Consolidated Financial Statements and
Independent Auditors' Report

Mace Security International, Inc. and Subsidiaries

December 31, 2023 and 2022

Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
MACE SECURITY INTERNATIONAL, INC. AND SUBSIDIARIES

Opinion

We have audited the consolidated financial statements of Mace Security International, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mace Security International, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mace Security International, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About Mace Security International, Inc and Subsidiaries' Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Mace Security International, Inc. and Subsidiaries will continue as a going concern. As discussed in Note 1 to the financial statements, Mace Security International, Inc. and Subsidiaries has generated a net loss from operations, has an accumulated deficit, and has stated that substantial doubt exists about the Mace Security International, Inc. and Subsidiaries' ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mace Security International, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mace Security International, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mace Security International, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ Marcum LLP

Cleveland, OH
April 1, 2024

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share information)

ASSETS	December 31, 2023	December 31, 2022
Current assets:		
Cash and cash equivalents	**$ 239**	$ 62
Accounts receivable, less allowance for credit losses of $125 and $257 at December 31, 2023 and 2022, respectively	**755**	1,105
Inventories	**3,398**	4,138
Other current assets	**535**	502
Total current assets	**4,927**	5,807
Property and equipment:		
Buildings and leasehold improvements	**257**	260
Machinery and equipment	**2,179**	2,387
Furniture and fixtures	**109**	111
Total property and equipment	**2,545**	2,758
Accumulated depreciation	**(2,491)**	(2,297)
Total property and equipment, net	**54**	461
Operating lease - right-of-use asset, net of amortization	**1,122**	1,335
Finance lease - right-of-use asset, net of amortization	**31**	50
Goodwill	**739**	1,031
Intangible assets, net of amortization	**608**	1,833
Other non-current assets	**14**	14
Total other assets	**2,514**	4,263
Total assets	**$ 7,495**	$ 10,531

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share information)

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 2023	December 31, 2022
Current liabilities:		
Line of credit	**$ 1,329**	$ 515
Derivative liability	**99**	-
Current operating lease obligations	**223**	198
Current finance lease obligations	**19**	16
Accounts payable	**577**	520
Income taxes payable	**56**	55
Accrued expenses and other current liabilities	**370**	379
Total current liabilities	**2,673**	1,683
Convertible debt	**461**	-
Non-current operating lease obligations	**920**	1,143
Non-current finance lease obligations	**12**	34
Total liabilities	**4,066**	2,860
Commitments and contingencies see Note 14		
Shareholders' equity:		
Preferred stock, $.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at December 31, 2023 and 2022	**-**	-
Common stock, $.01 par value; authorized 100,000,000 shares, issued shares of 65,817,049 and 65,039,030, at December 31, 2023 and 2022, respectively	**658**	650
Additional paid-in capital	**104,199**	104,018
Accumulated deficit	**(101,406)**	(96,975)
	3,451	7,693
Less treasury stock at cost, 90,548 shares at December 31, 2023 and 2022	**(22)**	(22)
Total shareholders' equity	**3,429**	7,671
Total liabilities and shareholders' equity	**$ 7,495**	$ 10,531

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except share and per share data)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net sales	**$ 6,595**	$ 8,758
Cost of goods sold	**4,846**	5,417
Gross profit	**1,749**	3,341
Selling, general, and administrative expenses	**4,256**	4,760
Amortization of intangible assets	**260**	260
Asset impairment charges	**1,507**	-
Operating loss	**(4,274)**	(1,679)
Interest expense	**(212)**	(71)
Gain on derivative liability	**57**	-
Other income, net	**-**	12
Loss before income tax provision	**(4,429)**	(1,738)
Income tax provision	**2**	-
Net loss	**$ (4,431)**	$ (1,738)
Net loss per share		
Basic	**$ (0.07)**	$ (0.03)
Diluted	**$ (0.07)**	$ (0.03)
Weighted average number of common shares (basic)	**65,368,953**	64,882,655
Weighted average number of common shares (diluted)	**65,368,953**	64,882,655

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands, except share information)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total
Balance at January 1, 2022	64,703,965	$ 647	$ 103,822	$ (95,237)	$ (22)	$ 9,210
Stock-based compensation	335,065	3	196	-	-	199
Net loss	-	-	-	(1,738)	-	(1,738)
Balance at December 31, 2022	65,039,030	$ 650	$ 104,018	$ (96,975)	$ (22)	$ 7,671
Balance at December 31, 2022	65,039,030	$ 650	$ 104,018	$ (96,975)	$ (22)	$ 7,671
Stock-based compensation	**778,019**	**8**	**181**	**-**	**-**	**189**
Net loss	**-**	**-**	**-**	**(4,431)**	**-**	**(4,431)**
Balance at December 31, 2023	**65,817,049**	**$ 658**	**$ 104,199**	**$ (101,406)**	**$ (22)**	**$ 3,429**

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

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	Years ended December 31 2023	2022
Cash Flows from Operating Activities:		
Net loss	**$ (4,431)**	$ (1,738)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization, including right-of-use asset amortization	**686**	695
Amortization of debt discount	**27**	-
Stock-based compensation	**189**	199
Provision for losses on receivables	**68**	176
Gain on derivative liability	**(57)**	-
Impairment of property and equipment	**250**	-
Impairment of intangible assets	**965**	-
Impairment of goodwill	**292**	-
Changes in operating assets and liabilities:		
Accounts receivable	**282**	289
Inventories	**740**	573
Prepaid expenses and other assets	**(33)**	(9)
Accounts payable	**57**	(335)
Accrued expenses and other current liabilities	**(9)**	(145)
Operating lease obligations	**(198)**	(220)
Income taxes payable	**1**	(4)
Net cash used in operating activities	**(1,171)**	(519)
Cash Flows from Investing Activities:		
Purchase of property and equipment	**(37)**	(153)
Net cash used in investing activities	**(37)**	(153)
Cash Flows from Financing Activities:		
Proceeds from line of credit	**3,335**	2,685
Repayment of line of credit	**(2,521)**	(2,170)
Proceeds from convertible debt	**590**	-
Payments on financing lease obligations	**(19)**	(20)
Net cash provided by financing activities	**1,385**	495
Net increase (decrease) in cash and cash equivalents	**177**	(177)
Cash and cash equivalents at beginning of year	**62**	239
Cash and cash equivalents at end of year	**$ 239**	$ 62

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022
(Amounts in thousands, except share and per share amounts)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include accounts of Mace Security International, Inc. and its wholly owned subsidiaries (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

Mace Security International, Inc. operates in one business segment, the Security Segment, which sells personal safety and security products to retailers, distributors, and individual consumers. The Company also sells tactical spray products and systems to law enforcement, security professionals, correctional institutions, and military markets.

Going Concern

The accompanying consolidated financial statements of the Company have been prepared assuming the Company will continue as a going concern and in accordance with generally accepted accounting principles in the United States of America. The going concern basis of presentation assumes that the Company will continue in operations one year after the date these financial statements are issued and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Pursuant to the requirements of the Financial Accounting Standards Board's Accounting Standards Codification (the "ASC") Topic 250-40, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date these financial statements are issued. This evaluation does not take into consideration the potential mitigating effects of management's plans that have not yet been fully implemented or are not within control of the Company as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans , however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

On October 20, 2023, the Company's bank line of credit was repaid with the proceeds of a $2,000 revolving credit loan from a commercial asset-based lender ("2023 Credit Agreement"). The new credit facility matures in 3 years, and bears interest at Wall Street Prime plus 6 percent, with a floor of 14.25%. This new credit facility is secured by substantially all assets of the Company. The amount drawn under the new credit facility at December 31, 2023 was $1,329.

The Company closed a non-brokered private placement of an unsecured subordinated convertible note with a board member on March 7, 2024. The convertible note has a principal amount of $150, matures on July 27, 2025, 10% per annum simple interest and is convertible into common shares of the Company at a conversion price of $0.0852 per common share. This convertible note's terms are the same as the terms of the convertible notes closed on July 27, 2023. This additional funding was provided because the terms of the Company's asset-based financing are heavily weighted toward finished inventory, and the Company has had some success in its efforts to reduce inventory levels which has resulted in reduced borrowing availability.

The Company has experienced significant operating losses due to lower sales levels in recent quarters. The amount of credit available under the 2023 Credit Agreement due to these lower sales levels may not provide sufficient working capital for the Company. Alternative sources of financing may need to be obtained. There are no assurances that such financing would be available to the Company on favorable terms or at all. The Company's ability to obtain financing in the debt and equity capital markets is subject to several factors, including market and economic conditions, the Company's performance, and investor sentiment with respect to the Company. These factors raise substantial doubt regarding the Company's ability to continue as a going concern for a period of at least one year from the date of issuance of these consolidated financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the Company's financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Significant accounting policies are those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company's significant accounting policies are described below.

Revenue Recognition

Virtually all the Company's net sales are generated from products sold at a point in time through ship-and-bill performance obligations. Revenue is recognized at a point in time when obligations under the terms of a contract with the Company's customer are satisfied. Generally, this occurs with the transfer of control of the Company's products at the time of shipment of products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring product. In some cases, the nature of the Company's contracts give rise to variable revenue as defined in Accounting Standards Codification ("ASC") topic 606, including rebates, credits, allowances for returns or other similar items that decrease the transaction price. These variable amounts generally are credited to the customer based on achieving certain levels of sales activity, product returns and making payments with specific terms. Variable revenue is estimated at the most likely amount that is expected to be earned. Such estimated amounts are recognized when revenue is recorded. Estimates of variable revenue and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current, and forecasted) that is reasonably available.

Sales, value-added or other taxes collected by the Company concurrent with revenue producing activities are excluded from revenue. The Company allows some customers to return product when the product is defective as manufactured. The Company accrues for estimated future warranty cost in the period in which the sale is recorded. The expected cost associated with the Company's warranties is recognized in cost of goods sold in the consolidated statements of income. The Company calculates its warranty accrual based on its historic warranty loss experience. Amounts billed to customers in sales transactions related to shipping and handling represent revenue earned for the product provided and are included in net sales. Costs of shipping and handling are included in cost of goods sold.

(Amounts in thousands, except share and per share amounts)

The following table disaggregates the Company's net sales by type of customer:

	Year Ended December 31,	
Net Sales by Type of Customer	**2023**	**2022**
Consumer	**$ 5,932**	$ 7,574
Tactical	**242**	218
International	**233**	647
Other	**188**	319
Total	**$ 6,595**	$ 8,758

Cash and Cash Equivalents
The Company maintains its cash accounts in regulated financial institutions. The Company considers all highly liquid short-term investments with original maturities at acquisition of three months or less to be cash equivalents. No portion of the Company's cash and cash equivalent balances exceeded FDIC insured amounts at December 31, 2023.

Accounts Receivable

The Company's accounts receivable are primarily due from trade customers. Credit is extended based on evaluation of customers' financial condition and, generally, collateral is not required. Customer credit terms vary. Amounts due from customers are stated in the financial statements net of an allowance for credit losses. Accounts which are outstanding longer than the credit terms are considered past due. The Company determines its allowance by considering several factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the forecasted conditions of the general economy and the industry in which the Company operates. The Company writes off accounts receivable when they are deemed uncollectible. Any payments subsequently received on such receivables are credited to the Consolidated Statements of Operations. International credit risk is managed by requiring most international customers to provide payment in advance of shipment. The Company believes that its accounts receivable credit loss exposure is limited and it has not experienced any recent significant credit losses of its trade accounts receivable balances.

During fiscal 2023 and 2022, $199 and $503 of accounts receivable were written off against the allowance for credit losses, respectively. Bad debt expense was $68 and $176 in fiscal 2023 and 2022, respectively. Accounts receivable, less allowance for credit losses of $586, was $1,570 at January 1, 2022.

Concentration of Significant Customers

At December 31, 2023, three customers accounted for 20%, 15% and 13%, respectively, of the net accounts receivable balance. At December 31, 2022, three customers accounted for 20%, 15% and 10%, respectively, of the net accounts receivable balance. During the year ended December 31, 2023, three customers accounted for 18%, 10%, and 7%, respectively, of the Company's net sales. During the year ended December 31, 2022, three customers accounted for 23%, 10%, and 9%, respectively, of the Company's net sales.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out (FIFO) method. Inventories consist of defense sprays and various other security and safety products and components used to make such products. The Company periodically reviews the book value of slow-moving inventory items, as well as discontinued product lines, to determine if inventory is properly valued. The Company identifies slow moving or discontinued product lines by a detail review of recent sales volumes of inventory items as well as a review of recent selling prices versus cost and assesses the ability to dispose of inventory items at a price greater than cost. If market value is less than cost, then an adjustment is made to adjust the inventory carrying amount to market value. Obsolete inventory expense was $0 in both fiscal 2023 and 2022.

Property and Equipment

The Company leases its facility. Property and equipment are stated at cost. Depreciation and amortization of property and equipment are recognized using the straight-line method over the estimated useful lives of the assets, which are generally as follows: leasehold improvements - 2 to 10 years; machinery and equipment - 3 to 10 years; and furniture and fixtures - 3 to 10 years. Significant additions or improvements extending assets' useful lives or their capabilities are capitalized; normal maintenance and repair costs are expensed as incurred. Depreciation and amortization of property and equipment expense was approximately $194 and $201 for the years ended December 31, 2023 and 2022, respectively. Maintenance and repairs are charged to expense as incurred and amounted to approximately $62 and $42 for the years ended December 31, 2023 and 2022, respectively.

Impairment of Long-Lived and Intangible Assets

The Company periodically reviews the carrying value of its (i) long-lived assets held and used and (ii) assets to be disposed of when events and circumstances warrant such a review. If significant events or changes in circumstances indicate that the carrying value of an asset or asset group may not be recoverable, the Company performs a test of recoverability by comparing the carrying value of the asset or asset group to its undiscounted expected future cash flows. Cash flow projections are sometimes based on a group of assets, rather than a single asset. If cash flows cannot be separately and independently identified for a single asset, the Company determines whether impairment has occurred for the group of assets for which it can identify the projected cash flows. If the carrying values are in excess of undiscounted expected future cash flows, the Company measures any impairment by comparing the fair value of the asset group to the carrying value. If the fair value of an asset or asset group is determined to be less than the carrying amount of the asset or asset group, impairment in the amount of the difference is recorded.

Intangible Assets

Intangible assets consist primarily of goodwill, customer relationships, licenses and trademarks. The intangible assets which arose from the Company's business acquisitions are amortized over their respective estimated useful lives. The Mace Brand trademark is considered to have an indefinite life, and as such, is not subject to amortization. These assets along with the Company's goodwill are tested for impairment using annually and whenever there is an impairment indicator. Estimating future cash flows requires significant judgment and projections may vary from cash flows eventually realized. Several impairment indicators are beyond the Company's control and, as a result, determining whether or not they will occur cannot be predicted with any certainty.

The Company prepared its annual valuation of goodwill using a discounted cash flow analysis at December 31, 2023. As a result, the Company concluded that the carrying amount for goodwill and long-lived assets was impaired. The Company measures impairment losses based on the difference between the carrying amount of a long-lived asset and its estimated fair value. When it is determined an impairment exists, the related assets are written down to the estimated fair value. The Company determined the fair value of its property and equipment to be $54 using externally available prices for comparable equipment, resulting in a $250 impairment of property and equipment. Based on a discounted cash flow analysis, the Company determined that its intangible assets were impaired $965, and goodwill was impaired $292. Using the relief from royalty method under the income approach, the Company concluded that the fair value of the Company's tradename exceeded its carrying amount at December 31, 2023.

Income Taxes

Deferred income taxes are determined based on the difference between the financial accounting and tax basis of assets and liabilities. Deferred income tax expense (benefit) represents the change during the period in the deferred income tax assets and deferred income tax liabilities. In establishing the provision for income taxes and deferred income tax assets and liabilities, and valuation allowances against deferred tax assets, the Company makes judgments and interpretations based on enacted laws, published tax guidance and estimates of future earnings. Deferred income tax assets include tax loss and credit carryforwards and are reduced by a valuation allowance if, based on available evidence, it is more likely than not that some portion or all the deferred income tax assets will not be realized.

Advertising and Marketing Costs

The Company expenses advertising costs, including advertising production cost, as the costs are incurred. Advertising expense was approximately $360 and $539 for the years ended December 31, 2023 and 2022, respectively.

Fair Value of Financial Instruments

The Company measures certain assets and liabilities at fair value. Fair value represents 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.

In accordance with ASC topic 820, "Fair Value Measurement", a hierarchy is established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring the fair value. The hierarchy defines three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical unrestricted assets and liabilities that the reporting entity could access at the measurement date.

Level 2 – Inputs other than the quoted prices included within Level 1 that are observable for the asset and liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

Level 3 – Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in the pricing of an asset or liability and are consequently not based on market activity but rather through valuation techniques. The key inputs to the valuation model that was utilized to estimate the fair value of the convertible note derivative liability include:

(Amounts in thousands, except share and per share amounts)

Discount rate – Bond equivalent yield	**4.25%**
Remaining term (years)	**1.57 years**
Equity volatility	**232%**
Dividends	**None**
Discount for lack of marketability	**57%**

The following table summarizes the Company's convertible note derivative liability recorded at fair value by fair value hierarchy levels as of December 31, 2023 and 2022:

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Convertible note derivative liability	**$ -**	**$ -**	**$ 99**	**$ 99**
Total liabilities	**$ -**	**$ -**	**$ 99**	**$ 99**

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Convertible note derivative liability	**$ -**	**$ -**	**$ -**	**$ -**
Total liabilities	**$ -**	**$ -**	**$ -**	**$ -**

The following table provides a reconciliation of the beginning and ending balances for the convertible note derivative liability measured at fair value using significant unobservable inputs (Level 3):

	Year Ended December 31	
	2023	**2022**
Balance at beginning of period	**$ -**	$ -
Initial recognition July 27, 2023	**156**	-
Gain on derivative liability	**(57)**	-
Balance at end of period	**99**	-

NOTE 3 – ADOPTION OF NEW ACCOUNTING STANDARDS

The Company adopted Accounting Standards Update No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), as amended effective January 1, 2023. ASU 2016-13 changed the impairment model for most financial assets and requires the use of an expected loss model in place of the previously used incurred loss method. Under this model, the Company now estimates the lifetime expected credit loss on such instruments and records an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

(Amounts in thousands, except share and per share amounts)

The Company adopted Accounting Standards Update No. 2020-06, "Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity" ("ASU 2020-06"), effective January 1, 2023. ASU 2020-06 simplifies accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU 2020-06 also expands disclosure requirements for convertible instruments and simplifies diluted earnings per share calculations. Under ASU 2020-06, entities must apply the more dilutive of the if-converted method and the two-class method to all convertible instruments in computing diluted net income per share. There were no changes to the Company's financial statements at adoption since the Company had no existing convertible notes.

There were no other new accounting pronouncements in 2023 that had or are expected to have a material impact on the Company's Consolidated Financial Statements.

NOTE 4 – NET LOSS PER SHARE

The Company's net loss per share was computed by dividing net income by the weighted-average number of common shares outstanding for each respective period. Diluted loss per share was calculated by dividing net loss by the weighted-average number of all potentially dilutive common shares that were outstanding during the periods presented using the treasury stock method.

The calculation of basic and diluted loss per share were as follows:

	Year ended December 31,	
	2023	**2022**
Numerator		
Net loss	**$ (4,431)**	$ (1,738)
Denominator		
Determination of shares		
Weighted-average common shares outstanding	**65,368,953**	64,882,655
Dilutive effect – if-converted convertible notes	**-**	-
Dilutive effect – share based awards	**-**	-
Diluted weighted-average common shares outstanding	**65,368,953**	64,882,655
Loss per common share		
Basic	**$ (0.07)**	$ (0.03)
Diluted	**$ (0.07)**	$ (0.03)

(Amounts in thousands, except share and per share amounts)

Common stock issuable under (i) outstanding stock options of approximately 3,339,166 and 3,196,833 weighted-average shares and (ii) convertible notes of 3,267,465 and 0 weighted-average shares were excluded from the calculation of diluted loss per share for the year ended December 31, 2023 and 2022, respectively, as the impact of including such stock options and convertible notes in the calculation of diluted loss per share would have an anti-dilutive effect.

NOTE 5 - SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid on all indebtedness was approximately $147 and $68 for the years ended December 31, 2023 and 2022, respectively. Income taxes paid totaled approximately $1 and $4 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

December 31, 2023	Estimated Useful Life	Original Cost	Accumulated Amortization	Impairment	Net Book Value
Goodwill, net of impairments		$ 1,031	$ -	$ (292)	$ 739
Non-competition agreement	4 years	20	(20)	-	-
Trademarks	15 years	630	(260)	(370)	-
Customer Relationships	9 years	1,936	(1,445)	(491)	-
License	3 years	150	(150)	-	-
Patents	15 years	39	(13)	(26)	-
Non-amortized trademarks		685	-	(77)	608
Total intangible assets		3,460	(1,888)	(964)	608
Total goodwill and intangible assets		$ 4,491	$ (1,888)	$ (1,256)	$ 1,347

(Amounts in thousands, except share and per share amounts)

	Estimated Useful Life	Original Cost	Accumulated Amortization	Net Book Value
December 31, 2022				
Goodwill		$ 1,031	$ -	$ 1,031
Non-competition agreement	4 years	20	(20)	-
Trademarks	15 years	630	(218)	412
Customer Relationships	9 years	1,936	(1,229)	707
License	3 years	150	(150)	-
Patents	15 years	39	(10)	29
Non-amortized trademarks		685	-	685
Total intangible assets		3,460	(1,627)	1,833
Total goodwill and intangible assets		$ 4,491	$ (1,627)	$ 2,864

Amortization of intangible asset expense was $260 and $260 for the years ended December 31, 2023 and 2022, respectively. Intangible impairment expense was $965 and $0 for the years ended December 31, 2023 and 2022, respectively. No future amortization expense for intangible assets is expected.

All goodwill is expected to be deductible for income tax purposes. The Company's goodwill and non-amortized trademarks are not amortized but are instead subject to an annual impairment test. The most recent evaluation was performed as of December 31, 2023. As a result of this evaluation, the Company recognized a $292 goodwill impairment charge.

NOTE 7 – INVENTORIES

Inventories consist of the following:

	December 31, 2023	December 31, 2022
Raw materials	**$ 1,353**	$ 2,319
Finished goods	**2,045**	1,819
Total inventories	**$ 3,398**	$ 4,138

(Amounts in thousands, except share and per share amounts)

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,			
		2023		**2022**
Line of credit	$	**1,329**	$	515
Convertible notes, net of discount		**461**		-
Less: current portion of debt		**(1,329)**		(515)
Total long-term debt	$	**461**	$	-

Line of credit:
The Company had a $3,000 line of credit agreement with a bank (the "2021 Credit Agreement"). The 2021 Credit Agreement was secured by substantially all the Company's assets. The 2021 Credit Agreement requires monthly interest payments. On May 25, 2023, the 2021 Credit Agreement was amended (the "May 2023 Amendment") to extend the maturity date to July 31, 2023. The May 2023 Amendment reduced the credit agreement facility to $1,500 and provided for the increase in the interest rate effective May 25, 2023 to SOFR plus 4.0%, with a floor of 4.0%. On July 31, 2023, the 2021 Credit Agreement was further amended (the "July 2023 Amendment") to extend the maturity date of the bank line of credit to September 30, 2023 from July 31, 2023. The July 2023 amendment increased the rate of interest to SOFR plus 6% from SOFR plus 4%. The Company recognized $101 and $59 interest expense associated with 2021 Credit Agreement for the years ended December 31, 2023 and 2022, respectively.

On October 20, 2023, the 2021 Credit Agreement was repaid with the proceeds of a $2,000 revolving credit loan from a commercial asset-based lender ("2023 Credit Agreement"). The new credit facility matures in 3 years, and bears interest at Wall Street Prime plus 6 percent, with a floor of 14.25%. This new credit facility is secured by substantially all assets of the Company. The amount drawn under the new credit facility at December 31, 2023 was $1,329. The Company recognized $43 of interest expense associated with 2023 Credit Agreement for the year ended December 31, 2023.

Convertible Notes:
The Company closed a non-brokered private placement of unsecured convertible notes with board members and shareholders on July 27, 2023 ("2023 Convertible Notes"). The 2023 Convertible Notes have an aggregate principal amount of $590 and have a two-year term, 10% per annum simple interest and are convertible into common stock of the Company at a conversion price of $0.0852 per common stock equivalent to a 20% premium of the share price in the last 60 trading days prior to the closing date. If interest is not paid when due, whether at stated maturity, by acceleration, or otherwise, such unpaid interest shall be cumulative, accruing until paid. The 2023 Convertible Notes are subordinated in right of payment to all current and future indebtedness of the Company for borrowed money.

The principal balance and unpaid accrued interest on the 2023 Convertible Notes will automatically convert into Common Stock of the Company upon the closing of the next sale (or series of related sales) by the Company of its Equity Securities following the date of issuance of the 2023 Convertible Notes with the principal purpose of raising capital and from which the Company receives aggregate gross proceeds of not less than $1,000.

(Amounts in thousands, except share and per share amounts)

In the event of a Corporate Transaction as defined prior to the conversion or the repayment of the 2023 Convertible Notes, at the closing of such Corporate Transaction, the Holder may elect that either: (a) the Company will pay the Holder an amount equal to the sum of (x) all accrued and unpaid interest due on the 2023 Convertible Notes and (y) 1.15 times the outstanding principal balance of the 2023 Convertible Notes; or (b) the 2023 Convertible Notes will convert into that number of Common Stock equal to the quotient (rounded down to the nearest whole share) obtained by dividing (x) the outstanding principal balance and unpaid accrued interest of the 2023 Convertible Notes on a date that is no more than five (5) days prior to the closing of such Corporate Transaction/the date of conversion by (y) the applicable Conversion Price.

At any time, at the election of the Holder, the 2023 Convertible Notes will convert into that number of Common Stock equal to the quotient (rounded down to the nearest whole share) obtained by dividing (x) the outstanding principal balance and unpaid accrued interest of the 2023 Convertible Notes on the date of such conversion by (y) the Conversion Price of $0.0852 per share.

The Company recorded $156 as the fair value of the embedded derivative liability on July 27, 2023, with a corresponding amount recorded as a discount to the 2023 Convertible Notes. The debt discount is amortized to interest expense over the term of the 2023 Convertible Notes using the effective interest method using an effective interest rate of 27.1%. Changes in the fair value of the embedded derivative liability are recorded in the Statement of Operations in the period in which the changes occurred.

The following table provides a reconciliation of the beginning and ending balances for the convertible note:

		December 31, 2023		December 31, 2022
Face value of convertible notes at issuance	$	**590**	$	-
Less: debt discount in form of embedded derivative liability at fair value		**156**		-
Add: amortization of debt discount		**27**		-
Balance	$	**461**	$	-

Convertible note interest expense for the years ended December 31, 2023 and 2022 was $52 and $0, respectively, of which $25 and $0, respectively, related to contractual interest expense and $27 and $0, respectively, related to amortization of the discount.

(Amounts in thousands, except share and per share amounts)

NOTE 9 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	December 31,	
	2023	**2022**
Accrued compensation	**$ 22**	$ 75
Vendor provided financing	**142**	149
Warranty and return reserves	**63**	66
Accrued commissions	**15**	14
Amounts due customers	**31**	16
Accrued non-income-based taxes	**20**	20
Other	**77**	39
Total accrued expenses and other current liabilities	**$ 370**	$ 379

NOTE 10 – STOCK-BASED COMPENSATION

The Company's stock option plans are administered by the Compensation Committee (the "Committee") of the Board of Directors.

In 2012, the Company adopted, with shareholder approval, the 2012 Stock Option Plan (the "2012 Plan"). The 2012 Plan provides for the granting of incentive stock options or nonqualified stock options to directors, officers, employees, or vendors of the Company. Under the 2012 Plan, 15,000,000 shares of common stock are reserved for issuance. Incentive stock options and nonqualified options have terms which are determined by the Committee, with exercise prices not less than the market value of the shares on the date of grant. The options are exercisable no later than five (5) years after date of grant and vest either immediately or based upon graduated vesting schedules as determined by the Committee. The 2012 Plan terminated on June 21, 2022. On June 7, 2022, the Company's Board of Directors approved and adopted, by unanimous written consent, an extension of the termination date of the Company's 2012 Stock Incentive Plan for a period of one year, from June 21, 2022 to June 21, 2023. The Company's shareholders approved the extension of the termination date to June 21, 2023 at the Company's 2022 annual meeting of shareholders on August 4, 2022. On July 11, 2023, the Company's Board of Directors approved and adopted, by unanimous written consent, an extension of the termination date of the Company's 2012 Stock Incentive Plan for a period of one year, from June 21, 2023 to June 21, 2024. The Company's shareholders approved the extension of the termination date to June 21, 2024 at the Company's 2023 annual meeting of shareholders on August 22, 2023.

As of December 31, 2023, 4,621,666 nonqualified stock options were outstanding under the 2012 Plan. Newly issued shares or, to the extent possible, shares of treasury stock are used to satisfy requirements resulting from the exercise of stock options.

(Amounts in thousands, except share and per share amounts)

Activity with respect to these plans was as follows:

	2023		2022	
	Number	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
Options outstanding beginning of period	**4,934,000**	**$ 0.33**	5,126,000	$ 0.34
Options granted	**600,000**	**$ 0.10**	700,000	$ 0.24
Options forfeited	**(367,334)**	**$ 0.30**	(524,000)	$ 0.41
Options expired	**(545,000)**	**$ 0.40**	(368,000)	$ 0.41
Options exercised	**-**	**-**	-	-
Options outstanding end of period	**4,621,666**	**$ 0.32**	4,934,000	$ 0.32
Options exercisable	**3,339,166**	**$ 0.31**	3,196,833	$ 0.33
Shares available for granting of options	**7,683,353**		7,371,019	

The Company recognizes compensation expense for all stock-based awards on a straight-line basis over the vesting period of the instruments, based upon the grant date fair value of the stock options and stock-based awards issued. Total stock compensation expense was $189 and $199 for the years ended December 31, 2023 and 2022, respectively. No tax benefit was recognized for this compensation expense. At December 31, 2023, total unrecognized stock-based compensation expense was $174, which has a weighted average period to be recognized of approximately 2.0 years. The Company has elected to recognize forfeitures as they occur.

The following table provides additional information regarding options outstanding as of December 31, 2023:

	Options Exercisable		**Options Outstanding**		**Options Vested or Expected to Vest**	
Option Exercise Price Range	**Number Outstanding**	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**
$0.10 to $0.20	**786,000**	**$ 0.20**	**1,600,000**	**$ 0.16**	**1,600,000**	**$ 0.16**
$0.21 to $0.40	**2,270,166**	**$ 0.31**	**2,591,666**	**$ 0.30**	**2,591,666**	**$ 0.30**
$0.41 to $0.61	**283,000**	**$ 0.61**	**430,000**	**$ 0.61**	**430,000**	**$ 0.61**
	3,339,166		**4,621,666**		**4,621,666**	

(Amounts in thousands, except share and per share amounts)

	Options Exercisable	Options Outstanding	Options Vested or Expected to Vest
Weighted average years remaining term	**0.9**	**1.6**	**1.6**
Aggregate intrinsic value	**$ -**	**$ -**	**$ -**

Information related to stock options exercised follows:

	Year Ended December 31,	
	2023	2022
Proceeds from the exercise of stock options	**$ -**	$ -
Intrinsic value of stock options exercised	**-**	-
Income tax benefit related to stock options exercised	**-**	-

The following table details the weighted-average grant-date fair values and the assumptions used for estimating the fair values of the Company's options at the dates of grant using a Black-Scholes option pricing model:

	Year Ended December 31,	
	2023	2022
Weighted-average per share grant-date fair value	**$0.08367**	$0.17369
Total grant-date fair value	**$50**	$122
Expected term (years)	**5**	5
Risk-free interest rate	**4.39%**	2.76%
Volatility	**119.2%**	95.3%
Dividend yield	**0%**	0%
Forfeiture rate	**0%**	0%

Expected term - The Company's expected term is based on the period the options are expected to remain outstanding. The Company estimated this amount based on historical experience of similar awards, considering the contractual terms of the awards, vesting requirements and expectations of future behavior.

Risk-free interest rate - The Company uses the risk-free interest rate of a U.S. Treasury Note with a similar term on the date of the grant.

Volatility - The Company calculates the volatility of the stock price based on historical value and corresponding volatility of the Company's stock price over the prior five years.

(Amounts in thousands, except share and per share amounts)

Dividend yield - The Company uses a 0% expected dividend yield, as the Company does not have a history of paying dividends and does not anticipate declaring dividends in the foreseeable future.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

NOTE 11 – INCOME TAXES

A reconciliation of income taxes computed at the U.S. federal statutory tax rates to total income tax provision applicable to continuing operations expense is as follows:

	Year Ended December 31, 2023	2022
Tax benefit at U.S. federal statutory rate	**$ (931)**	$ (365)
State benefit, net of federal benefit	**(45)**	(5)
Expiration of net operating loss carryforward	**864**	671
Other	**40**	(39)
Increase (decrease) in valuation allowance	**74**	(262)
Total income tax provision	**$ 2**	$ -

The components of income tax provision are:

	Year Ended December 31, 2023	2022
Current US state and local income tax provision	**$ 2**	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2023 and 2022 are as follows:

(Amounts in thousands, except share and per share amounts)

	December 31, 2023	December 31, 2022
Deferred tax assets:		
Allowance for doubtful accounts	**$ 194**	$ 227
Inventories	**77**	77
Net operating and capital loss carryforwards	**11,898**	12,190
Vesting stock options	**658**	632
Property, equipment and intangibles	**259**	-
Other, net	**55**	49
Total deferred tax assets	**13,141**	13,175
Valuation allowance for deferred tax assets	**(13,141)**	(13,068)
Deferred tax asset after valuation allowance	**-**	107
Deferred tax liabilities:		
Property, equipment and intangibles	**-**	(107)
Net deferred tax assets	**$ -**	$ -

Under the Tax Cuts and Jobs Act enacted in 2017, net operating loss carryforwards generated after 2017 do not expire but are subject to utilization limitations. At December 31, 2023, the Company had U.S. federal net operating loss carryforwards ("NOLs") of approximately $49,573 of which $42,736 expire as follows:

Fiscal year 2024	**$ 5**
Fiscal year 2025	**862**
Fiscal year 2026	**6,823**
Fiscal year 2027	**15**
Fiscal years 2028 - 2032	**29,062**
Fiscal years 2033 - 2037	**5,969**
Total	**$ 42,736**

At December 31, 2023, the Company had $6,837 of non-expiring NOLs which may be carried forward indefinitely until the loss is fully recovered, but which are limited to 80% of the taxable income in any one tax period.

Realization of the future tax benefits related to the deferred tax assets is dependent upon many factors, including the Company's ability to generate taxable income in future years. Under the applicable GAAP rules, the ability to assume future income is heavily influenced by the recent history of financial reporting income. The Company performed a detailed review of the considerations influencing its ability to realize the future benefit of the NOLs, including the extent of recently used NOLs, the turnaround of future deductible temporary differences, and the duration of the NOL carryforward period. Utilization of the Company's net operating loss and tax credit carryforwards may be subject to annual limitations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss or tax credits before utilization. In 2023, $4,114 of net operating loss carryforwards expired. The Company increased its total valuation allowance against deferred tax assets by $74 in 2023 resulting in a total valuation allowance of $13,141 at

December 31, 2023, representing the amount of its deferred income tax assets in excess of the Company's deferred income tax liabilities. The valuation allowance was recorded because the Company's management was unable to conclude that realization of the net deferred income tax asset was more likely than not. This determination was a result of the Company's history of operating losses, and the uncertainty of and the ultimate extent of growth in the Company's business.

The Company follows the appropriate accounting pronouncements which prescribe a model for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest and penalties, disclosure and transition. At December 31, 2023 and 2022, the Company did not have any significant unrecognized tax benefits. The total amount of interest and penalties recognized in the Consolidated Statements of Operations for the years ended December 31, 2023 and 2022 was insignificant and when incurred is reported as interest or penalties expense, as applicable.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various state and local jurisdictions. The Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years prior to 2019.

NOTE 12 – DEFINED CONTRIBUTION RETIREMENT PLAN

Substantially all employees of the Company are eligible to participate in the Company's defined contribution retirement plan ("Plan"). The Company's matching contributions to the Plan were $18 and $20 for the years ended December 31, 2023 and 2022, respectively.

NOTE 13 – LEASES

The Company determines whether an arrangement is a lease at inception and whether that lease meets the classification criteria of a finance or operating lease. Some of the Company's lease arrangements contain lease components (e.g., minimum rent payments) and non-lease components (real estate tax, maintenance, etc.). The Company leases its facility and certain office/plant equipment. The Company's facility lease has been determined to be an operating lease. For its facility lease, the Company accounts for lease components together with non-lease components.

Whenever the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate, which is based on the lease term and adjusted for impacts of collateral, in determining the present value of lease payments.

At December 31, 2023, the Company's leases have remaining lease terms of 1.4 to 4.5 years, some of which include options to extend the lease for an additional 5-year term. The exercise of the lease renewal option is at the Company's discretion. Renewals to extend the lease term are not included in the Company's Right-of-use asset and Lease obligations as they are not reasonably certain of exercise. On October 13, 2022, the Company exercised its renewal option to extend the lease of its facility for an additional five (5) years for the period July 1, 2023 to June 30, 2028 at a base rent of $17 per month. The Company's leases do not contain any material residual value guarantees or material restrictive covenants. Short-term lease expense is recognized on a straight-line basis over the term of the lease.

(Amounts in thousands, except share and per share amounts)

The following table presents information about the amount, timing and cash flows arising from the Company's operating leases:

	Year Ended December 31,	
	2023	**2022**
Components of lease cost:		
Operating lease cost	**$ 258**	$ 244
Variable lease cost	**2**	6
Short-term lease cost	**10**	11
Finance lease cost:		
Amortization of right-of-use asset	**19**	21
Interest	**2**	3
Total	**$ 291**	$ 285

	Year Ended December 31,	
	2023	**2022**
Operating cash flow information		
Cash paid for amounts included in the measurement of operating lease liabilities	**$ 245**	$ 253
Financing cash flow information:		
Cash paid for amounts included in the measurement of finance lease liabilities	**$ 21**	$ 23
Non-cash activity:		
Right-of-use asset obtained in exchange for finance lease liability	**$ 0**	$ 4
Right-of-use asset obtained in exchange for operating lease liability	**$ 0**	$ 1,370

	December 31,	
	2023	**2022**
Operating lease information:		
Weighted-average remaining operating lease term	**54 months**	66 months
Weighted-average operating lease discount rate	**5.63%**	5.63%
Operating lease amortization of right-of-use asset	**$ 213**	$ 215
Finance lease information:		
Weighted-average remaining finance lease term	**17 months**	28 months
Weighted-average finance lease discount rate	**3.49%**	3.49%
Finance lease amortization of right-of-use asset	**$ 19**	$ 20

(Amounts in thousands, except share and per share amounts)

	December 31, 2023	
	Operating leases	Finance leases
Maturity of lease obligations:		
2024	$ **281**	$ **20**
2025	**285**	**11**
2026	**289**	**1**
2027	**294**	**1**
2028	**149**	**0**
Total undiscounted lease payments	**1,298**	**33**
Less imputed interest	**(155)**	**(2)**
Present value of lease obligations	$ **1,143**	$ **31**

NOTE 14 – COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company is involved in legal matters. The Company cannot reasonably estimate future costs, if any, related to these matters; however, it does not believe any such matters are material to its financial condition or results of operations. The Company maintains various liability insurance policies to protect its assets from losses arising out of, or involving activities associated with, ongoing and normal business operations; however, it is possible that the Company's future operating results could be affected by future costs of litigation.

NOTE 15 – RELATED PARTY TRANSACTIONS

From time to time, the Company may enter into agreements with related parties in the ordinary course of business and on terms and conditions it believes are as fair as those it offers and receives from independent parties. Such agreements are subject to approval by the Company's Chief Executive Officer and/or the Board of Directors.

In March 2022, the Company entered into a separation agreement with its former Chief Executive Officer, who served from January 20, 2019 to February 10, 2022, providing for the payment of severance totaling $204 over a 12-month period of time. Through December 31, 2023 all was paid.

(Amounts in thousands, except share and per share amounts)

NOTE 16 – SUMMARIZED QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	2023 Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
Net sales	**$ 1,662**	**$ 1,753**	**$ 1,497**	**$ 1,683**
Gross profit	**410**	**518**	**450**	**370**
Operating loss	**(723)**	**(597)**	**(645)**	**(2,309)**
Net loss	**(747)**	**(629)**	**(771)**	**(2,285)**
Net loss per share				
Basic	**$ (0.01)**	**$ (0.01)**	**$ (0.01)**	**$ (0.03)**
Diluted	**$ (0.01)**	**$ (0.01)**	**$ (0.01)**	**$ (0.03)**

	2022 Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
Net sales	$ 2,156	$ 1,981	$ 2,504	$ 2,118
Gross profit	899	787	961	695
Operating loss	(579)	(456)	(193)	(450)
Net loss	(584)	(452)	(233)	(468)
Net loss per share				
Basic	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)
Diluted	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.01)

NOTE 17 – SUBSEQUENT EVENTS

The Company evaluated its December 31, 2023 financial statements for subsequent events through April 1 2024, the date the financial statements were available to be issued. The Company closed a non-brokered private placement of an $150 unsecured subordinated convertible note and a $150 unsecured subordinated note with a board member on March 7, 2024 and March 21, 2024, respectively. The convertible note has a principal amount of $150, matures on July 27, 2025, 10% per annum simple interest and is convertible into common shares of the Company at a conversion price of $0.0852 per common share. This convertible note's terms are the same as the terms of the convertible notes closed on July 27, 2023. The $150 unsecured subordinated note is due the sooner of July 22, 2025 or upon the repayment of the 2023 Credit Agreement. The note bears interest at 10% per annum and has no conversion features. This additional funding was provided because the terms of the Company's asset-based financing are heavily weighted toward finished inventory, and the Company has had some success in its efforts to reduce inventory levels which has resulted in reduced borrowing availability. The Company is not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.