fees	-	—
Tax Fees	-	—
All Other Fees	-	—
<b>Total Fees</b>	<b>\$ 72,500</b>	<b>\$ 48,000</b>

(1) Audit fees represent amounts billed for professional services rendered for the audit and/or review of our consolidated financial statements. For 2022 and 2021, 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. For 2022, includes 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 2022, 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 href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Audited Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021</a>	F-3
<a href="#">Audited Consolidated Statements of Operations and Comprehensive Loss for the Years ended December 31, 2022 and 2021</a>	F-4
<a href="#">Audited Consolidated Statements of Stockholders' Equity (Deficit) for the Years Ended December 31, 2022 and 2021</a>	F-5
<a href="#">Audited Consolidated Statements of Cash Flows for the Years ended December 31, 2022 and 2021</a>	F-6
<a href="#">Notes to Audited Financial Statements</a>	F-7

##### **(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+	<a href="#">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).</a>
3.1	<a href="#">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).</a>
3.2	<a href="#">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).</a>
3.3	<a href="#">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).</a>
3.4	<a href="#">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).</a>
3.5	<a href="#">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).</a>
4.1	<a href="#">Description of the Company's Registered Securities (filed herewith).</a>
4.2	<a href="#">Specimen Common Stock Certificate (incorporated herein by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.1+	<a href="#">GE Trademark License Agreement, dated as of June 15, 2011, by and between SQL Lighting &amp; Fans, LLC and GE Trademark Licensing, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.2	<a href="#">First Amendment to Trademark License Agreement, dated April 17, 2013, by and between SQL Lighting &amp; Fans, LLC and GE Trademark Licensing, Inc (incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.3	<a href="#">Second Amendment to Trademark License Agreement, dated August 13, 2014, by and between SQL Lighting &amp; Fans, LLC and GE Trademark Licensing, Inc (incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>

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10.4	<a href="#">Third Amendment to Trademark License Agreement, dated September 25, 2018, by and between SQL Lighting &amp; Fans, LLC and GE Trademark Licensing, Inc (incorporated herein by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.5	<a href="#">Fourth Amendment to Trademark License Agreement, dated May 2019, by and between SQL Lighting &amp; Fans, LLC and GE Trademark Licensing, Inc (incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.6	<a href="#">Letter Agreement relating to Trademark License Agreement, dated December 1, 2020, between SQL Lighting &amp; Fans, LLC and GE Trademark Licensing, Inc (incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.7†	<a href="#">Master Services Agreement, dated June 14, 2019, between GE Technology Development, Inc. and SKY Technology, LLC (incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.8+	<a href="#">Pledge and Security Agreement, dated April 13, 2016, by Safety Quick Lighting &amp; Fans Corp., in favor of Nielsen &amp; Bainbridge, LLC (incorporated herein by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.9†	<a href="#">Memorandum of Understanding, dated January 31, 2018, between Safety Quick Lighting &amp; Fans Corp. and Nielsen &amp; Bainbridge, LLC (incorporated herein by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.10+	<a href="#">Promissory Note, dated December 14, 2021, by the Company, in favor of Nielsen &amp; Bainbridge, LLC (incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).</a>
10.11+	<a href="#">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).</a>
10.12*	<a href="#">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).</a>
10.13*	<a href="#">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).</a>
10.14*	<a href="#">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).</a>
10.15*	<a href="#">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).</a>
10.16*	<a href="#">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).</a>
10.17*	<a href="#">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).</a>
10.18*	<a href="#">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).</a>
10.19*	<a href="#">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).</a>
10.20*	<a href="#">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).</a>
10.21*	<a href="#">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).</a>

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10.22	<a href="#">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).</a>
10.23+	<a href="#">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).</a>
10.24	<a href="#">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).</a>
10.25	<a href="#">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).</a>
10.26+	<a href="#">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,</a>



- 10.27 [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\).](#)
- 10.28+ [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\).](#)
- 10.29+ [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\).](#)
- 10.30 [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\).](#)
- 10.31 [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\).](#)
- 10.32\* [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\).](#)
- 10.33\* [2021 Stock Incentive Plan \(effective February 9, 2022\) \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022\).](#)
- 10.34\* [Form of Nonqualified Stock Option Agreement \(2021 Plan\) \(incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022\).](#)
- 10.35\* [Form of Incentive Stock Option Agreement \(2021 Plan\) \(incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022\).](#)
- 10.36\* [Form of Restricted Shares Award Agreement \(2021 Plan\) \(incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022\).](#)
- 10.37\* [Form of Nonqualified Stock Option Agreement \(2021 Plan\) \(August 2022\) \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022\).](#)
- 10.38\* [Form of Incentive Stock Option Agreement \(2021 Plan\) \(August 2022\) \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022\).](#)
- 10.38\* [Form of Restricted Shares Award Agreement \(2021 Plan\) \(August 2022\) \(incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022\).](#)

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- 10.39\* [Form of Restricted Share Unit Award Agreement \(2021 Plan\) \(August 2022\) \(incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on August 5, 2022\).](#)
- 10.40\* [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\).](#)
- 10.41\* [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\).](#)
- 10.42 [Representative's Warrant, dated February 9, 2022 \(incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022\).](#)
- 10.43+† [Sublease Agreement, executed as of April 28, 2022, by and between the Company and Sicart Associates LLC \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 4, 2022\).](#)
- 10.44+ [Lease Agreement, by and between 400 Biscayne Commercial Owner, L.P., as Landlord and the Company, as Tenant \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 29, 2022\).](#)
- 10.45 [Corporate Advisory Engagement Agreement, dated November 9, 2022, between the Company and Newbridge Securities Corporation \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 10, 2022\).](#)
- 10.46+ [Form of Securities Purchase Agreement, dated February 6, 2023 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023\).](#)
- 10.47 [Form of Subordinated Secured Convertible Promissory Note, dated February 6, 2023 \(incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023\).](#)
- 10.48 [Form of Common Stock Purchase Warrant, dated February 6, 2023 \(incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023\).](#)
- 10.49+ [Form of Securities Purchase Agreement, dated March 29, 2023 \(filed herewith\).](#)
- 10.50 [Form of Subordinated Secured Convertible Promissory Note, dated March 29, 2023 \(filed herewith\).](#)
- 10.51 [Form of Common Stock Purchase Warrant, dated March 29, 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 Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 31.2 [Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 32.1 [Certification by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\).](#)
- 32.2 [Certification by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(furnished herewith\).](#)
- 101 The following financial statements from the Annual Report on Form 10-K for the year ended December 31, 2022 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, Chief Executive Officer  
Date: March 31, 2023

### POWER OF ATTORNEY

Each individual whose signature appears below constitutes and appoints John P. Campi, 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John P. Campi</u> John P. Campi	Chief Executive Officer (Principal Executive Officer)	March 31, 2023
<u>/s/ Marc-Andre Boisseau</u> Marc-Andre Boisseau	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2023
<u>/s/ Rani R. Kohen</u> Rani R. Kohen	Director, Executive Chairman of the Board	March 31, 2023
<u>/s/ Leonard J. Sokolow</u> Leonard J. Sokolow	Director	March 31, 2023
<u>/s/ Nancy DiMattia</u> Nancy DiMattia	Director	March 31, 2023
<u>/s/ Gary N. Golden</u> Gary N. Golden	Director	March 31, 2023
<u>/s/ Efrat L. Greenstein Brayer</u> <u>/s/ Dov Shiff</u> Dov Shiff	Director Director	March 31, 2023 March 31, 2023
Efrat L. Greenstein Brayer		

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## FINANCIAL STATEMENTS

### SKYX PLATFORMS CORP. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### Index to Consolidated Financial Statements

	<u>Pages</u>
<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID: 2738)</a>	F-2
<a href="#">Consolidated Balance Sheets – December 31, 2022 and 2021</a>	F-3
<a href="#">Consolidated Statements of Operations and Comprehensive Loss – December 31, 2022 and 2021</a>	F-4
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of SKYX Platforms Corp. and Subsidiary (the Company) as of December 31, 2022 and 2021, 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, 2022, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

**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 audit 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 matters below, providing separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

**Stock based compensation**

As discussed in Note 2 and Note 12 to the financial statements, the Company issues equity-based awards in accordance with ASC 718, Compensation. Auditing management's calculation of the fair value of equity-based awards can be a significant judgment given the fact that the Company uses management estimates on various inputs to the calculation. Other less complex equity awards are based upon the closing market price.

To evaluate the appropriateness of the fair value determined by management, we examined and evaluated the inputs management used in calculating the fair value of the equity-based awards and management's disclosures on equity-based awards.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2018

Houston, TX

March 31, 2023

**SKYX Platforms Corp.  
Consolidated Balance Sheets (Audited)**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 6,720,543	\$ 10,426,249
Investments, available-for-sale	7,373,956	—
Inventory	1,923,540	918,651
Prepaid expenses and other assets	311,618	41,018
<b>Total current assets</b>	<b>16,329,657</b>	<b>11,385,918</b>
<b>Long-term assets:</b>		
Furniture and equipment, net	215,998	25,710
Restricted cash	2,741,054	—
Right of use assets	23,045,293	—
Intangibles, definite life	662,802	540,033
Other assets	182,306	2,174
<b>Total long-term assets</b>	<b>26,847,453</b>	<b>567,917</b>

<b>Total Assets</b>	\$ 43,177,110	\$ 11,953,835
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,845,448	\$ 996,731
Accrued expenses, related parties	104,375	32,605
Notes payable, current	405,931	404,648
Operating lease liabilities, current	1,130,624	—
Royalty obligations, current	2,638,000	1,200,000
Convertible notes, current related parties	950,000	—
Convertible notes, current	350,000	—
<b>Total current liabilities</b>	<b>7,424,378</b>	<b>2,633,984</b>
<b>Long term liabilities:</b>		
Notes payable	4,867,004	5,492,572
Operating lease liabilities	22,758,496	—
Convertible notes	—	350,000
Convertible notes-related parties	—	950,000
Royalty obligations	—	2,638,000
<b>Total long-term liabilities</b>	<b>27,625,500</b>	<b>9,430,572</b>
<b>Total liabilities</b>	<b>35,049,878</b>	<b>12,064,556</b>
<b>Commitments and Contingent Liabilities:</b>		
Redeemable preferred stock - subject to redemption: \$0 par value; 20,000,000 shares authorized; 880,400 and 13,256,936 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	220,099	3,314,233
<b>Stockholders' Equity (Deficit):</b>		
Common stock and additional paid-in capital: \$0 par value, 500,000,000 shares authorized; 82,907,541 and 66,295,288 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively	114,039,638	70,880,386
Accumulated deficit	(106,070,358)	(74,269,898)
Accumulated other comprehensive loss	(62,147)	—
<b>Total stockholders' equity (deficit)</b>	<b>7,907,133</b>	<b>(3,389,512)</b>
Non-controlling interest	—	(35,442)
<b>Total equity (deficit)</b>	<b>7,907,133</b>	<b>(3,424,954)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 43,177,110</b>	<b>\$ 11,953,835</b>

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

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**SKYX Platforms Corp.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
**(Audited)**

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenue</b>	\$ 32,022	\$ 43,109
<b>Cost of revenues</b>	(18,913)	(88,461)
<b>Gross profit (loss)</b>	13,109	(45,352)
<b>Selling, general and administrative expenses- related party</b>	248,215	—
Selling, general and administrative expenses	26,390,076	5,142,731
<b>Loss from operations</b>	(26,625,182)	(5,188,083)
<b>Other income / (expense)</b>		
Interest expense, net	(589,009)	(560,382)
Other income - loan forgiveness	178,250	—
Other income	—	18,051
Total other expense, net	(410,759)	(542,331)
<b>Net loss</b>	(27,035,941)	(5,730,414)
Common stock issued pursuant to antidilutive provisions	4,691,022	—
Non-controlling interest	35,442	—
Preferred dividends	38,055	129,456
<b>Net loss attributed to common stockholders</b>	<b>\$ (31,800,460)</b>	<b>\$ (5,859,870)</b>
<b>Other comprehensive loss:</b>		
Unrealized loss on debt securities	(62,147)	—
<b>Net comprehensive loss attributed to common stockholders</b>	<b>\$ (31,862,607)</b>	<b>\$ (5,859,870)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.40)</b>	<b>\$ (0.09)</b>
Weighted average number of common shares outstanding – basic and diluted	79,492,181	64,943,703

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

**SKYX Platforms Corp.**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
**(Audited)**

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Shares of common stock</b>		
Balance, beginning of year	66,295,288	61,901,075
Common stock issued pursuant to offerings	1,650,000	896,837
Common stock issued pursuant to offerings – Bridge Line Ventures	—	231,624
Common stock issued pursuant to services	1,057,293	2,922,001
Common stock issued pursuant to conversion of preferred stock	12,376,536	200,000
Common stock issued pursuant to exercise of options and warrants	1,193,351	110,417
Common stock interest expense	—	33,334
Common stock issued pursuant to antidilutive provisions	335,073	—
Balance, end of year	<u>82,907,541</u>	<u>66,295,288</u>
<b>Common stock and paid-in capital</b>		
Balance, beginning of year	\$ 70,880,386	\$ 56,197,957
Common stock issued pursuant to offerings	20,552,000	2,779,464
Share-based payments	13,959,795	11,722,965
Common stock issued pursuant to conversion of preferred stock	3,094,134	50,000
Common stock issued pursuant to exercise of options and warrants	862,301	130,000
Common stock issued pursuant to antidilutive provisions	4,691,022	—
Balance, end of year	<u>\$ 114,039,638</u>	<u>\$ 70,880,386</u>
<b>Accumulated deficit</b>		
Balance, beginning of year	\$ (74,269,898)	\$ (68,410,028)
Net loss	(27,035,941)	(5,730,414)
Non-controlling interest	(35,442)	—
Common stock issued pursuant to antidilutive provisions	(4,691,022)	—
Preferred dividends	(38,055)	(129,456)
Balance, end of year	<u>\$ (106,070,358)</u>	<u>\$ (74,269,898)</u>
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of year	\$ —	\$ —
Other comprehensive loss	(62,147)	—
Balance, end of period	<u>\$ (62,147)</u>	<u>\$ —</u>
Total Stockholders' Equity (Deficit)	<u>\$ 7,907,133</u>	<u>\$ (3,389,512)</u>

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

**SKYX Platforms Corp.**  
**Consolidated Statements of Cash Flows**  
**(Audited)**

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (27,035,941)	\$ (5,730,414)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	883,231	84,287
Gain on forgiveness of debt	(178,250)	(10,000)
Share-based payments	13,959,796	1,463,033
<b>Change in operating assets and liabilities:</b>		
Inventory	(1,004,889)	—
Prepaid expenses and other assets	(270,600)	(39,474)
Operating lease liabilities	(109,895)	—
Accretion operating lease liabilities	377,748	—
Other assets	(180,132)	—
Royalty obligation	(1,200,000)	(500,000)
Accounts payable and accrued expenses	920,487	104,813
Net cash used in operating activities	<u>(13,838,445)</u>	<u>(4,627,755)</u>
<b>Cash flows from investing activities:</b>		
Investments, available-for-sale	(7,436,103)	—
Purchase of property and equipment	(312,689)	—
Payment of patent costs	(307,625)	(179,203)
Net cash used in investing activities	<u>(8,056,417)</u>	<u>(179,203)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from common stock issuance	23,100,000	13,039,396

Placement cost	(2,548,000)	—
Proceeds from exercise of options and warrants	862,301	130,000
Proceeds from SBA - PPP notes payable	—	178,235
Proceeds from issuance of convertible notes	—	50,000
Dividends paid	(38,055)	(129,456)
Principal repayments of notes payable	(446,035)	(343,839)
Net cash provided by financing activities	<u>20,930,211</u>	<u>12,924,336</u>
Change in cash and cash equivalents, and restricted cash	(964,651)	8,117,378
Cash and cash equivalents at beginning of year	10,426,249	2,308,871
Cash and cash equivalents and restricted cash at end of year	<u>\$ 9,461,598</u>	<u>\$ 10,426,249</u>
<b>Supplementary disclosure of non-cash financing activities:</b>		
Preferred stock conversion to common	\$ 3,094,134	\$ 50,000
Common stock issued pursuant to antidilutive provisions	4,691,022	—
Right-of-use assets and operating lease liabilities	23,621,267	—
<b>Cash paid during the year for:</b>		
Interest	<u>\$ 303,957</u>	<u>\$ 425,323</u>
Taxes	<u>—</u>	<u>—</u>

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

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**SKYX Platforms Corp.**  
**Notes to Consolidated Financial Statements**  
**(Audited)**

**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 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 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 second-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.

**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.

**Principles of Consolidation**

The consolidated financial statements include the accounts of SQL Technologies Corp. (f/k/a Safety Quick Lighting & Fans Corp.) and its subsidiary, SQL Lighting & Fans LLC. All intercompany accounts and transactions have been eliminated in consolidation.

**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.

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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 in order to conform with current-year presentations, such as grouping of common stock and additional paid-in capital and certain expenses initially included in cost of revenues were reclassified to sales and general and administrative expenses.

### 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, 2022 and December 31, 2021, the Company's cash composition was as follows:

	December 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 6,720,543	\$ 10,426,249
Restricted cash	2,741,054	—
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 9,461,597</b>	<b>\$ 10,426,249</b>

### Restricted Cash

The Company issued a letter of credit of \$2.7 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 is secured by cash of the same amount. Such cash is reflected on our balance sheet as restricted cash.

### 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, 2022	December 31, 2021
Inventory, component parts	\$ 1,923,540	\$ 918,651

The Company will maintain an allowance based on specific inventory items that have shown no activity over a 24-month period. The Company tracks inventory as it is disposed, scrapped or sold at below cost to determine whether additional items on hand should be reduced in value through an allowance method. As of December 31, 2022, and December 31, 2021, the Company has determined that no allowance is required.

### 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.

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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.

### Operating Leases

The Company leases certain office space and equipment under various leases. In addition to rent, the leases require the Company to pay for taxes, insurance, maintenance and other operating expenses. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets, and operating lease liabilities in the Company's consolidated balance sheets.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date. The lease liability is based on the present value of lease payments over the lease term (or the remaining term in the case of existing leases at time the Company adopted ASC 842). The Company uses the implicit rate when readily determinable. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset is based on the lease liability, subject to adjustment, such as for initial direct costs, and excludes lease incentives. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. For most operating leases, expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term.

### 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. Management does not believe that its investment in debt securities are impaired as of December 31, 2022.

Corporate and 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.

### Intangible Asset Patent

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.

### GE Agreements

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

- The first agreement is a U.S. and Global Trademark Agreement dated June 15, 2011 (as later amended), which expires November 30, 2023 and is generally renewed for five-year periods. Pursuant to such agreement, the Company may use the GE brand logo on certain products, including plug and play smart and standard ceiling fans and the Company's standard and smart plug and play devices. The Company has exclusive U.S. and global rights, including Canada, Asia, Europe, China, Australia, New Zealand and India, subject to a mutually agreed to commercialization plan, to market plug and play smart and standard ceiling fans and the Company's standard and smart plug and play devices under the GE brand. GE will assist the Company with manufacturing standards, audit of factories, audit of materials, and quality control under "Six Sigma" guidelines, as well as with public relations for products and other.
- The second agreement is a U.S. and Global Licensing and Master Service Agreement dated June 14, 2019. The agreement expires on June 14, 2024 and includes automatic renewal provisions. Pursuant to such agreement, GE's licensing team has the rights to exclusively license Sky's Standard and Smart plug-and-play products 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.

### 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.

The Company's cash, cash equivalents and restricted cash are classified as level 1 financial instruments. The Company's investment securities are classified as Level 1 and 2, depending on liquidity of the markets in which they are trading.

### 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, 2022, the Company had a sufficient number of authorized shares of common stock to accommodate the conversion features on Series A Preferred Stock, warrants, options, 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 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.

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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**

During 2022 and 2021, the Company derived revenues from the sale of GE branded fans and lighting fixtures to large retailers through retail and online sales.

The Company determines the correct revenue recognition using the following steps:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation.

Trade allowances and a provision for estimated returns and other allowances are recorded at the time sales are made, considering historical and anticipated trends.

A majority of our sales revenue is recognized when products are shipped from our manufacturing facilities and from our third-party logistics facility.

## **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 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.

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## **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 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, 2022, and 2021.

### 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.

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### 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 2022 and 2021, 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, 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, 2022 and 2021

	December 31, 2022	December 31, 2021
Stock warrants	1,908,211	2,127,895
Stock options	33,289,250	21,927,182
Convertible notes	86,668	86,668
Preferred stock	880,400	13,256,936
<b>Total</b>	<b>36,164,529</b>	<b>29,323,681</b>

### 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.

### 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
<b>Total</b>		<b>\$ 7,436,103</b>	<b>\$ (62,147)</b>	<b>\$ 7,373,956</b>

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### NOTE 4 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

	December 31, 2022	December 31, 2021
Machinery and equipment	\$ 67,419	\$ 31,456

Computer equipment	6,846	6,846
Furniture and fixtures	36,059	36,059
Tooling and production	534,204	309,111
Leasehold improvements	30,553	30,553
Total	675,081	414,025
Less: accumulated depreciation	(459,083)	(388,315)
<b>Total, net</b>	<b>\$ 215,998</b>	<b>\$ 25,710</b>

Depreciation expense amounted to \$70,767 and \$42,025 during 2022 and 2021, respectively.

#### **NOTE 5 INTANGIBLE ASSETS**

Intangible assets consisted of the following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Patents	\$ 824,372	\$ 649,969
Trademark	45,450	45,450
Less: accumulated amortization	(207,020)	(155,386)
<b>Total, net</b>	<b>\$ 662,802</b>	<b>\$ 540,033</b>

Amortization expense on intangible assets was \$51,634 and \$42,262 for the years ended December 31, 2022 and 2021, respectively.

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

2023	\$ 54,232
2024	\$ 53,274
2025	\$ 53,274
2026	\$ 53,274
2027	\$ 54,573

#### **NOTE 6 DEBTS**

The following table presents the details of the principal outstanding:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>APR at December 31, 2022</b>	<b>Maturity</b>	<b>Collateral</b>
Notes payable (a)	\$ 5,115,000	\$ 5,557,792	8.00%	September 2026	Substantially all Company assets
Convertible Notes (b)	1,300,000	1,300,000	6.00%	September 2023- January 2024	-
PPP Loans (c)	7,835	189,428	1.00%	April 2025	-
Economic Impact Disaster loan	150,000	150,000	3.75%	November 2052	Substantially all Company assets
<b>Total</b>	<b>\$ 6,572,935</b>	<b>\$ 7,197,220</b>			

	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest expense	366,330	10,000

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As of December 31, 2022, the expected future principal payments for the Company's debt are due as follows:

2023	1,810,666
2024	1,736,147
2025	1,734,022
2026	1,447,921
2027 and thereafter	139,033
	<b>\$ 6,572,935</b>

- The unpaid principal bears annual interest at the Wall Street Journal prime rate plus 1.75% per year.
- Included in Convertible Notes are loans provided to the Company from two directors, an officer 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 of \$15 per share.
- The Small Business Administration forgave approximately \$178,000 of PPP loans during the year period 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, 2022:

	<b>December 31, 2022</b>
<b>Lease costs:</b>	
Cash paid for operating lease liabilities	\$ 593,469
Right-of-use assets obtained in exchange for new operating lease obligations	23,045,293
Fixed rent payment	\$ 255,314
Lease – Depreciation expense	\$ 575,974
	<b>For the year ended December 31, 2022</b>
<b>Other information:</b>	
Weighted-average discount rate	6.41%
Weighted-average remaining lease term (in months)	114
<b>Minimum Lease obligation</b>	
2023	\$ 1,130,624
2024	1,780,875
2025	1,993,646
2026	2,223,207
2027 and thereafter	16,760,768
<b>Total</b>	<b>\$ 23,889,120</b>

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#### **NOTE 8 ROYALTY OBLIGATIONS**

The Company has a license agreement with General Electric ("GE") which provides, 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 cannot be assigned or sublicensed. The agreement imposes certain manufacturing and quality control conditions to continue to use the GE brand. The agreement expires in November 2023.

In the event the Company receives significant funding rounds of at least \$50 million, the Company is required to use a portion of such funding to pay certain amounts to GE. The Company must make certain fixed and variable royalty payments through the terms of the agreement.

Variable royalty payments are due quarterly, using a December 1 – November 30 contract year and based upon the prior quarter's sales. Royalty payments will be paid from sales of GE branded product subject to the following repayment schedule:

<b>Net Sales in Contract Year</b>	<b>Percentage of Contract Year Net Sales owed to GE</b>
\$0 to \$50,000,000	7%
\$50,000,001 to \$100,000,000	6%
\$100,000,000+	5%

As of December 31, 2022 and 2021, the outstanding balance of the aggregate minimum payment was \$2,638, and \$3,838,000, respectively.

Minimum fixed future payment obligations are approximately as follows:

<b>Year</b>	<b>Minimum Obligation</b>
2023	2,638,000
Total principal payments	<b>\$ 2,638,000</b>

#### **NOTE 9 ACCRUED EXPENSES**

Accrued expenses consisted of the following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Accrued interest, convertible notes	\$ 104,735	\$ 92,919
Trade payables	1,369,702	507,250
Accrued compensation	475,417	429,167
	<b>\$ 1,949,823</b>	<b>\$ 1,029,336</b>

#### **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.

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On December 31, 2022, the Company had a net operating loss carryforward of approximately \$67,706,349 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, 2022 and 2021.

The effects of temporary differences that gave rise to significant portions of deferred tax assets at December 31, 2022 and 2021 were approximately as follows:

	December 31	
	2022	2021
Net operating loss carryforward	\$ 17,293,894	\$ 12,200,298
Stock-based compensation	2,392,262	—
Rights of use assets	(5,886,344)	—
Operating lease liabilities	6,101,878	—
Less Valuation Allowance	(19,901,690)	(12,200,298)
<b>Total Deferred Tax Assets – Net</b>	<b>\$ —</b>	<b>\$ —</b>

The Company's tax expense differs from the statutory tax expense for 2022 and 2021 and the reconciliation is as follows.

	2022	2021
Computed statutory tax benefit – Federal	\$ (5,977,363)	\$ (1,171,879)
Computed statutory tax benefit – State	(1,292,961)	(204,495)
Change in valuation allowance	7,270,323	1,376,374
	<b>\$ —</b>	<b>\$ —</b>

#### **NOTE 11 RELATED PARTY TRANSACTIONS**

##### **Convertible Notes Due to Related Parties**

Convertible notes due to related parties represent amounts provided to the Company from two directors and the Chief Executive Officer of the Company. The outstanding principal on the convertible promissory notes, associated with related parties was \$950,000,000 as of December 31, 2022, and 2021 and accrued interest of \$104,375 and \$68,679, 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.

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##### **Consulting Services**

The Company issued 200,000 shares of its common stock to a related party by means of common management in which one of our directors is also an executive of the related party, in consideration of the provision of services. The fair value of the shares, based on the closing price at the date of grant amounted to \$307,786, of which \$248,214 was expensed during 2022.

#### **NOTE 12 STOCKHOLDERS' EQUITY (DEFICIT)**

##### **(A) Common Stock**

The Company issued the following common stock during 2022, and 2021:

Transaction Type	Shares Issued	Valuation \$ (Issued)	Range of Value Per Share
<b>2022 Equity Transactions</b>			
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	593,700	—	—
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
Transaction Type	Qty Shares Issued	Valuation \$ (Issued)	Range of Value Per Share
<b>2021 Equity Transactions</b>			
Common stock issued per PPM, Bridge Line Ventures	231,624	\$ —	\$ 12.0
Common Stock interest expense	33,334	—	12.0
Common stock issued, exercise of warrants and options, net	110,417	130,000	3.50
Common stock issued, pursuant to services provided	2,922,001	11,722,965	4
Issuance of common stock pursuant to offering, net	896,837	2,779,464	14
Conversion of preferred stock	200,000	50,000	0.25

The Company issued 335,073 shares of its common stock to certain stockholders, who participated in private placements during 2019 through 2021, 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. The fair value of the shares at the date of issuance were recorded as an increase in common stock and additional paid-in capital and accumulated deficit during the period and an increase in the denominator of the computation of the loss per share. The anti-dilutive provisions expire 24 months from the date of the private placements, which will lapse by December 31, 2023.

##### **(B) Preferred Stock**

The following is a summary of the Company's Preferred Stock activity during 2022, and 2021:

Transaction Type	Quantity	Carrying Value	Value per Share
<b>Preferred Stock Balance at December 31, 2021</b>	<b>13,256,936</b>	<b>\$ 3,314,233</b>	<b>\$ 0.25</b>
Preferred Stock redemptions	(12,376,536)	(3,094,134)	0.25

<b>Preferred Stock Balance at December 31, 2022</b>	<b>880,400</b>	<b>\$ 220,099</b>	<b>\$ 0.25</b>
<b>Transaction Type</b>	<b>Quantity</b>	<b>Carrying Value</b>	<b>Value per Share</b>
<b>Preferred Stock Balance at December 31, 2020</b>	13,456,936	\$ 3,364,233	\$ 0.25
2021 Preferred Stock redemptions	(200,000)	(50,000)	0.25
<b>Preferred Stock Balance at December 31, 2021</b>	<b>13,256,936</b>	<b>\$ 3,314,233</b>	<b>\$ 0.25</b>

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The Preferred Stock is convertible at the holder's option. Shares of the Preferred Stock may be repurchased by the Company upon 30 days' prior written notice, 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. The Company paid dividends in the amount of \$38,055 and \$129,456, respectively, to the Preferred Stock shareholders during 2022 and 2021, respectively. The Preferred Shares are contingently redeemable.

### (C) Stock Options

The following is a summary of the Company's stock option activity during 2022 and 2021:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
<b>Outstanding, January 1, 2022</b>	21,927,182	\$ 3.36	—	\$ —
Exercised	(635,640)	1.49	—	\$ —
Granted	13,832,500	11.74	—	—
Forfeited	(1,834,792)	3.81	—	—
<b>Outstanding, December 31, 2022</b>	<b>33,289,250</b>	<b>\$ 7.73</b>	<b>3.43</b>	<b>\$ 5,994,300</b>
<b>Exercisable, December 31, 2022</b>	<b>12,236,672</b>	<b>\$ 3.92</b>	<b>2.70</b>	<b>\$ 5,994,300</b>

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
<b>Outstanding, January 1, 2021</b>	14,010,432	\$ 3.28	—	—
Exercised	—	2.6	—	—
Granted	7,916,750	6.59	—	—
<b>Outstanding, December 31, 2021</b>	<b>21,927,182</b>	<b>\$ 3.36</b>	<b>4.21</b>	<b>\$ 5,990,800</b>
<b>Exercisable, December 31, 2021</b>	<b>12,597,658</b>	<b>\$ 3.49</b>	<b>4.40</b>	<b>\$ 5,979,200</b>

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The following table summarizes the range of the Black Scholes pricing model assumptions used by the Company during 2022 and 2021:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	<b>Range</b>	<b>Range</b>
Stock price	\$ 6.5 - 12.34	\$ 3.0 - 3.0
Exercise price	\$ 0.1 - 14	\$ 3.0 - 12
Expected life (in years)	1.5 - 5.8 yrs.	1.3 yrs.
Volatility	10 - 31%	34%
Risk-free interest rate	1.37 - 2.97%	.09% - 2.49%
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 \$13.5 million (excluding certain market-based options which management cannot ascertain to have a probable outcome amounting to \$61 million) at December 31, 2022 and it is expected to be recognized over a weighted-average period of 4.00 years.

### (D) Warrants Issued

The following is a summary of the Company's warrant activity during 2022 and 2021:

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

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, January 1, 2021</b>	<b>1,602,415</b>	<b>\$ 3.24</b>
Issued	555,480	12.00
Exercised	(30,000)	3.50
Forfeited/Cancelled	—	—
<b>Balance, December 31, 2021</b>	<b>2,127,895</b>	<b>\$ 5.4</b>

The warrants issued during 2022 and 2021 were issued to underwriters and private placement agents, as well as certain investors, pursuant to the issuance of shares of common stock.

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#### (E) Restricted stock units

A summary of the Company's non-vested restricted stock units during 2022 and 2021 are as follows:

	Shares	Weighted Average Grant Due Fair Value
<b>Non-vested restricted stock units on January 1, 2021</b>	<b>530,000</b>	<b>\$ 6.1</b>
Granted	544,500	6.5
Vested	(304,000)	2.3
Forfeited	—	—
<b>Non-Vested restricted stock units on December 31, 2021</b>	<b>770,500</b>	<b>3.3</b>
Granted	2,659,109	9.2
Vested	(912,548)	6.5
Forfeited	(600)	2.5
<b>Non-vested restricted stock units on December 31, 2022</b>	<b>2,516,461</b>	<b>8.39</b>

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.

During 2022, and 2021, the Company recognized share based expense of \$13,959,796.

#### NOTE 13 CONCENTRATIONS OF RISKS

##### Major Customers

The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue, or whose accounts receivable balances individually represented 10% or more of the Company's total accounts receivable, as follows:

No customers accounted for more than 10% of revenues during 2022 and one customer accounted for 83% of revenues during 2021.

##### Major Vendors

The Company had two major vendors that accounted for 100% of cost of sales during 2022 and 2021. The Company expects to maintain its relationship with the vendors.

##### 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. The uninsured deposits amounted to \$9,461,597 at December 31, 2022. 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 its proprietary-based technology and related products sold in the United States.

#### NOTE 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2023, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the consolidated financial statements with the following exceptions:

In February 2023, the Company agreed to acquire the operations of Belami, Inc. and certain subsidiaries, subject to certain closing conditions. The Company agreed to pay up to \$12 million and issue up shares of its common to the shareholders of Belami, Inc. and certain of its employees. Contemporaneously, in February and March 2023, we issued convertible notes payable for \$9.6 million. The conversion price of such notes is \$3 per share.

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## DESCRIPTION OF SKYX PLATFORMS CORP. COMMON STOCK

The following summarizes the terms and provisions of the common stock of SKYX Platforms Corp., a Florida corporation (the “Company”), which common stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The following summary does not purport to be complete and is qualified in its entirety by reference to the Company’s Articles of Incorporation, as amended (the “Articles of Incorporation”), and Second Amended and Restated By-Laws (the “By-Laws”), which the Company has previously filed with the Securities and Exchange Commission, and applicable Florida law.

### Authorized Capital

The Company’s authorized capital stock consists of 500,000,000 shares of common stock, no par value per share (the “Common Stock”), and 20,000,000 shares of preferred stock, no par value per share (the “Preferred Stock”).

### Common Stock

#### Dividend Rights

The holders of Common Stock are entitled to any dividends that may be declared by the board of directors of the Company out of funds legally available for payment of dividends, subject to the prior rights of holders of Preferred Stock (including the Series A Preferred Stock (defined below)) and any contractual restrictions the Company has against the payment of dividends on Common Stock.

#### Voting Rights

Holders of Common Stock are entitled to one vote for each share on all matters to be voted on by the stockholders, including the election of directors. There is no cumulative voting with respect to the election of directors. Directors are elected by a plurality of the votes cast by the holders of Common Stock. Except as otherwise required by law or the Company’s Articles of Incorporation or By-Laws, all other matters brought to a vote of the holders of Common Stock are approved if the votes cast in favor of the action exceed the votes cast against the action.

#### Liquidation

In the event of the Company’s liquidation or dissolution, holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of Preferred Stock.

#### Rights and Preferences

All outstanding shares of Common Stock are duly authorized, fully paid and non-assessable. The Common Stock has no preemptive rights, conversion rights or other subscription rights or redemption or sinking fund provisions. The rights, preferences, and privileges of the holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock that the Company has designated, including the Series A Preferred Stock, or may designate in the future.

#### Stock Exchange Listing

The Common Stock is listed on The Nasdaq Stock Market LLC under the symbol “SKYX.”

#### Registration Rights and Anti-Dilution Provisions

Certain of the Company’s outstanding shares of Common Stock and securities convertible into Common Stock have registration rights or are subject to a form of antidilution protection provisions.

### Preferred Stock

All of the authorized shares of Preferred Stock under the Articles of Incorporation have been designated as Series A Convertible Preferred Stock, no par value (“Series A Preferred Stock”). Holders of the Series A Preferred Stock receive interest payments quarterly, at a rate of 6% per year, in cash. The Series A Preferred Stock ranks senior to the Common Stock with respect to dividends, redemption rights and distributions (subject to certain exceptions) and payments upon the liquidation, dissolution and winding up of the Company. Holders of the Series A Preferred Stock may elect to convert such shares into shares of Common Stock on a one-to-one basis at any time. Shares of the Series A Preferred Stock may be repurchased by the Company upon 30 days’ prior written notice, in whole or in part, for \$3.50 per share, provided that, during such notice period, the holder will continue to have the option and right to convert its shares of Series A Preferred Stock into shares of Common Stock. Holders of Series A Preferred Stock also have a put option, which allows them to require the Company to purchase some or all of the holder’s Series A Preferred Shares a purchase price of \$0.25 per share. The Series A Preferred Stock has no voting rights. The number of shares of Series A Preferred Stock is subject to adjustment upon the declaration of a dividend on the Common Stock payable in shares of Common Stock, any split of the Common Stock or any combination or recapitalization of the outstanding Common Stock into a different number of shares.

### Anti-Takeover Provisions

Certain provisions of Florida law, the Articles of Incorporation and the By-Laws, summarized below, may have the effect of delaying, deferring or discouraging another person from acquiring control of the Company. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in the Company’s best interests, including transactions that might result in a premium over the market price for our shares.

#### Florida Law

As a Florida corporation, the Company is subject to certain anti-takeover provisions that apply to public corporations under the Florida Business Corporation Act (“FBCA”). Pursuant to Section 607.0901 of the FBCA, a publicly held Florida corporation may not engage in a broad range of business combinations or other extraordinary corporate transactions with an interested stockholder for a period of three years following the time that such stockholder became an interested stockholder, unless:

- prior to the time that such stockholder became an interested stockholder, the board of directors approved either the affiliated transaction or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of such a business combination or extraordinary corporate transaction that resulted in the subject stockholder becoming an interested stockholder, such stockholder owned at least 85% of the outstanding voting shares of the corporation at the time such transaction commenced, exclusive of shares owned by directors who are also officers and certain employee stock plans; or



- at or subsequent to the time the subject stockholder became an interested stockholder, such business combination or other extraordinary corporate transaction is approved by the board of directors and authorized by an affirmative vote of the holders of at least two-thirds of the voting shares of the corporation (excluding shares held by the interested stockholder) at an annual or special meeting of stockholders, and not by written consent.

Notwithstanding the above, the voting requirements set forth above do not apply to a particular affiliated transaction if one or more conditions are met, including, but not limited to, the following: the affiliated transaction has been approved by a majority of the disinterested directors of the corporation; the corporation has not had more than 300 stockholders of record at any time during the three years preceding the announcement date; the interested stockholder has been the beneficial owner of at least 80% of the corporation's outstanding voting shares for at least three years preceding the announcement date; or the consideration to be paid to the holders of each class or series of voting shares in the affiliated transaction meets certain minimum conditions.

An interested stockholder is generally defined as a person who, together with affiliates and associates, beneficially owns more than 15% of a corporation's outstanding voting shares. The Company has not made an election in the Articles of Incorporation to opt out of Section 607.0901.

In addition, Section 607.0902 of the FBCA contains certain prohibitions relating to "control share acquisitions." The Articles of Incorporation include a provision that opts the Company out of the "control share acquisition" statute under the FBCA.

#### *Articles of Incorporation and By-Laws*

The board of directors has the power to issue any or all of the shares of the Company's capital stock, including the authority to establish one or more series of Preferred Stock and to fix the designations, powers, preferences, rights and limitations of such class or series, without seeking stockholder approval, which could delay, defer or prevent any attempt to acquire or control the Company or could make removal of management more difficult. A majority vote of the stockholders is required to remove directors from office, with or without cause; a majority of the board of directors may remove a director for cause. The By-Laws provide that a special meeting of stockholders may be called only by the order of the chairman of the board of directors or upon the written request of stockholders owning at least a majority of the outstanding shares of the Company entitled to vote for directors as of the date of such request.

## SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT, dated as of March 29, 2023 (this “**Agreement**”), is entered into by and among SKYX Platforms Corp., a Florida corporation (the “**Company**”), and each investor identified on the signature pages hereto (each, including such investor’s successors and assigns, an “**Investor**” and collectively, the “**Investors**”).

## RECITALS

WHEREAS, the Board of Directors of the Company has authorized the issuance to each of the Investors a Note (as defined below) and a Warrant (as defined below); and

WHEREAS, on the terms and subject to the conditions set forth herein and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “**Securities Act**”), and Rule 506 promulgated thereunder, each Investor is willing to purchase from the Company, and the Company is willing to sell to each Investor, a Note, together with a Warrant, on the terms and conditions set forth in this Agreement.

## AGREEMENT

NOW THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Investor agree as follows:

1. *The Securities.*

(a) *Issuance of the Securities.* Subject to all of the terms and conditions hereof, the Company agrees to issue and sell to each Investor, and each Investor agrees to purchase, a four (4) year Subordinated Secured Convertible Promissory Note in the form attached hereto as Exhibit C (each, a “**Note**” and together, the “**Notes**”), in the principal amount set forth on the signature page hereto executed by such Investor (each such amount, the “**Purchase Price**”). Each Investor may, in such Investor’s sole discretion, convert such Investor’s Note into shares of the Company’s common stock, no par value (“**Common Stock**”), at \$3.00 per share (the “**Conversion Price**”). The Notes shall bear interest at the rate of ten percent (10%) per annum and interest shall be payable as follows: (i) seven percent (7%) of such interest shall payable quarterly in arrears in cash (or converted upon election), and (ii) three percent (3%) of such interest shall, at the Investor’s election, be payable quarterly in arrears in cash or be payable in shares of Common Stock at the Conversion Price on the date the principal balance of the Note is paid in full or fully converted. In addition, Investors shall receive five (5) year warrants exercisable at the Conversion Price, in the form attached hereto as Exhibit D (each, a “**Warrant**” and together, the “**Warrants**”), to purchase up to fifty percent (50%) of the number of shares into which the principal amount of such Investor’s Note is convertible at the time the Note is issued. The Notes, the Warrants, and shares of Common Stock of the Company issuable upon conversion of the Notes or exercise of the Warrants (such shares of Common Stock issuable upon the conversion of the Notes or exercise of the Warrants being the “**Underlying Shares**”), as the case may be, are referred to collectively as the “**Securities**”.

(b) *Closing.* The sale and purchase of the Securities shall take place remotely via the exchange of documents and signatures (the “**Closing**”) on the date of this Agreement, or such other time as may be mutually agreed upon by the parties (the “**Closing Date**”). At the Closing, the Company will deliver to each Investor a Note and a Warrant, against receipt by the Company the Purchase Price from such Investor. Each Note and Warrant will be registered in the respective Investor’s name in the Company’s records. This Agreement, the Notes and the Warrants shall hereinafter be the “**Transaction Documents**”.

(c) *Deliveries:*

(i) By the Company. On or prior to the Closing, the Company shall deliver or cause to be delivered to each Investor the following:

- a. this Agreement duly executed by the Company;
- b. such Investor’s Note, or an electronic photocopy thereof, with a principal amount equal to such Investor’s Purchase Price, registered in the name of such Investor; and
- c. such Investor’s Warrant, or an electronic photocopy thereof, registered in the name of such Investor.

(ii) By each Investor. On or prior to the Closing, each Investor shall deliver or cause to be delivered to the Company the following:

- a. this Agreement duly executed by such Investor;
- b. a fully completed and duly executed Accredited Investor Questionnaire (the “**Questionnaire**”) reasonably satisfactory to the Company, in the form attached hereto as Exhibit B; and
- c. such Investor’s Purchase Price payable by wire transfer to the Company pursuant to the wire instructions set forth on Exhibit A.

(d) *Use of Proceeds.* The proceeds of the sale and issuance of the Securities shall be used for funding the cash portion of the Company’s acquisition of a target company (the “**Target**”) (the “**Acquisition**”), along with an expected post-closing capital infusion into the Target, and for general corporate purposes and shall not be used for (a) the satisfaction of any portion of the Company’s debt (other than payment of trade payables in the ordinary course of the Company’s business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents (as defined below) or (c) for the settlement of any outstanding litigation. “**Common Stock Equivalents**” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

(e) *Right to Call Note.* In the event the Company does not close on the Acquisition by the outside closing date set forth in the Acquisition agreement, or earlier upon notice from the Company to the Investors that the Acquisition will not be consummated (the date such period lapses or such notice is given, the “**Call Right Date**”), each Investor shall have the right (the “**Call Right**”), by delivering notice in writing to the Company within ten (10) business days following the Call Right Date (the “**Call Notice**”), to demand repayment of the Note, together with all interest accrued thereon through the Call Right Date and a cash termination fee equal to two percent (2%) of the outstanding principal balance of the Investor’s Note on the Call Right Date (collectively, such amounts being the “**Note Call Amount**”). Upon an Investor’s exercise of the Call Right, the Company shall have fifteen (15) business days to deliver the Note Call Amount to the calling Investor. Upon delivery of the Note Call Amount to the calling Investor, all Securities issued to the calling Investor shall be terminated and deemed null and void. If an Investor does not timely deliver a Call Notice to the Company, the Investor’s Securities will remain outstanding, and the Investor will be deemed to have waived any right or claims respecting the Acquisition or a closing thereof or the exclusions to the use of proceeds herein. Notwithstanding the foregoing sentence, if the Investor elects on the signature page hereto to automatically exercise its Call Right in the event the Acquisition is not Consummated, then without any further notice from Investor, the Investor will be deemed to have delivered the Call Notice on the Call Right Date, and the Company shall thereafter have fifteen (15) business days to deliver the Note Call Amount to the calling Investor.

**2. Representations and Warranties of the Company.** The Company represents and warrants to each Investor that:

(a) *Due Incorporation, Qualification, etc.* The Company (i) is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation; (ii) has the power and authority to own, lease and operate its properties and carry on its business as now conducted; and (iii) is duly qualified, licensed to do business and in good standing as a foreign corporation in each jurisdiction where the failure to be so qualified or licensed could reasonably be expected to result in: (i) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (ii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i) or (ii), a "**Material Adverse Effect**").

(b) *Authority.* The execution, delivery and performance by the Company of each Transaction Document to be executed by the Company and the consummation of the transactions contemplated thereby (i) are within the power of the Company and (ii) have been duly authorized by all necessary actions on the part of the Company.

(c) *Enforceability.* Each Transaction Document executed, or to be executed, by the Company has been, or will be, duly executed and delivered by the Company and constitutes, or will constitute, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(d) *Non-Contravention.* The execution and delivery by the Company of the Transaction Documents executed by the Company and the performance and consummation of the transactions contemplated thereby do not and will not (i) violate the Company's articles of incorporation, as amended, or bylaws, as amended and restated (together, the "**Charter Documents**") and (ii) except, in each case, as would not be reasonably expected to have a material adverse effect on the Company (either individually or in the aggregate) (a) violate any material judgment, order, writ, decree, statute, rule or regulation applicable to the Company; (b) violate any provision of, or result in the breach or the acceleration of, or entitle any other Person (as defined below) to accelerate (whether after the giving of notice or lapse of time or both), any material mortgage, indenture, agreement, instrument or contract to which the Company is a party or by which it is bound, subject to obtaining any consents or agreements required in connection with the granting of a security interest in connection with the Note; or (c) result in the creation or imposition of any Lien upon any property, asset or revenue of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations, or any of its assets or properties. For purposes of this Agreement, "**Person**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

(e) *Approvals.* No consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority or other person (including, without limitation, the stockholders of any person) is required in connection with the execution and delivery of the Transaction Documents executed by the Company and the performance and consummation of the transactions contemplated thereby, other than (i) such as have been obtained and remain in full force and effect; (ii) such qualifications or filings under applicable securities laws as may be required in connection with the transactions contemplated by this Agreement, including filings required by the U.S. Securities and Exchange Commission (the "**SEC**") and any other filings as may be required by The Nasdaq Stock Market LLC ("**Nasdaq**"); and (iii) other than the necessary corporate approvals for the authorization of any shares of capital stock of the Company into which the Notes may be converted and Warrants may be exercised.

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(f) *No Violation or Default.* To the knowledge of the Company, it is not in violation of or in default with respect to (i) its Charter Documents or (ii) any material judgment, order, writ, decree, statute, rule or regulation applicable to the Company or any material mortgage, indenture, agreement, instrument or contract, subject to obtaining any consents or agreements required in connection with the granting of a security interest in connection with the Note, to which the Company is a party or by which it is bound (nor is there any waiver in effect which, if not in effect, would result in such a violation or default), where, in each case, such violation or default, individually, or together with all such violations or defaults, could reasonably be expected to have a material adverse effect on the Company.

(g) *Intellectual Property.* To its knowledge, the Company owns or possesses (or can obtain on commercially reasonable terms) sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, processes and other intellectual property rights necessary for its business as now conducted and as proposed to be conducted, without any conflict with, or infringement of the rights of, others.

(h) *Accuracy of Information Furnished.* None of the Transaction Documents and none of the other certificates, statements or information furnished to the Investors by or on behalf of the Company in connection with the Transaction Documents or the transactions contemplated thereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) *No "Bad Actor" Disqualification.* The Company has exercised reasonable care, in accordance with applicable law and SEC rules and guidance, to determine whether any Covered Person (as hereinafter defined) is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act ("**Disqualification Events**"). To the Company's knowledge, no Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with any disclosure obligations under Rule 506(e) under the Securities Act. "**Covered Persons**" are those persons specified in Rule 506(d)(1) under the Securities Act, including the Company; any predecessor or affiliate of the Company; any director, executive officer, other officer participating in the offering, general partner or managing member of the Company; any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power; any promoter (as defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of the sale of the Securities; and any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of the Securities (a "**Solicitor**"), any general partner or managing member of any Solicitor, and any director, executive officer or other officer participating in the offering of any Solicitor or general partner or managing member of any Solicitor.

(j) *Subsidiaries.* All of the direct and indirect subsidiaries of the Company ("**Subsidiaries**") are set forth in the SEC Reports. Except as set forth in the SEC Reports (as defined below), the Company owns, directly or indirectly, all or substantially all of the capital stock or other equity interests of each Subsidiary free and clear of any lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction (each a "**Lien**"), and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

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(k) *Issuance of the Securities.* The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock a number of shares of Common Stock sufficient for issuance of the Underlying Shares.

(l) *Capitalization.* The authorized Capital Stock of the Company consists of: (i) 500,000,000 shares of Common Stock and (ii) 20,000,000 shares of preferred stock to be designated by the Board of Directors, and of which certain shares have already been designated as Series A Convertible Preferred Stock (the "**Preferred Stock**"). As of the close of business on January 31, 2023, 83,089,862 shares of Common Stock and 880,400 shares of Preferred Stock (all of which were shares of Series A Convertible Preferred Stock) were issued and outstanding; and since January 31, 2023, and through the date of this Agreement, the Company has issued no additional shares of Common Stock and no additional shares of Preferred Stock. As of January 31, 2023, (i) an aggregate of up to 33,114,250 shares of Common Stock are issuable upon exercise of options granted under the Company's

stock incentive plans or by the Board or Directors, of which up to 12,701,711 option shares are vested and exercisable; (ii) an aggregate of up to 6,210,941 shares of Common stock are issuable upon vesting of restricted shares granted under the Company's stock incentive plans or by the Board of Directors; (iii) an aggregate of up to 86,668 shares of Common stock are issuable upon conversion of convertible notes; and (iv) up to 671,855 shares of Common Stock are issuable upon exercise of outstanding warrants with exercise prices ranging from \$9.80 to \$18.20 per share.

(m) *SEC Reports.* The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the SEC with respect thereto as in effect at the time of filing.

(n) *Financial Statements.* The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

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(o) *Material Changes; Undisclosed Events, Liabilities or Developments.* Since the date of the financial statements included within the SEC Reports through September 30, 2022, except as set forth in the SEC Reports, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its accounting principles or method of accounting, and (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders, except for dividends payable to holders of the Preferred Stock, or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the Acquisition and the issuance of the Securities contemplated by this Agreement or as set forth in the SEC Reports, no event, liability, fact, circumstance, occurrence or development has occurred or exists with respect to the Company or its Subsidiaries or their respective businesses, prospects, properties, operations, assets or financial condition that would result in a Material Adverse Effect.

(p) *Litigation.* Except as set forth in the SEC Reports, there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action"). None of the Actions set forth in the SEC Reports (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor to the knowledge of the Company, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or threatened, any investigation by the Commission of the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(q) *Compliance.* Neither the Company nor any Subsidiary, to the knowledge of the Company or any of its Subsidiaries, (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), subject to obtaining any consents or agreements required in connection with the granting of a security interest in connection with the Note, (ii) is in violation of any judgment, decree, or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

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(r) *Title to Assets.* The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(s) *Insurance.* The Company carries or is entitled to the benefits of insurance, with, to the Company's knowledge, reputable insurers, in such amounts and covering such risks which the Company believes are adequate, including, but not limited to, directors and officers insurance coverage at least equal to \$5,000,000 and all such insurance is in full force and effect. The Company has no reason to believe that it will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Change.

(t) *Transactions with Affiliates and Employees.* Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(u) *Certain Fees.* No brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Investors shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(v) *Private Placement.* Assuming the accuracy of the Investors' representations and warranties set forth in Section 3, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Investors as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the markets or exchanges on which the Common Stock is listed or quoted for trading.

(w) *Investment Company.* The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(x) *No General Solicitation.* Neither the Company nor any Person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

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(y) *Acknowledgment Regarding Investors' Purchase of Securities.* The Company acknowledges and agrees that each of the Investors is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Investor is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Investor or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Investors' purchase of the Securities.

**3. Representations and Warranties of Each Investor.** Each Investor represents and warrants to the Company, severally and not jointly, as follows:

(a) *Organization; Authority.* Such Investor is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation. Such Investor has the requisite power and authority to enter into this Agreement and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out such Investor's obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Investor of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Investor. Each Transaction Document to which such Investor is a party has been duly executed by such Investor, and when delivered by such Investor in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Investor, enforceable against such Investor in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) *No Conflicts.* The execution, delivery and performance of the Transaction Documents to which such Investor is party by such Investor and the purchase of the Securities by such Investor will not (a) conflict with or result in a violation of such Investor's organizational documents, if applicable, (b) conflict with, or constitute a material default (or an event which, with notice or lapse of time or both, would become a material default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any material agreement, contract, indenture mortgage, indebtedness or instrument to which such Investor is a party, or (c) violate any law applicable to such Investor or by which any of such Investor's properties or assets are bound or affected. No approval or authorization will be required from any governmental authority or agency, regulatory or self-regulatory agency or other third party in connection with the purchase of the Securities and the other transactions contemplated by this Agreement.

(c) *Own Account.* Such Investor understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangements or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Investor's right to sell the Securities in compliance with applicable federal and state securities laws). Such Investor is acquiring the Securities hereunder in the ordinary course of its business.

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(d) *Investor Status.* At the time such Investor was offered the Securities, it was, and as of the date hereof it is, and on the date(s) on which it converts the Note and Warrants may be exercised it will be, an "accredited investor" as defined in Rule 501(a) under the Securities Act. Such Investor has completed or caused to be completed and delivered to the Company the Questionnaire set forth as Exhibit B hereto, which Questionnaire (as completed by such Investor) is true, correct and complete in all material respects.

(e) *Experience of Such Investor.* Such Investor, either alone or together with such Investor's representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Investor is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(f) *General Solicitation.* Such Investor is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement (within the meaning of Regulation D of the Securities Act).

(g) *Transfer Restrictions.*

(i) Such Investor acknowledges that the Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144 under the Securities Act, to the Company or to an affiliate of an Investor, the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of an Investor under this Agreement.

(ii) Such Investor agrees to the imprinting of a legend on any of the Securities in substantially the following form:

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE OR EXERCISABLE HAS BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

(h) *Access to Information.* Such Investor acknowledges that such Investor has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the reports, schedules, forms, statements and other documents filed by the Company under the Securities Act and the Securities Exchange Act of 1934, as amended, including pursuant to Section 13(a) or 15(d) thereof, and has been afforded (i) the opportunity to ask such questions as such Investor has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate the investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment. In making an investment decision, such Investor has relied solely on such Investor's own due diligence performed on the Company by such Investor's own representatives.

(i) *Non-Reliance.* In deciding to purchase the Securities, such Investor is not relying on the advice or recommendations of the Company and made his, her or its own independent decision that the investment in the Securities is suitable and appropriate for such Investor. Such Investor understands that no federal or state agency has passed upon the merits or risks of an investment in the Securities or made any finding or determination concerning the fairness or advisability of this investment.

(j) *Certain Transactions and Confidentiality.* Other than consummating the transactions contemplated hereunder, such Investor has not, nor has any person acting on behalf of or pursuant to any understanding with such Investor, directly or indirectly executed any purchases or sales, including short sales, of the securities of the Company during the period commencing as of the time that such Investor first received a term sheet (written or oral) from the Company or any other person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of an Investor that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Investor's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Investor's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other persons party to this Agreement or to such Investor's representatives, including, without limitation, its officers, directors, partners, legal and other advisors, employees, agents and affiliates, such Investor has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

(k) *Representations by Non-United States Persons.* If such Investor is not a United States person, such Investor hereby represents that such Investor has satisfied the laws of such Investor's jurisdiction in connection with any invitation to subscribe for the Securities or any use of the Transaction Documents, including (i) the legal requirements within such Investor's jurisdiction for the purchase of the Securities, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Securities. Such Investor's subscription and payment for, and such Investor's continued beneficial ownership of, the Securities will not violate any applicable securities or other laws of such Investor's jurisdiction.

(l) *CFIUS.* Such Investor is not a "foreign person," as defined at 31 C.F.R. § 800.224, and is not otherwise controlled by a "foreign person," as defined at 31 C.F.R. § 800.224.

(m) *Anti-Money Laundering Laws.* Such Investor represents and warrants to, and covenants with, the Company that: (i) such Investor is in compliance with the regulations administered by the U.S. Department of the Treasury ("Treasury") Office of Foreign Assets Control; (ii) such Investor, its parents, subsidiaries, affiliated companies, officers, directors and partners, and to such Investor's knowledge, its stockholders, owners, employees, and agents, are not on the List of Specially Designated Nationals and Blocked Persons maintained by Treasury and have not been designated by Treasury as a financial institution of primary money laundering concern subject to special measures under Section 311 of the USA PATRIOT Act, Pub. L. 107-56; (iii) to such Investor's knowledge, the funds to be used to acquire the Securities are not derived from activities that contravene applicable anti-money laundering laws and regulations; (iv) such Investor is in compliance in all material respects with applicable anti-money laundering laws and regulations and has implemented anti-money laundering procedures that are designed to comply with applicable anti-money laundering laws and regulations, including, as applicable, the requirements of the Bank Secrecy Act, as amended by the USA PATRIOT Act, Pub. L. 107 56; and (v) to the best of its knowledge none of the funds to be provided by such Investor are being tendered on behalf of a person or entity who has not been identified to such Investor.

**4. Conditions to Closing of Each Investor.** Each Investor's obligations at the Closing are subject to the fulfillment, on or prior to the Closing Date, of all of the following conditions, any of which may be waived in whole or in part by such Investor:

(a) *Representations and Warranties.* The representations and warranties made by the Company in Section 2 hereof shall have been true and correct when made and shall be true and correct on the Closing Date.

(b) *Governmental Approvals and Filings.* Except for any notices required or permitted to be filed after the Closing Date with certain federal and state securities commissions, the Company shall have obtained all governmental approvals required in connection with the lawful sale and issuance of the Securities.

(c) *Transaction Documents.* The Company shall have duly executed and delivered to such Investor this Agreement and such Investor's Note and Warrant.

(d) *Performance.* The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by the Company at or prior to the Closing.

(e) *No Injunction.* No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents.

**5. Conditions to Obligations of the Company.** The Company's obligation to issue and sell a Note and Warrant to an Investor at the Closing is subject to the fulfillment, on or prior to the Closing Date, of the following conditions, any of which may be waived in whole or in part by the Company:

(a) *Representations and Warranties.* The representations and warranties made by such Investor in Section 3 hereof shall be true and correct when made and shall be true and correct on the Closing Date.

(b) *Governmental Approvals and Filings.* Except for any notices required or permitted to be filed after the Closing Date with certain federal and state securities commissions, the Company shall have obtained all governmental approvals required in connection with the lawful sale and issuance of the Securities.

(c) *Purchase Price.* Such Investor shall have delivered to the Company the Purchase Price in respect of the Securities being purchased by such Investor referenced in Section 1(c) hereof.

(d) *Performance.* Such Investor shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Transaction Documents to be performed, satisfied or complied with by such Investor at or prior to the Closing.

(e) *No Injunction.* No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits the consummation of any of the transactions contemplated by the Transaction Documents.

## 6. *Registration.*

(a) *Registration Statement.* Promptly, but in any event no later than thirty (30) days following the later of the Closing and the date the Acquisition closes (or the Call Right Date, if applicable) (the “**Acquisition Closing Date**”), the Company shall prepare and file with the SEC a Registration Statement covering the resale of all of the Securities (the “**Registration Statement**”). The foregoing Registration Statement shall be filed on Form S-3 (or any successor form thereto) or such other form that is then available to the Company. The Registration Statement shall be provided to counsel designated by the Requisite Holders (as defined below), if so designated, at least three (3) days prior to its filing or other submission (the “**Delivery Date**”), and the Company shall incorporate all reasonable comments provided by such Requisite Holders or its counsel to the Company no later than two (2) days after the Delivery Date.

(b) *Effectiveness.* The Company shall use its commercially reasonable efforts to have the Registration Statement declared effective as soon as practicable after filing thereof but in no event later than the date that is one hundred twenty (120) days following the later of Closing Date and the Acquisition Closing Date. The Company shall notify counsel for the Requisite Holders, if so designated, by email as promptly as practicable, and in any event, within twenty-four (24) hours, after the Registration Statement is declared effective.

(c) *Company Obligations.* The Company will use its commercially reasonable efforts to effect the registration of the Securities in accordance with the terms hereof, and pursuant thereto the Company will:

(i) use its commercially reasonable efforts to cause the Registration Statement to become effective and to remain continuously effective for a period that will terminate upon the first date on which all Securities covered by the Registration Statement, or any other registration statement, may be sold without restriction pursuant to Rule 144 under the Securities Act, or have been sold by the Investor (the “**Effectiveness Period**”), and advise each Investor in writing when the Effectiveness Period has expired;

(ii) prepare and file with the SEC such amendments and post-effective amendments and supplements to the Registration Statement and the accompanying prospectus as may be necessary to keep the Registration Statement effective for the Effectiveness Period;

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(iii) use its commercially reasonable efforts to (i) prevent the issuance of any stop order or other suspension of effectiveness and (ii) if such order is issued, obtain the withdrawal of any such order at the earliest possible moment and notify the Investors of the issuance of any such order and the resolution thereof, or its receipt of notice of the initiation or threat of any proceeding for such purpose; and

(iv) take all other reasonable actions necessary to expedite and facilitate disposition by the Investor of all Securities pursuant to the Registration Statement.

(d) *Investor Obligations.* The Company may require each selling Investor to furnish information reasonably required by the Company to prepare a Registration Statement and any amendment thereto, including, without limitation, a certified statement as to the number of shares of Common Stock beneficially owned by such Investor, information regarding the manner and entities which hold Common Stock, and the natural persons thereof that have voting and dispositive control over the shares.

7. *Indemnification.* The Company, on the one hand, and the Investor, on the other hand (each an “**Indemnifying Party**”), shall indemnify the other from and against any and all losses, damages, liabilities, claims, charges, actions, proceedings, demands, judgments, settlement costs and expenses of any nature whatsoever (including, without limitation, reasonable attorneys’ fees and expenses) resulting from any breach of a representation and warranty, covenant or agreement by the Indemnifying Party and all claims, charges, actions or proceedings incident to or arising out of the foregoing. Each person entitled to indemnification under this Section 7 (an “**Indemnified Party**”) shall give notice as promptly as reasonably practicable to each party required to provide indemnification under this Section 7 of any action commenced against or by it in respect of which indemnity may be sought hereunder, but failure to so notify an Indemnifying Party shall not release such Indemnifying Party from any liability that it may have, otherwise than on account of this indemnity agreement so long as such failure shall not have materially prejudiced the position of the Indemnifying Party. Upon such notification, the Indemnifying Party shall assume the defense of such action if it is a claim brought by a third party, and, if and after such assumption, the Indemnifying Party shall not be entitled to reimbursement of any expenses incurred by it in connection with such action except as described below. In any such action, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the contrary, or (ii) the named parties in any such action (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing or conflicting interests between them. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent (which shall not be unreasonably withheld or delayed by such Indemnifying Party), but if settled with such consent or if there be final judgment for the plaintiff, the Indemnifying Party shall indemnify the Indemnified Party from and against any loss, damage or liability by reason of such settlement or judgment.

## 8. *Miscellaneous.*

(a) *Conversion and Exercise Share Cap.* Notwithstanding anything in this Agreement, the Notes or the Warrants to the contrary, unless and until the Company obtains the requisite approval from its stockholders in accordance with applicable Nasdaq rules and requirements, in no event shall the aggregate number of shares of Common Stock deliverable pursuant to the Transaction Documents, including the number of shares of Common Stock issued or issuable upon conversion of the Notes and exercise of the Warrants, plus the number of shares of Common Stock (including shares issued or issuable upon conversion or exercise of derivative securities and securities convertible into shares of Common Stock of the Company) issued or issuable in connection with the Acquisition, exceed 19.99% of the Common Stock that is outstanding on the date of this Agreement prior to Closing (the “**Conversion and Exercise Share Cap**”). If the number of shares of Common Stock deliverable upon conversion or exercise would result in the issuance of shares of Common Stock in excess of the Conversion and Exercise Share Cap, the Company will not have any further obligation to deliver any shares of Common Stock or pay any cash in excess of the Conversion and Exercise Share Cap for such conversion and exercise.

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(b) *Disclosure of Transactions.* No later than four (4) business days after the date of this Agreement, the Company shall file a Current Report on Form 8-K describing all the material terms of the transactions contemplated by the Transaction Documents (the “**Form 8-K Filing**”). From and after the filing of the Form 8-K Filing, the Company shall have disclosed all material, non-public information (if any) provided to any of the Investors by the Company in connection with the transactions contemplated by the Agreement.

(c) *Waivers and Amendments.* Any provision of this Agreement may be amended, waived or modified only upon the written consent of the Company and Investors holding a majority of the shares into which the principal amount of the Notes then outstanding is convertible (the “**Requisite Holders**”). Any amendment or waiver effected in accordance with this paragraph shall be binding upon all of the parties hereto.

(d) *Governing Law.* This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without regard to the conflicts of law provisions of the State of Florida or of any other state.

(e) *Survival.* The representations, warranties, covenants and agreements made herein shall survive the execution and delivery of this Agreement.

(f) *Entire Agreement.* This Agreement together with the other Transaction Documents constitute and contain the entire agreement among the Company and Investors and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, including, but not limited to any term sheet, whether written or oral, respecting the subject matter hereof.

(g) *Notices.* All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and emailed, mailed or delivered to each party as follows:

(i) If to the Company:

SKYX Platforms Corp.  
2855 W. McNab Road  
Pompano Beach, Florida 33069  
Attention: John P. Campi, Chief Executive Officer, and  
Rob Powell, General Counsel  
Email: [\*]; [Rob.Powell@skyiot.com](mailto:Rob.Powell@skyiot.com)

With a copy (which shall not constitute notice) to:

Thompson Hine LLP  
3900 Key Center  
127 Public Square  
Cleveland, Ohio 44114  
Attention: Jurgita Ashley  
Email: [Jurgita.Ashley@ThompsonHine.com](mailto:Jurgita.Ashley@ThompsonHine.com)

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(ii) If to an Investor, such address set forth on the signature page hereto executed by such Investor;

or such other address as may be designated in writing hereafter, in the same manner, by such person.

Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is delivered via email at the email address specified in this Section prior to 5:00 p.m. (New York time) on a business day, (b) the next business day after the date of transmission, if such notice or communication is delivered via email at the email address specified in this Section on a day that is not a business day or later than 5:00 p.m. (New York time) on any date and earlier than 11:59 p.m. (New York time) on such date, (c) the business day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (d) upon actual receipt by the party to whom such notice is required to be given.

(h) *Further Assurances.* Each party hereto shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(i) *Severability of this Agreement.* If any provision of this Agreement shall be judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(j) *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

(k) *Fees and Expenses.* At the Closing, the Company agrees to pay up to \$15,000 of the legal fees reasonably and necessarily incurred by each Investor in negotiating this Purchase Agreement, upon receipt of invoice documenting all such costs and expenses from such Investor's legal firm. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees in connection with the delivery of any Securities to the Investor.

(l) *Interpretation.* For the purposes of interpreting this Agreement, any reference herein to an Investor's Warrants (or Securities as with respect to the Warrants) shall be deemed applicable only to Investors whose received a Warrant.

[Signature Page Follows]

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IN WITNESS WHEREOF, the undersigned have executed this Securities Purchase Agreement as of the date first set forth above.

COMPANY:

SKYX PLATFORMS CORP.

Name: John P. Campi  
Title: Chief Executive Officer

[Signature Page to Securities Purchase Agreement]



**IN WITNESS WHEREOF**, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first set forth above.

Name of Investor: \_\_\_\_\_

Signature of Authorized Signatory of Investor: \_\_\_\_\_

Name of Authorized Signatory: \_\_\_\_\_

Title of Authorized Signatory: \_\_\_\_\_

Email Address of Authorized Signatory: \_\_\_\_\_

SSN/EIN Number of Investor: \_\_\_\_\_

Address for Notice to Investor: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

With a copy (which shall not constitute notice) to: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Address for Delivery of Securities to Investor (if not same as address for notice): \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Principal Amount of Notes to be Purchased: \_\_\_\_\_

Investor's Call Right Election:  Automatically Exercise Call Right (pursuant to Section 1(e))

Beneficial Ownership Limitation:  4.99%  9.99% Other  %

(select or enter one)

*[Signature Page to Securities Purchase Agreement]*

**EXHIBIT B**

**Accredited Investor Questionnaire**

This Questionnaire is for use by potential investors (each, an "Investor") who have indicated an interest in acquiring Securities of SKYX PLATFORMS CORP. (the "Company"). The purpose of this Questionnaire is to assure the Company that each Investor will meet the standards imposed by the United States Securities Act of 1933, as amended (the "1933 Act"), and the appropriate exemptions of applicable securities laws. The Company will rely on the information contained in this Questionnaire for the purposes of such determination. The Securities will not be registered under the 1933 Act in reliance upon the exemption from registration afforded by Regulation D of the 1933 Act. This Questionnaire is not an offer of the Securities or any other securities of the Company in any state other than those specifically authorized by the Company.

All information contained in this Questionnaire will be treated as confidential. However, by signing and returning this Questionnaire, each Investor agrees that, if necessary, this Questionnaire may be presented to such parties as the Company deems appropriate to establish the availability, under the 1933 Act or applicable state securities law, of exemption from registration in connection with the sale of the Securities hereunder.

The Investor covenants, represents and warrants to the Company that it satisfies one or more of the categories of "Accredited Investors," as defined by Rule 501 of Regulation D promulgated under the 1933 Act, as indicated below:

(Please initial in the space provided those categories, if any, of an "Accredited Investor" which the Investor satisfies.)

\_\_\_\_\_ Category 1 An organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust, partnership or limited liability company, not formed for the specific purpose of acquiring the Securities, with total assets in excess of US \$5,000,000.

\_\_\_\_\_ Category 2 A natural person whose individual net worth, or joint net worth with that person's spouse or spousal equivalent, on the date of purchase exceeds US \$1,000,000 (excluding equity in a personal residence).

\_\_\_\_\_ Category 3 A natural person who had an individual income in excess of US \$200,000 in each of the two most recent years or joint income with that person's spouse or spousal equivalent in excess of US \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

\_\_\_\_\_ Category 4 A "bank" as defined under Section (3)(a)(2) of the 1933 Act or savings and loan association or other institution as defined in Section 3(a)(5) (A) of the 1933 Act acting in its individual or fiduciary capacity; a broker dealer registered pursuant to Section 15 of the Securities

*Exchange Act of 1934* (United States); any investment adviser registered pursuant to Section 203 of the *Investment Advisers Act of 1940* (United States) or registered pursuant to the laws of a state; any investment adviser relying on the exemption from registering with the SEC under Section 203(l) or (m) of the *Investment Advisers Act of 1940* (United States); an insurance company as defined in Section 2(a)(13) of the 1933 Act; an investment company registered under the *Investment Company Act of 1940* (United States) or a business development company as defined in Section 2(a)(48) of such Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958* (United States); any Rural Business Investment Company as defined in section 384A of the *Consolidated Farm and Rural Development Act* (United States); a plan with total assets in excess of \$5,000,000 established and maintained by a state, a political subdivision thereof, or an agency or instrumentality of a state or a political subdivision thereof, for the benefit of its employees; an employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* (United States) whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, whose investment decisions are made solely by persons that are accredited investors.

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- \_\_\_\_\_ Category 5      A private business development company as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940* (United States).
- \_\_\_\_\_ Category 6      A director or executive officer of the Company.
- \_\_\_\_\_ Category 7      A trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the Securities, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act.
- \_\_\_\_\_ Category 8      An entity in which all of the equity owners satisfy the requirements of one or more of the foregoing categories.
- \_\_\_\_\_ Category 9      Any entity, of a type not listed in Categories 1, 4, 5, 7, or 8, not formed for the specific purpose of acquiring the securities offered, owning investments in excess of \$5,000,000. For purposes of this category, "investments" means investments as defined in Rule 2a51-1(b) under the *Investment Company Act of 1940* (United States).
- \_\_\_\_\_ Category 10      A family office, as defined in Rule 202(a)(11)(G)-1 under the *Investment Advisers Act of 1940* (United States), that (i) has assets under management in excess of \$5 million; (ii) is not formed for the specific purpose of acquiring the Securities; and (iii) has a person directing the prospective investment who has such knowledge and experience in financial and business matters so that the family office is capable of evaluating the merits and risks of the prospective investment.
- \_\_\_\_\_ Category 11      A family client, as defined in Rule 202(a)(11)(G)-1 under the *Investment Advisers Act of 1940* (United States), of a family office meeting the requirements of Category 10 above and whose prospective investment in the Company is directed by that family office pursuant to clause (iii) of Category 10 above.
- \_\_\_\_\_ Category 12      I am a natural person who holds, in good standing, one of the following professional licenses: the General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), or the Investment Adviser Representative license (Series 65).

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Prospective Investors claiming to satisfy one of the above categories of Accredited Investor may be required to supply the Company with a balance sheet, prior years' federal income tax returns or other appropriate documentation to verify and substantiate the Investor's status as an Accredited Investor.

The Investor hereby certifies that the information contained in this Questionnaire is complete and accurate and the Investor will notify the Company promptly of any change in any such information. If this Questionnaire is being completed on behalf of a corporation, partnership, trust or estate, the person executing on behalf of the Investor represents that it has the authority to execute and deliver this Questionnaire on behalf of such entity.

IN WITNESS WHEREOF, the undersigned has executed this Questionnaire as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

If a Corporation, Partnership or Other Entity:

If an Individual:

\_\_\_\_\_  
Print or Type Name of Entity

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature of Authorized Signatory

\_\_\_\_\_  
Print or Type Name

\_\_\_\_\_  
Type of Entity

\_\_\_\_\_  
Tax I.D. No.

\_\_\_\_\_  
(Email Address)

\_\_\_\_\_  
(Email Address)

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Telephone Number

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## Form of Subordinated Secured Convertible Note

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAS BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS NOTE AND THE RIGHTS AND OBLIGATIONS, INCLUDING PAYMENT AND THE EXERCISE OF REMEDIES, EVIDENCED HEREBY, AND THE SECURITY INTEREST AND LIENS OR ENCUMBRANCES GRANTED BY THIS NOTE, ARE, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR IN SECTION 6(b) OF THIS NOTE, SUBORDINATE TO ANY OTHER INDEBTEDNESS OWED BY THE COMPANY TO ANY OTHER PERSON OR ENTITY (ANY SUCH INDEBTEDNESS, "SENIOR DEBT") AND TO ANY SECURITY INTEREST IN ANY ASSETS OF THE COMPANY GRANTED BY THE COMPANY TO ANY OTHER PERSON OR ENTITY TO SECURE SUCH SENIOR DEBT, WHETHER OR NOT SUCH SUBORDINATION IS SEPARATELY EVIDENCED BY A SUBORDINATION AGREEMENT BETWEEN HOLDER AND SUCH OTHER PERSON OR ENTITY. PAYMENT WITH RESPECT TO THIS NOTE IS SUBORDINATE IN RIGHT OF PAYMENT TO ANY SENIOR DEBT AND THE OBLIGATIONS EVIDENCED HEREUNDER ARE SUBORDINATE TO THE INDEBTEDNESS OWED UNDER ANY SENIOR DEBT, AS SUCH SENIOR DEBT MAY BE AMENDED, SUPPLEMENTED, EXTENDED, RESTATED OR OTHERWISE MODIFIED FROM TIME TO TIME AND TO INDEBTEDNESS REFINANCING OR INCREASING THE INDEBTEDNESS UNDER SUCH SENIOR DEBT. THE HOLDER OF THIS NOTE, BY ACCEPTANCE HEREOF, IRREVOCABLY AGREES TO BE BOUND BY THE PROVISIONS OF ANY SENIOR DEBT AND ANY SUBORDINATION AGREEMENT ENTERED INTO IN CONNECTION THEREWITH.

## SKYX PLATFORMS CORP.

## SUBORDINATED SECURED CONVERTIBLE PROMISSORY NOTE

Dated as of: March 29, 2023 (the "Issuance Date")

FOR VALUE RECEIVED, SKYX PLATFORMS CORP. (the "Company"), a Florida corporation, hereby promises to pay to the order of the undersigned, or permitted assigns of the undersigned ("Holder"), of this Subordinated Secured Convertible Promissory Note (the "Note"), in lawful money of the United States, the principal amount of [ ] (\$ [ ]) (the "Principal Amount"), plus interest thereon in the manner and at the rate provided herein. Capitalized terms used, but not otherwise defined, in this Note have the meanings ascribed to them in the Securities Purchase Agreement, dated as of March 29, 2023 (the "Purchase Agreement") among the Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

1. **Principal.** Unless sooner converted in accordance with Section 3, the principal on this Note is due and payable on the four (4) year anniversary of the Issuance Date (the "Maturity Date"). Upon payment in full of all principal and interest payable hereunder, or conversion of this Note and payment of all interest accrued hereunder, pursuant to the terms hereof, this Note shall be surrendered to the Company for cancellation.

2. **Interest.** Except as otherwise provided herein, this Note shall bear interest (the "Interest") on the outstanding balance of principal and interest from the date hereof until this Note is converted or paid in full, at the annual rate of ten percent (10.0%) (computed on the basis of a 360-day year). The interest shall be payable as follows: (a) seven percent (7%) of the interest shall be payable quarterly in arrears in cash (unless Holder makes a prior election to receive as Convertible Interest, as defined below); and (b) three percent (3%) of the interest shall, at the Holder's election, be payable quarterly in arrears in cash or be payable in shares of the Company's common stock ("Convertible Interest"), no par value per share (the "Common Stock"), at the Conversion Price on the date the principal balance of this Note is paid in full or fully converted in accordance with Section 3.

3. **Conversion.**

(a) The conversion price for this Note shall equal USD \$3.00, subject to adjustment as provided for herein (the "Conversion Price"); provided, however, the Conversion Price shall be reduced, and only reduced, after the Registration Date to the lower of the Conversion Price on the Registration Date and the lowest Closing Price during the 10 Trading Days immediately following the Registration Date; *provided, however*, that in no event shall the Conversion Price be reduced to an amount that less than USD \$2.70.

(b) For the purposes of this agreement:

(i) "Registration Date" means the date that the Registration Statement is declared effective by the SEC.

(ii) "Closing Price" means the closing price per share of Common Stock on the Trading Market on a Trading Day, as reported by the Trading Market.

(iii) "Trading Day" means a day on which the principal Trading Market is open for trading.

(iv) "Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange (or any successors to any of the foregoing).

(c) Subject to the Conversion and Exercise Share Cap (as such term is defined in the Purchase Agreement) (i) the Principal Amount of this Note shall be convertible into shares of Common Stock, in the sole discretion of the Holder prior to or on the Maturity Date and shall convert into that number of shares of Common Stock as shall equal the principal amount of the Note divided by the Conversion Price; and (ii) the Convertible Interest shall be convertible into shares of Common Stock in accordance with Section 2. If the number of shares of Common Stock deliverable upon conversion of the Principal Amount and/or the Convertible Interest would result in the issuance of shares of Common Stock in excess of the Conversion and Exercise Share Cap, the Company will not have any further obligation to deliver any shares of Common Stock or pay any cash in excess of the Conversion and Exercise Share Cap for such conversion. The Holder shall effect conversions of the Principal Amount by delivering to the Company the form of Notice of Conversion attached hereto. The Holder shall be presumed to elect to receive the Convertible Interest in shares of Common Stock. The Holder may deliver notice to elect to receive the Convertible Interest in cash or shares of Common Stock at any time, with such notice becoming effective for the quarter it is delivered to and acknowledged by the Company (or such later period if set forth in the notice), such election continuing until the Holder delivers a notice to change its election.

(d) Upon conversion of the Note, the outstanding principal and Convertible Interest, if any, shall be converted without any further action by the Holder and whether or not the Note is surrendered to the Company or its transfer agent. The Company shall not be obligated to issue certificates evidencing the shares of the securities issuable upon such conversion unless such Note is either delivered to the Company or its transfer agent, or the Holder notifies the Company or its transfer agent that such Note has been lost, stolen or destroyed and executes an agreement reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such Note. The Company shall, as soon as practicable, but in any event within ten (10) days after such delivery, or such agreement and indemnification, issue and deliver at such office to such Holder of such Note, a certificate or certificates (or electronic book-entry statements) for the securities to which the Holder shall be entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of closing of the transaction causing conversion. The person or persons entitled to receive securities issuable upon such conversion shall be treated for all purposes as the record Holder or Holders of such securities on such date.

(e) If at any time the number of shares of equity securities issuable upon conversion of this Note shall not be sufficient to effect the conversion of this Note, the Company will use all commercially reasonable efforts to effect such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of equity securities issuable upon conversion of this Note as shall be sufficient for such purpose.

(f) *Holder's Conversion Limitations.* The Company shall not effect any conversion of this Note, and a Holder shall not have the right to convert any portion of this Note, to the extent that after giving effect to the conversion set forth on the applicable notice of conversion, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "**Attribution Parties**") would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon conversion of this Note with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) conversion of the remaining, unconverted principal amount of this Note and any outstanding Convertible Interest beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Notes or Warrants) beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 3(f), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 3(f) applies, the determination of whether this Note is convertible (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which principal amount of this Note and outstanding Convertible Interest is convertible shall be in the sole discretion of the Holder, and the submission of a notice of conversion shall be deemed to be the Holder's determination of whether this Note may be converted (in relation to other securities owned by the Holder together with any Affiliates or Attribution Parties) and which principal amount of this Note and outstanding Convertible Interest is convertible, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 3(f), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company, or (C) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request (which may be via email) of a Holder, the Company shall within three Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Note, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "**Beneficial Ownership Limitation**" shall be [4.99%/9.99%] of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Note. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 3(f), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Note held by the Holder and the Beneficial Ownership Limitation provisions of this Section 3(f) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 3(f) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Note.

#### 4. Certain Adjustments.

(a) Consolidation; Merger; Reclassification.

(i) In case of any consolidation with or merger of the Company with or into another entity (other than a merger or consolidation in which the Company is the surviving or continuing corporation), or in case of any sale, lease, or conveyance to another entity of substantially all of the property and assets of any nature of the Company, such successor, leasing, or purchasing entity, as the case may be, shall (1) execute with Holder an agreement providing that Holder shall have the right thereafter to receive upon conversion of this Note solely the kind and amount of shares of stock and other securities, property, cash, or any combination thereof receivable upon such consolidation, merger, sale, lease, or conveyance by a Holder of the number of shares of Common Stock into which this Note might have been converted immediately prior to such consolidation, merger, sale, lease, or conveyance and/or (2) make effective provision in its certificate of incorporation or otherwise, if necessary, to effect such agreement.

(ii) In case of any reclassification or change of the shares of Common Stock issuable upon conversion of this Note in accordance with this Section 4 hereof (other than a change in par value or from no par value to a specified par value), or in case of any consolidation or merger of another entity into the Company in which the Company is the continuing corporation and in which there is a reclassification or change (including a change to the right to receive cash or other property) of the shares of Common Stock issuable upon the conversion of this Note in accordance with this Section 4 hereof (other than a change in par value, or from no par value to a specified par value), Holder shall have the right thereafter to receive upon conversion of this Note solely the kind and amount of shares of stock and other securities, property, cash, or any combination thereof receivable upon such reclassification, change, consolidation, or merger of the number of shares of Common Stock into which this Note might have been converted immediately prior to such reclassification, change, consolidation, or merger.

(iii) The above provisions of this Section 4(a) shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations, mergers, sales, leases, or conveyances.

(b) Subsequent Equity Sales. If, during the twelve (12) months following the Issuance Date, the Company issues or sells any Common Stock, or any securities which are convertible into or exchangeable for its Common Stock or any convertible securities, or any warrants or other rights to subscribe for or to purchase or any options for the purchase of its Common Stock or any such convertible securities (such issuances, collectively, a "**Dilutive Issuance**") at a price per share of Common Stock that is less than the Conversion Price (the price per share used in respect of such Dilutive Issuance, "**Dilutive Issuance Price**"), then simultaneously with the consummation of each Dilutive Issuance, the Conversion Price shall be reduced to equal the greater of (i) the Dilutive Issuance Price as to such Dilutive Issuance, or (ii) USD \$2.70. The adjustment provided for in this Section 4(b) shall not apply to an Exempt Issuance.

- (c) Subsequent Rights Offerings. Except with respect to any Exempt Issuance, if, during the twelve (12) months following the Issuance Date, the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the “**Purchase Rights**”), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete conversion of this Note (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, that, to the extent that the Holder’s right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation.
- (d) Exempt Issuances. For purposes of this Note, an “**Exempt Issuance**” means the issuance of (a) any securities issued in connection with the Acquisition; (b) shares of Common Stock or Common Stock Equivalents issued to employees, officers, directors, consultants or service providers of the Company pursuant to any stock or option plan duly adopted for such purpose or other agreement duly authorized by the Company’s board of directors; (c) shares of Common Stock or Common Stock Equivalents issued in connection with the conversion or exercise of Common Stock Equivalents outstanding as of the Issuance Date; (d) shares of Common Stock or Common Stock Equivalents issued in connection with the acquisition of another company by the Company, provided that the Company is the surviving entity; or (e) any securities issued pursuant to commercial arrangements, acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company.

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5. Acceleration. This Note shall, at the option of the Holder, become immediately due and payable, and until paid in full, shall bear interest on the outstanding balance of principal at the annual rate of fifteen percent (15%) (computed on the basis of a 360-day year), upon written notice from the Holder to the Company upon the occurrence and during the continuance of any of the following events (each an “**Event of Default**”), except that in the case of an Event of Default described in Section 5(d) or (e) such acceleration shall be automatic and not require any notice:

- (a) failure to make any payment of principal or interest when due which failure has continued for a period of ten (10) business days after written notice thereof shall have been received by the Company from the Holder hereof;
- (b) default in the payment or performance of any material obligation or covenant of the Company contained in this Note, and such default shall continue for a period of thirty (30) business days after written notice of such default shall have been received by the Company from the Holder hereof;
- (c) if the Company shall make a general assignment for the benefit of creditors or shall admit in writing its inability to pay its debts as they become due;
- (d) if the Company shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy code or other applicable federal, state or similar statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Company or of all or any substantial part of its properties; or
- (e) if within sixty (60) days after the commencement of any proceedings against the Company seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal bankruptcy code or other applicable federal, state or similar statute, law or regulation, such proceeding shall not have been dismissed or if, within sixty (60) days after the appointment, without the consent or acquiescence of the Company, of any trustee, receiver or liquidator of the Company or of all or any substantial part of its properties, such appointment shall not have been vacated.

## 6. Security Agreement

(a) Grant of Security Interest. To secure the prompt repayment of each and all of the obligations of the Company hereunder to the Holder and its assigns, the Company hereby pledges, grants, assigns and transfers to the Holder and its assigns a continuing lien on and security interest in and to all of the following property of the Company (collectively the “**Collateral**”):

(i) All accounts, accounts receivable, contract rights, general intangibles related to or arising from any account, debit balances, note, documents, chattel paper, instruments, acceptances, drafts or other forms of obligations and receivables of the Company arising from the sale or lease of inventory or rendition of services by the Company, or on behalf of the Company, in the ordinary course of its business or otherwise (all of the foregoing being herein collectively called “**Accounts**”), and all proceeds therefrom including without limitation, proceeds of insurance thereon and all guaranties, securities, and liens which the Company may hold for the payment of any Accounts, including without limitation, all rights of stoppage in transit, replevin and reclamation and all other rights and remedies of unpaid vendor or lienor, and any liens held by the Company as a mechanic, contractor, subcontractor, processor, materialman, machinist, manufacturer, artisan, or otherwise.

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(ii) All documents, instruments, documents of title, policies and certificates of insurance, guaranties, securities, chattel paper, deposits, proceeds of insurance, cash, liens or other property relating to Accounts and owned by the Company or in which the Company has an interest, which are now or may hereafter be in the possession of the Company or as to which the Company may now or hereafter control possession by documents of title or otherwise.

(iii) All of the Company’s tangible property of whatever nature or description, whether real or personal, now or hereafter used, owned, held or leases, including without limitation all furniture, fixtures, equipment, inventory and supplies.

(iv) All of the Company’s intangible property of whatever nature or description, including without limitation, all intellectual property, trade names, trademarks, service marks, computer programs (including source code and object code), patents and copyrights now owned or hereafter acquired).

(v) All renewals, substitutions, replacements, additions, accessions, proceeds, and products of any and all the foregoing.

The Company’s grant of such security interests to the Holder shall secure the payment and performance of the indebtedness, obligations and liabilities of the Company to the Holder pursuant to this Note, and all reasonable and documented out-of-pocket legal and other professional fees incurred in connection with the enforcement of this Note by Holder.

(b) Holder agrees that the security interest granted to the Holder hereunder shall be subordinated to (i) all other interests held by any other person or entity in the Collateral as of the Issuance Date, and (ii) all indebtedness of up to fifty million US dollars (USD \$50,000,000) from banks, commercial creditors or institutional lenders incurred or assumed by the Company after the Issuance Date; *provided, however*, that that Holder’s security interest shall rank senior to such other indebtedness not within subsection (ii) above and that is incurred after the Issuance Date. In the event the Company incurs indebtedness in excess of fifty million US dollars (USD \$50,000,000) pursuant to subsection (ii) above, the Company shall exercise its Prepayment Right pursuant to Section 10.

(c) The Company hereby agrees that the Holder shall have all the rights and remedies of a secured party under the Uniform Commercial Code as in effect from time to time in the State of Florida. The Company agrees that at any time, and from time to time, at the request of the Holder, the Company shall execute and deliver (or cause to be executed and delivered) any and all such further instruments and/or documents (including without limitation, UCC-1 financing statements) as the Holder may consider reasonably necessary or desirable in order to effectuate, complete, perfect or preserve and maintain the lien created hereby. Upon any failure by the Company to do so, the Holder may make, execute, record, file, re-record or refile any and all such instruments and documents for and in the name of the Company; the Company hereby irrevocably appoints the Holder as the agent and attorney-in-fact of the Company to do so; and the Company shall reimburse the Holder, on demand, for all costs and expenses incurred by the Holder in connection therewith, such amount being added to the indebtedness arising under the Note. Notwithstanding anything herein to the contrary, Holder agrees that its sole method of perfection of the security interest granted hereunder on any of the assets subject to such security interest shall be by way of the filing of an applicable UCC-1 Financing Statement in the records of the Florida Secretary of State / Secured Transaction Registry, and by no other method. Any UCC Financing Statement filed by Holder shall clearly state the subordinated nature of the security interest granted to Holder hereby.

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(d) The security interest created hereunder shall terminate upon the payment in full by the Company to the Holder of any and all indebtedness, obligations and liabilities arising from, or in any way related to, the Note.

(e) Events of Default; Acceleration of Maturity. If an Event of Default shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any governmental authority), then, in addition to the remedies provided for elsewhere in this Note and without limitation thereof, at the option of the Holder exercised by written notice to the Company and subject to the rights of any holder of other indebtedness of the Company, the Holder may (A) foreclose the liens and security interests created under this Note or under any other agreement relating to the Collateral, by any available judicial process, (B) enter any premises where any of the Collateral may be located for the purpose of taking possession or removing the same, and (C) sell, assign, lease or otherwise dispose of the Collateral or any part thereof, either at public or private sale or at any broker's board, in lots or in bulk, for cash, on credit or otherwise, with or without representations or warranties, and upon such terms as shall be acceptable to the Holder, all at the sole option of the Holder and as the Holder, in its sole discretion, may deem advisable and to the extent permitted by law, the Holder may bid or become a purchaser at any such sale, and the Holder shall have the right, at its option, to apply or be credited with the amount of all or any part of the obligations owing by the Company to the Holder under this Note, against the purchase price bid by the Holder at any such sale. The net cash proceeds resulting from the collection, liquidation, sale, lease or other disposition of the Collateral (including, without limitation a sale where the Holder is the purchaser) shall be applied first to the expenses (including reasonable attorneys' and other professional fees) of retaking, holding, storing, processing and preparing the Collateral for sale, selling, collecting, liquidating and the like, and then to the satisfaction of all such obligations, application as to particular obligations or against principal or any interest to be in the sole discretion of the Holder. The Holder shall give the Company at least five (5) Business Days prior written notice of the time and place of any public sale of Collateral.

(f) Suits for Enforcement. In case any one or more of the Events of Default shall have occurred and be continuing, the Holder may proceed to protect and enforce rights of the Holder either by suit in equity or by action at law, or both, whether for the specific performance of any covenant or agreement in this Note or in aid of the exercise of any power granted in this Note, including without limitation, possession or foreclosure on the Collateral securing the Note, or the Holder may proceed to enforce the payment of the Note or to enforce any other legal or equitable right of the Holder.

(g) Remedies Cumulative. No remedy herein conferred upon the Holder is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

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(h) Remedies Not Waived. No course of dealing between the Company and the Holder and no delay in exercising any rights hereunder shall operate as a waiver of any rights of the Holder.

(i) Notice of Action of Claimed Defaults. If a holder of other obligations of the Company shall give any notice of a claimed default or event of default (as those terms may be defined in the relevant documentation) or shall take any other action with respect to a claimed default or event of default, immediately upon obtaining knowledge thereof, the Company shall give the Holder written notice specifying such action and the nature and status of the claimed default or event of default.

7. Liabilities as Stockholder. In the absence of conversion of this Note, no provisions of this Note, and no enumeration herein of the rights or privileges of the Holder, shall cause the Holder to be deemed a stockholder of the Company for any purpose solely based on this Note.

#### 8. Transfer, Division and Combination.

(a) Prior to the Termination Date and subject to compliance with applicable laws, including transfer restrictions imposed by applicable securities laws, and Section 3(g) of the Purchase Agreement, this Note and all rights hereunder are transferable, in whole or in part, at the office or agency of the Company by the Holder in person or by duly authorized attorney, upon surrender of this Note together with the Assignment Form attached hereto properly endorsed. The transferee shall sign an investment letter in form and substance reasonably satisfactory to the Company.

(b) Subject to compliance with any applicable securities laws and the conditions set forth in Section 8(a), this Note and all rights hereunder are transferable, in whole or in part, upon surrender of this Note at the principal office of the Company, together with a written assignment of this Note substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Note or Notes in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment, and, if applicable, shall issue to the assignor a new Note evidencing the portion of this Note not so assigned, and this Note shall promptly be cancelled. The Company shall prepare, issue and deliver at its own expense (other than transfer taxes) the new Note or Notes. The Company agrees to maintain, at its aforesaid office, books for the registration and the registration of transfer of the Notes.

(c) The Company may require, as a condition of allowing such transfer, (i) that the Holder or transferee of this Note, as the case may be, furnish to the Company a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made, if applicable, without registration under the Securities Act and under applicable state securities or blue sky laws, (ii) that the holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company and (iii) that the transferee be an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act or a qualified institutional buyer as defined in Rule 144A(a) under the Securities Act.

9. Holder's Right to Call Note. If the Holder exercises its Call Right pursuant to Section 1(e) of the Purchase Agreement (which shall include an election by the Holder under the Purchase Agreement to automatically exercise its Call Right), then upon delivery of the Note Call Amount to the Holder by the Company, this Note and any Warrants issued in connection therewith shall terminate and be deemed null and void. In addition to the foregoing, at any time after the three (3) year anniversary of the Issuance Date, the Holder shall have the right to require the Company to repay the outstanding principal balance of this Note, together with all accrued and unpaid interest and Convertible Interest, on thirty (30) days prior written notice.

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10. Prepayment. In its sole discretion and upon giving prior written notice, the Company will have the right to prepay the entire then-outstanding principal amount of the Note at any time (the “**Prepayment Right**”). If the Company exercises its Prepayment Right, the Holder shall have five (5) business days to convert this Note in accordance with Section 3. Upon the Company’s exercise of the Prepayment Right or upon the occurrence of any other prepayment under this Note, in addition to the then-outstanding principal amount of the Note that is payable if this Note is not converted by the Holder, it shall pay to the Holder an amount in cash equal to twenty percent (20%) of such Holder’s Principal Amount (such amount, the “**Prepayment Premium**”). The Prepayment Premium shall be payable to the Holder upon any prepayment by the Company regardless of whether the Holder elects to convert this Note or receive repayment. The parties agree that to the extent the Company elects to exercise any Prepayment Right, the Company shall be required to prepay the then-outstanding principal amount of the Notes held by all Investors and the respective Prepayment Premiums on a pro rata basis based on the aggregate principal amount outstanding on all the Notes at the time of such prepayment.

11. Amendments and Waivers. Subject to this Section 11, no term of this Note may be amended without the written consent of the Company and the Holder. The observance of any term of this Note may be waived (either generally or in a particular instance and either retroactively or prospectively), including any waiver that has the effect of extending the Maturity Date, only with the written consent of the Company and the Holder.

12. Governing Law. This Note is being delivered in and shall be construed in accordance with the laws of the State of Florida, without regard to the conflicts of laws provisions thereof.

13. Attorneys’ Fees. If the indebtedness represented by this Note or any part thereof is collected in bankruptcy, receivership or other judicial proceedings or if this Note is placed in the hands of attorneys for collection after default, the Company agrees to pay, in addition to the principal and interest payable hereunder, reasonable attorneys’ fees and costs incurred by Holder.

14. Notices. All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and emailed, mailed or delivered to each party. The addresses for notice shall be as set forth in the Purchase Agreement.

15. Subordination Agreements. Promptly upon request, Holder shall enter into a subordination agreement with any other creditor of the Company to which Holder’s security interest is subordinate, for purposes of subordinating in favor of such creditor the indebtedness evidenced by this Note and the security interest granted herein.

*[Signature Page Follows]*

**EXECUTED** as of the date first set forth above.

**COMPANY:**

SKYX PLATFORMS CORP.

By: \_\_\_\_\_  
Name: John P. Campi  
Title: Chief Executive Officer

*[Signature Page to Subordinated Secured Convertible Note]*

**SKYX PLATFORMS CORP.**

**FORM OF CONVERSION NOTICE  
FOR  
SUBORDINATED SECURED CONVERTIBLE PROMISSORY NOTE**

*(To be Executed by the Registered Holder in order to Convert the Note)*

The undersigned hereby irrevocably elects to convert \$\_\_\_\_\_ of the principal amount of the Subordinated Secured Convertible Promissory Note into shares of Common Stock of SKYX Platforms Corp. according to the conditions hereof, as of the date written below.

By submitting this conversion notice, the Holder hereby represents that it is an “accredited investor,” as defined in Rule 501(a) of the Securities Act of 1933, as amended.  
Date of Conversion: \_\_\_\_\_

Number of shares of Common Stock beneficially owned or deemed beneficially owned by the Holder on the Conversion Date: \_\_\_\_\_

**[HOLDER]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

**SKYX PLATFORMS CORP.**

**FORM OF ASSIGNMENT  
FOR  
SUBORDINATED SECURED CONVERTIBLE PROMISSORY NOTE**

*(To assign the foregoing Note, execute this form and supply required information.)*

FOR VALUE RECEIVED, the foregoing principal amount of the Subordinated Secured Convertible Note and all rights evidenced thereby are hereby assigned to:

Assigned Principal Amount: \$ \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Tax ID: \_\_\_\_\_

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

*(Signature must conform in all respects to the name of the holder as specified on the face of the note)*

Signature Guaranteed: \_\_\_\_\_

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Note, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Note.

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## Form of Common Stock Purchase Warrant

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAS BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

## COMMON STOCK PURCHASE WARRANT

To Purchase [ ] Shares of Common Stock of

## SKYX PLATFORMS CORP.

March 29, 2023 (the "Issuance Date")

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") CERTIFIES that, for value received, [ ] (the "Holder"), is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date of this Warrant and on or prior to the fifth (5<sup>th</sup>) anniversary of the Issuance Date (the "Termination Date") but not thereafter, subject to Section 3 hereof, to subscribe for and purchase from SKYX Platforms Corp., a Florida corporation (the "Company"), up to [ ] shares (the "Warrant Shares") of the common stock, no par value per share, of the Company (the "Common Stock"). Capitalized terms used, but not otherwise defined, in this Warrant have the meanings ascribed to them in the Securities Purchase Agreement, dated as of March 29, 2023 (the "Purchase Agreement") among the Company and the original Holder, as amended, modified or supplemented from time to time in accordance with its terms.

1. Title to Warrant. Prior to the Termination Date and subject to compliance with applicable laws, including transfer restrictions imposed by applicable securities laws, and Section 7 of this Warrant, this Warrant and all rights hereunder are transferable, in whole or in part, at the office or agency of the Company by the Holder in person or by duly authorized attorney, upon surrender of this Warrant together with the Assignment Form attached hereto properly endorsed. The transferee shall sign an investment letter in form and substance reasonably satisfactory to the Company.

2. Authorization of Shares. The Company covenants that all Warrant Shares that may be issued upon the exercise of the purchase rights represented by this Warrant in accordance with the terms of this Warrant, including the payment of the exercise price for such Warrant Shares, will, upon exercise of the purchase rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

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3. Exercise of Warrant.

(a) The exercise price for this Warrant shall equal USD \$3.00, subject to adjustment as provided for herein (the "Exercise Price"); provided, however, the Exercise Price shall be reduced, and only reduced, after the Registration Date to the lower of the Exercise Price on the Registration Date and the lowest Closing Price during the 10 Trading Days immediately following the Registration Date; *provided, however*, that in no event shall the Exercise Price be reduced to an amount that less than USD \$2.70.

(b) For the purposes of this agreement:

(i) "Registration Date" means the date that the Registration Statement is declared effective by the SEC.

(ii) "Closing Price" means the closing price per share of Common Stock on the Trading Market on a Trading Day, as reported by the Trading Market.

(iii) "Trading Day" means a day on which the principal Trading Market is open for trading.

(iv) "Trading Market" means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange (or any successors to any of the foregoing).

(c) Subject to the Conversion and Exercise Share Cap (as such term is defined in the Purchase Agreement), at any time prior to or on the Termination Date, the Holder may exercise this Warrant to purchase all or a portion of the Warrant Shares at the Exercise Price by following the procedures set forth in this Section 3. If the number of Warrant Shares upon exercise would result in the issuance of shares of Common Stock in excess of the Conversion and Exercise Share Cap, the Holder shall not have the right to exercise any portion of the Warrant, and the Company will not have any further obligation to deliver any shares, in excess of the Conversion and Exercise Share Cap (the "Excess Shares") for such exercise. The Excess Shares shall be deemed null and void and shall be cancelled ab initio, and the Company shall return to the Holder the exercise price paid by the Holder for the Excess Shares.

(d) Exercise of the purchase rights represented by this Warrant may be made at any time or times on or before the Termination Date by delivery to the Company of a duly executed Notice of Exercise Form annexed hereto (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of such Holder appearing on the books of the Company) and surrender of this Warrant, together with payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank in immediately available funds. Certificates for shares purchased hereunder shall be delivered to the Holder promptly following the delivery to the Company of the Notice of Exercise Form, surrender of this Warrant and payment of the aggregate Exercise Price as set forth above ("Warrant Share Delivery Date"). This Warrant shall be deemed to have been exercised on the later of the date the Notice of Exercise is delivered to the Company and the date the Exercise Price is received by the Company. The Warrant Shares shall be deemed to have been issued, and the Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised by payment to the Company of the Exercise Price and all taxes required to be paid by the Holder, if any, pursuant to Section 5 prior to the issuance of such shares, have been paid.

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(e) If this Warrant shall have been exercised in part, the Company shall, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other

respects be substantially identical with this Warrant.

(f) *Holder's Exercise Limitations.* The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, to the extent that after giving effect to the exercise set forth on the applicable notice of exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "**Attribution Parties**")) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of Warrant Shares which would be issuable upon (i) exercise of the remaining, unconverted Warrant Shares beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Warrants or the Notes) beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 3(f), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 3(f) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of how many Warrant Shares are exercisable shall be in the sole discretion of the Holder, and the submission of a notice of exercise shall be deemed to be the Holder's determination of whether this Warrant may be exercised (in relation to other securities owned by the Holder together with any Affiliates or Attribution Parties) and which principal amount of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 3(f), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company, or (C) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request (which may be via email) of a Holder, the Company shall within three Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "**Beneficial Ownership Limitation**" shall be [4.99%/9.99%] of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 3(f), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the Beneficial Ownership Limitation provisions of this Section 3(f) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 3(f) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

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4. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price.

5. Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

6. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

7. Transfer, Division and Combination.

(a) Subject to compliance with any applicable securities laws and the conditions set forth in Sections 1 and 7(d) hereof, this Warrant and all rights hereunder are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled.

(b) The Company shall prepare, issue and deliver at its own expense (other than transfer taxes) the new Warrant or Warrants under this Section 7.

(c) The Company agrees to maintain, at its aforesaid office, books for the registration and the registration of transfer of the Warrants.

(d) The Company may require, as a condition of allowing such transfer, (i) that the Holder or transferee of this Warrant, as the case may be, furnish to the Company a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made without registration under the Securities Act and under applicable state securities or blue sky laws, (ii) that the holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company and (iii) that the transferee be an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act or a qualified institutional buyer as defined in Rule 144A(a) under the Securities Act.

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8. No Rights as Shareholder until Exercise. This Warrant does not entitle the Holder to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof. Upon the surrender of this Warrant and the payment of the aggregate Exercise Price, the Warrant Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the later of the date of such surrender or payment.

9. Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

## 11. Certain Adjustments.

### (a) Consolidation; Merger; Reclassification.

(i) In case of any consolidation with or merger of the Company with or into another entity (other than a merger or consolidation in which the Company is the surviving or continuing corporation), or in case of any sale, lease, or conveyance to another entity of substantially all of the property and assets of any nature of the Company, such successor, leasing, or purchasing entity, as the case may be, shall (i) execute with the Holder an agreement providing that the Holder shall have the right thereafter to receive upon exercise of this Warrant solely the kind and amount of shares of stock and other securities, property, cash, or any combination thereof receivable upon such consolidation, merger, sale, lease, or conveyance by the Holder of the number of Warrant Shares into which this Warrant might have been exercised into immediately prior to such consolidation, merger, sale, lease, or conveyance and/or (ii) make effective provision in its certificate of incorporation or otherwise, if necessary, to effect such agreement.

(ii) In case of any reclassification or change of the Warrant Shares issuable upon exercise of this Warrant in accordance with Section 3 hereof (other than a change in par value or from no par value to a specified par value), or in case of any consolidation or merger of another entity into the Company in which the Company is the continuing corporation and in which there is a reclassification or change (including a change to the right to receive cash or other property) of the Warrant Shares issuable upon the exercise of this Warrant in accordance with Section 3 hereof (other than a change in par value, or from no par value to a specified par value), the Holder shall have the right thereafter to receive upon exercise of this Warrant solely the kind and amount of shares of stock and other securities, property, cash, or any combination thereof receivable upon such reclassification, change, consolidation, or merger of the number of Warrant Shares into which this Warrant might have been exercised immediately prior to such reclassification, change, consolidation, or merger.

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(iii) The above provisions of this Section 11(a) shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations, mergers, sales, leases, or conveyances.

(b) Subsequent Equity Sales. If, during the twelve (12) months following the Issuance Date, the Company issues or sells any Common Stock or any securities which are convertible into or exchangeable for its Common Stock or any convertible securities, or any warrants or other rights to subscribe for or to purchase or any options for the purchase of its Common Stock or any such convertible securities (such issuances, collectively, a “**Dilutive Issuance**”) at a price per share of Common Stock that is less than the Exercise Price (the price per share used in respect of such Dilutive Issuance, the “**Dilutive Issuance Price**”), then simultaneously with the consummation of each Dilutive Issuance, the Exercise Price shall be reduced to equal the greater of (i) the Dilutive Issuance Price as to such Dilutive Issuance, or (ii) USD \$2.70. The adjustment provided for in this Section 11(b) shall not apply to an Exempt Issuance.

(c) Exempt Issuances. For purposes of this Warrant, an “**Exempt Issuance**” means the issuance of (a) any securities issued in connection with the Acquisition; (b) shares of Common Stock or Common Stock Equivalents issued to employees, officers, directors, consultants or service providers of the Company pursuant to any stock or option plan duly adopted for such purpose or other agreement duly authorized by the Company’s board of directors; (c) shares of Common Stock or Common Stock Equivalents issued in connection with the conversion or exercise of Common Stock Equivalents outstanding as of the Issuance Date; (d) shares of Common Stock or Common Stock Equivalents issued in connection with the acquisition of another company by the Company, provided that the Company is the surviving entity; or (e) any securities issued pursuant to commercial arrangements, acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company.

12. Authorized Shares. The Company covenants that during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant.

13. Holders Right to Call Note. If the Holder exercises its Call Right pursuant to Section 1(e) of the Purchase Agreement, then upon delivery of the Note Call Amount to the Holder by the Company, this Warrant shall terminate and be deemed null and void.

## 14. Miscellaneous.

(a) Governing Law. This Warrant is being delivered in and shall be construed in accordance with the laws of the State of Florida, without regard to the conflicts of laws provisions thereof.

(b) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered for resale, will have restrictions upon resale imposed by state and federal securities laws.

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(c) Notices. All notices, requests, demands, consents, instructions or other communications required or permitted hereunder shall be in writing and emailed, mailed or delivered to each party. The addresses for notice shall be as set forth in the Purchase Agreement.

(d) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of all Holders from time to time of this Warrant and shall be enforceable by any such Holder or holder of Warrant Shares.

(e) Amendment. Subject to this Section 14(e), no term of this Warrant may be amended without the written consent of the Company and the Holder. The observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the Holder.

(f) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(g) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

*[Signature Page Follows]*

ISSUANCE DATE: March 29, 2023

HOLDER:

WARRANT SHARES:

COMPANY:

SKYX PLATFORMS CORP.

By: \_\_\_\_\_  
Name: John P. Campi  
Title: Chief Executive Officer

*[Signature Page to Common Stock Purchase Warrant]*

**NOTICE OF EXERCISE**

To: SKYX Platforms Corp. (the "Company")

(1) The undersigned hereby elects to purchase Warrant Shares (as defined in the Warrant) of the Company pursuant to the terms of the attached Common Stock Purchase Warrant (the "Warrant"), and tenders herewith payment in lawful money of the United States of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing said Warrant Shares in the name of, and delivered to:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tax ID: \_\_\_\_\_

(3) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

*(Signature must conform in all respects to the name of the holder as specified on the face of the Warrant)*

**ASSIGNMENT FORM**

*(To assign the foregoing warrant, execute this form and supply required information. Do not use this form to exercise the warrant.)*

FOR VALUE RECEIVED, the foregoing Common Stock Purchase Warrant and all rights evidenced thereby are hereby assigned to:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

*(Signature must conform in all respects to the name of the holder as specified on the face of the Warrant)*

Signature Guaranteed: \_\_\_\_\_

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

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LIST OF SUBSIDIARIES

<b>Subsidiary Name</b>	<b>Jurisdiction of Formation</b>
SQL Lighting & Fans, LLC	Florida
Sky Technology LLC	Florida

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**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) of our report dated March 31, 2023, relating to the financial statements of SKYX Platforms Corp. for the years ended December 31, 2022 and 2021, which appears in this Form 10-K.

*/s/ M&K CPAS, PLLC*

www.mkacpas.com  
Houston, Texas

March 31, 2023

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## CERTIFICATION

I, John P. Campi, certify that:

1. I have reviewed this Annual Report on Form 10-K of SKYYX 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: March 31, 2023

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

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## 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: March 31, 2023

By: /s/ Marc-Andre Boisseau

Marc-Andre Boisseau  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**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, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. Campi, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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: March 31, 2023

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

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**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 SKYYX Platforms Corp. (the "Company") for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc-Andre Boisseau, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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: March 31, 2023

By: /s/ Marc-Andre Boisseau

Marc-Andre Boisseau

Chief Financial Officer

(Principal Financial and Accounting Officer)

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