

In addition, we may consider strategic acquisitions of complementary businesses or technologies to grow our business, which would require significant capital and could increase our capital requirements related to future operation of the acquired business or technology.

We may not be able to obtain loans or raise additional capital on acceptable terms or at all. The convertible note issued to an affiliate of Koch, which together with Koch, we refer to as KDT, as well as the Loan Agreement with GM, contain restrictions on our ability to incur additional indebtedness, which, if not waived, could prevent us from obtaining needed capital. Any future credit facilities or debt instruments would likely contain similar or additional restrictions, requirements or conditions. We may not be able to obtain bank credit arrangements or effect an equity or debt financing on terms acceptable to us or at all in order to fund our future capacity expansion plans. Any failure to obtain additional financing when needed could adversely affect our ability to maintain and grow our business.

Our efforts in developing, selling, and supplying products in the EV market may subject us to increased financial, operational, and legal risks that could materially adversely impact our business, financial conditions, and results of operations and may also increase our costs and make it difficult for us to operate profitably.

We have a focus on developing and selling products in the automotive industry, specifically for EV applications. In 2020 and 2021, we entered into contracts with GM to supply our thermal barrier products for use in the battery system of its EVs, and in 2023, we entered into thermal barrier production contracts with Toyota, Scania, ACC, a battery cell joint venture between Stellantis N.V, Saft-TotalEnergies and Mercedes-Benz, and Audi, a luxury brand of the Volkswagen Group. We are currently selling thermal barrier production parts to GM and Toyota, and prototype thermal barrier parts to a number of other companies. We are also continuing our efforts to develop additional thermal barrier products for sale to others in the EV market. As a result of our existing contract with GM and other OEMs, current sales to others in the EV market and any future supply of our products to the automotive industry, including through specific contracts, we are subject to a number of risks, including, but not limited to:

- Under our contracts with the GM, they are not obligated to make any purchases from us and may terminate the contract at any time. There can be no assurance that significant revenue, or any revenue at all, will result from the contract.
- In order to support the projections and estimates of our product demand that our potential automotive customers present to us, we may need to make substantial capital and other investments without any assurance that such potential demand will materialize. For example, under the contract with GM, we are obligated to supply products up to a daily maximum quantity even without a specific purchase commitment. This requires us to invest in capacity, infrastructure and personnel. These investments could result in substantial capital expenditures without any commensurate increase in revenue, or any increase at all. Even if significant sales of our products to automotive OEMs materialize, the need to make these significant capital investments, as well as the costs related to developing these products and related process and manufacturing developments, and the costs of meeting the stringent requirements of the automotive industry, could result in sales to the automotive industry being significantly less profitable than we expect, or potentially unprofitable.
- Automotive OEMs require that we timely meet stringent requirements with respect to capital investment and quality standards in connection with our efforts to develop, sell and support products for use in the EV market. We may not be able to meet these requirements on a timely basis or at all.
- Automotive OEMs require suppliers of various tiers to assume liability for ordinary warranty expenses and product liability issues that are not necessarily commensurate with the roles the supplier played in the development of the final product sold to the consumer. This could expose us to significantly greater risk of liability for warranty expenses and/or for defects, failures or accidents involving the final products sold to the consumer.
- Automotive OEMs purchasing from us may have certain rights to intellectual property developed by us in connection with our work for that OEM. These rights could permit the OEM to purchase products similar to ours from other third party suppliers or to develop internally products that could replace our products in their manufacturing process.
- We face significant competition in selling our products to the automotive industry and anticipate that competition increasing over time, both from products similar to ours and from other technologies that may address in a superior fashion the technical issues currently addressed by our products. In particular, we face significant competition from Chinese firms, many of whom have longstanding experience in supplying EV OEMs and are part of a Chinese EV industry that we believe is in many ways more mature than the EV industry in the United States and other markets. In order to compete with such firms and sustainably participate in the automotive market, we will have to overcome the advantages possessed by those Chinese firms.
- EVs and battery technologies are evolving at a rapid pace. They may evolve in such a way as to render our products obsolete. While we are investing considerable capital and other resources based on what we believe to be the currently