UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 10-Q

For the Quarterly Period ended June 30, 2025

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file No. 000-27866

374WATER INC.

(Exact name of Registrant as specified in its charter)

Delaware	88-0271109
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

100 Southcenter Court, Suite 200
Morrisville, North Carolina 27560
(Address of principal executive offices)

440-601-9677
(Registrant's telephone number including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001	SCWO	The Nasdaq Capital Market LLC

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 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. X Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted 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 and post such files). X Yes ☐ No

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	X	Smaller reporting company	X
		Emerging Growth Company	☐

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

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: At August 11, 2025, the issuer had 151,028,287 shares of common stock outstanding.

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

374Water Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
June 30, 2025 (Unaudited) and December 31,2024

	June 30, 2025	December 31, 2024
Assets		
Current Assets:		
Cash	$ 2,149,015	$ 10,651,644
Accounts receivable, net of credit allowance	863,819	269,733
Unbilled accounts receivable	1,879,731	1,653,007
Stock subscription receivables	334,133	-
Other receivables	30,194	43,886
Inventory, net	1,821,812	1,701,474
Contract assets	151,493	136,651
Prepaid expenses	295,070	431,412
Total Current Assets	**7,525,267**	**14,887,807**
Property and equipment, net	3,204,896	2,567,571
Intangible assets, net	979,909	1,016,594
Right-of-use asset, net	632,885	691,014
Other assets	15,847	20,847
Total Long-Term Assets	**4,833,537**	**4,296,026**
Total Assets	**$ 12,358,804**	**$ 19,183,833**
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,052,529	$ 906,394
Accrued bonuses	270,000	570,000
Accrued contract loss provision	1,230,000	1,000,000
Accrued legal settlement	-	335,000
Unearned revenue	194,173	197,683
Note payable	9,638	-
Operating lease liability	110,207	101,320
Other liabilities	14,755	17,279
Total Current Liabilities	**2,881,302**	**3,127,676**
Unearned revenue, less current portion	30,000	30,000
Note payable, less current portion	36,598	-
Operating lease liability, less current portion	494,191	551,376
Total Long-Term Liabilities	**560,789**	**581,376**
Total Liabilities	**3,442,091**	**3,709,052**
Stockholders' Equity		
Preferred stock: 50,000,000 shares authorized, par value $0.0001 per share, nil issued and outstanding at June 30, 2025 and December 31, 2024.	-	-
Common stock: 1,000,000,000 common shares authorized, par value $0.0001 per share, 146,482,108 and 144,301,977 shares outstanding at June 30, 2025 and December 31, 2024, respectively	14,647	14,429
Additional paid-in capital	45,566,075	43,845,499
Accumulated deficit	(36,666,480)	(28,387,618)
Accumulated other comprehensive income	2,471	2,471
Total Stockholders' Equity	**8,916,713**	**15,474,781**
Total Liabilities & Stockholders' Equity	**$ 12,358,804**	**$ 19,183,833**

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

374Water Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2025 and 2024
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Revenues	$ 594,967	$ 36,821	$ 1,138,067	$ 352,099
Cost of revenues	871,333	43,543	1,276,150	660,841
Gross deficit	**(276,366)**	**(6,722)**	**(138,083)**	**(308,742)**
Operating expenses				
Research and development	531,170	566,568	1,064,757	1,101,715
Compensation and related expenses	1,996,387	1,007,005	3,672,252	1,797,695
Professional fees	649,338	615,987	1,421,239	868,692
General and administrative	1,184,689	822,818	2,127,129	1,143,459
Total operating expenses	4,361,584	3,012,378	8,285,377	4,911,561
Loss from operations	**(4,637,950)**	**(3,019,100)**	**(8,423,460)**	**(5,220,303)**
Other income				
Interest income	46,355	74,192	136,065	178,812
Other income	11,147	12,588	8,533	84,706
Total other income	57,502	86,780	144,598	263,518
Net loss before income taxes	**(4,580,448)**	**(2,932,320)**	**(8,278,862)**	**(4,956,785)**
Provision for income taxes	-	-	-	-
Net loss	**$ (4,580,448)**	**$ (2,932,320)**	**$ (8,278,862)**	**$ (4,956,785)**
Net loss per share - basic and diluted	**$ (0.03)**	**$ (0.02)**	**$ (0.06)**	**$ (0.04)**
Weighted average common shares outstanding - basic and diluted	**145,067,430**	**132,801,137**	**144,790,199**	**132,735,552**

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

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374Water Inc. and Subsidiaries
Condensed Consolidated Changes in Stockholders' Equity
For the Three and Six Months Ended June 30, 2025 and 2024
(Unaudited)

For the Three and Six Months Ended June 30, 2025	Preferred Stock		Common Stock					
	Number of Shares	Amount	Number of shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Total Stockholders' Equity
Balances, December 31, 2024	-	$ -	144,301,977	$ 14,429	$ 43,845,499	$ (28,387,618)	$ 2,471	$ 15,474,781
Issuance of shares of common stock for services	-	-	180,986	18	66,882	-	-	66,900
Accretion of stock-based compensation - options	-	-	-	-	460,512	-	-	460,512
Accretion of stock-based compensation - restricted stock	-	-	-	-	248,951	-	-	248,951
Issuance of shares of common stock for option exercise	-	-	200,000	20	23,980	-	-	24,000
Net loss	-	-	-	-	-	(3,698,414)	-	(3,698,414)
Balances, March 31, 2025	**-**	**-**	**144,682,963**	**14,467**	**44,645,824**	**(32,086,032)**	**2,471**	**12,576,730**
Issuance of shares of common stock for services	-	-	112,106	11	38,989	-	-	39,000
Accretion of stock-based compensation - options	-	-	-	-	277,330	-	-	277,330
Accretion of stock-based compensation - restricted stock	-	-	-	-	271,749	-	-	271,749
Issuance of vested restricted common stock	-	-	416,333	42	(42)	-	-	-
Issuance of shares of common stock for cash, net of issuance costs	-	-	1,270,706	127	332,225	-	-	332,352
Net loss	-	-	-	-	-	(4,580,448)	-	(4,580,448)
Balances, June 30, 2025	**-**	**$ -**	**146,482,108**	**$ 14,647**	**$ 45,566,075**	**$ (36,666,480)**	**$ 2,471**	**$ 8,916,713**

For the Three and Six Months Ended June 30, 2024	Preferred Stock		Common Stock					
	Number of Shares	Amount	Number of shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Total Stockholders' Equity
Balance at December 31, 2023	-	$ -	132,667,107	$ 13,266	$ 30,684,943	$ (15,953,504)	$ 2,471	$ 14,747,176
Issuance of shares of common stock for services	-	-	3,339	-	4,500	-	-	4,500
Accretion of stock-based compensation - options and resticted stock	-	-	-	-	183,200	-	-	183,200
Net loss	-	-	-	-	-	(2,024,465)	-	(2,024,465)
Balances, March 31, 2024	**-**	**$ -**	**132,670,446**	**$ 13,266**	**$ 30,872,643**	**$ (17,977,969)**	**$ 2,471**	**$ 12,910,411**
Issuance of shares of common stock for services	-	-	243,415	24	338,076	-	-	338,100
Accretion of stock-based compensation - options and resticted stock	-	-	-	-	275,384	-	-	275,384
Stock options issued for legal settlement	-	-	-	-	112,697	-	-	112,697
Issuance of shares of common stock for cash, net of issuance costs	-	-	18,474	2	(25,660)	-	-	(25,658)
Net loss	-	-	-	-	-	(2,932,320)	-	(2,932,320)
Balances, June 30, 2024	**-**	**$ -**	**132,932,335**	**$ 13,292**	**$ 31,573,140**	**$ (20,910,289)**	**$ 2,471**	**$ 10,678,614**

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

374Water Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2025 and 2024
(Unaudited)

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (8,278,862)	$ (4,956,785)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	349,374	50,953
Non-cash lease expense	58,129	-
Issuance of common stock for services	105,900	342,600
Stock-based compensation - options and restricted stock	1,258,542	458,584
Gain on legal settlement	-	(22,303)
Increase in inventory reserve	-	50,000
Changes in operating assets and liabilities:		
Accounts receivable	(594,086)	7,355
Unbilled accounts receivable	(226,724)	(277,056)
Other receivables	13,692	14,948
Inventory	(120,338)	(608,838)
Contract assets	(14,842)	-
Prepaid expenses	136,342	(275,495)
Other assets	5,000	(15,709)
Accounts payable and accrued expenses	146,135	319,978
Accrued bonus	(300,000)	-
Accrued contract loss provision	230,000	100,000
Accrued legal settlement	(335,000)	-
Unearned revenue	(3,510)	(97,232)
Other liabilities	(2,524)	(25,044)
Operating lease liability	(48,298)	-
Net cash used in operating activities	**(7,621,070)**	**(4,934,044)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(312,830)	(46,093)
Purchases of equipment-in-process	(588,993)	(328,778)
Increase in intangible assets	-	(27,349)
Net cash used in investing activities	**(901,823)**	**(402,220)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(1,955)	-
Proceeds from the exercise of options	24,000	-
Net proceeds (issuance costs) from the sale of common stock	(1,781)	(25,658)
Net cash used in financing activities	**20,264**	**(25,658)**
Net decrease in cash	(8,502,629)	(5,361,922)
Cash, beginning of period	10,651,644	10,445,404
Cash, end of period	**$ 2,149,015**	**$ 5,083,482**
Supplemental cash flow disclosures		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -
Supplemental disclosure investing activities		
Reclassification of inventory to equipment-in-process	$ -	$ 1,819,284
Issuance of restricted common stock to executives	$ 42	$ -
Equipment financed with a note payable	$ 48,191	$ -
Shares issued for stock subscription receivable	$ 334,133	$ -

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

374Water Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1 – Nature of Business and Presentation of Financial Statements

Description of the Company

374Water Inc. (the "Company", "374Water", "We", or "Our") is a global industrial technology and services company providing innovative solutions addressing global organic waste destruction/treatment and waste management issues within the Municipal, Federal, and Industrial markets. 374Water offers our proprietary AirSCWO system, which is designed to efficiently destroy and mineralize a broad spectrum of non-hazardous and hazardous organic wastes producing safe dischargeable water streams, safe mineral effluent, safe vent gas, and recoverable heat energy. Importantly, our AirSCWO system eliminates recalcitrant organic wastes without creating waste byproducts. Our AirSCWO system effectively converts solid and liquid wastes such as sewage sludge, biosolids, food waste, hazardous and non-hazardous waste, and forever chemicals (e.g., "per-and polyfluoroalkyl substances" or "PFAS") into recoverable resources including water, minerals, and heat energy.

Presentation of Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission (the "SEC") for interim financial information. It is management's opinion that the accompanying unaudited condensed consolidated financial statements are prepared in accordance with instructions for Form 10-Q and include all adjustments (consisting only of normal recurring accruals) which are necessary for a fair presentation of the results for the periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the Annual Report on Form 10-K of 374Water Inc. as of and for the year ended December 31, 2024, filed with the SEC on March 28, 2025.

The results of operations for the six months ended June 30, 2025, are not necessarily indicative of the results to be expected for the full year or for future periods. The condensed consolidated financial statements include the accounts of 374Water Inc., 374Water Systems Inc, and 374Water Sustainability Israel LTD, currently inactive, each a wholly-owned subsidiary of 374 Water. Intercompany balances and transactions have been eliminated in consolidation.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the accompanying financial statements include the fair value of inventory reserve, equity-based compensation, revenue recognition, accrued loss provisions on onerous contracts, useful lives of long-lived assets, and valuation allowance against deferred tax assets.

Receivables

Accounts Receivable, Net

Accounts receivable consist of balances due from equipment and service revenues. The Company monitors accounts receivable and provides allowances when considered necessary based on historical loss patterns, the number of days that billings are past due, an evaluation of the potential risk of loss associated with delinquent accounts, current market conditions and reasonable and supportable forecasts of future economic conditions to form adjustments to historical loss patterns. At June 30, 2025, and December 31, 2024, accounts receivable were considered to be fully collectible but in accordance with the allowance for credit losses, the Company recorded an allowance for credit losses based on a reserve of current and aged receivables which was not significant at June 30, 2025, and December 31, 2024.

Unbilled Accounts Receivable

Unbilled accounts receivable consist of balances due from revenues earned but not yet billed related to one customer contract for an equipment sale. Due to delays we have experienced in completing the equipment manufacturing process and meeting our next contractual milestone, we have not yet been able to bill for certain costs incurred on completing the equipment manufacturing. We anticipate meeting the next contractual milestone and billing this customer prior to December 31, 2025.

Inventory, Net

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. The majority of our inventory is raw materials. Net realizable value is the value of an asset that can be realized upon the sale of the asset, less a reasonable estimate of the costs associated with either the eventual sale or the disposal of the asset in question. We utilize third-party suppliers to produce our products. Costs associated with fabrication, and other costs associated with the manufacturing of products, are recorded as inventory. We periodically evaluate the carrying value of our inventories in relation to estimated forecasts of product demand, which takes into consideration the life cycle of product releases. Further, as we continue to enhance and develop our AirSCWO systems we may replace materials and parts with upgrades to enhance the units. If it is not probable that the replacement part will be used, we establish a reserve against the material or part or dispose of it. When quantities on hand exceed estimated sales forecasts, we perform an analysis to determine if a write-down for such excess inventories is required. Once inventory has been written down, it creates a new cost basis for inventory. Inventories are classified as current assets in accordance with recognized industry practice. Based on our evaluation we estimated an inventory allowance of $50,000 at both June 30, 2025, and December 31, 2024.

Property and Equipment

Property and Equipment is recorded at cost. Depreciation is computed using the straight-line method and the estimated useful life of the asset. Expenses for maintenance and repairs are charged to expense as incurred. Equipment-in-progress consists of costs incurred to build a mobile wastewater treatment unit that is not yet completed as of June 30, 2025; therefore, no depreciation has been taken on this in-process equipment.

The following table presents property and equipment at June 30, 2025, and December 31, 2024:

	June 30, 2025	December 31, 2024
Computers	$ 19,977	$ 19,977
Equipment	497,341	366,400
Equipment – Demo System	2,369,827	2,298,666
Vehicles	87,300	59,306
Equipment-in-process	719,916	-
Total property and equipment	3,694,361	2,744,349
Less: accumulated depreciation	(489,465)	(176,778)
Total property and equipment, net	$ 3,204,896	$ 2,567,571

We completed the manufacturing and fabrication of one of our AirSCWO systems that we will be using for full-scale wastewater treatment demonstration purposes ("Demo System"). We have capitalized the material and labor costs incurred to develop this Demo System, and had previously classified these costs within inventory. In the first quarter of 2024, we executed a contract with the City of Orlando, Florida to deploy the Demo System as part of a full-scale demonstration. We began the set up and commissioning process of this Demo System in the third quarter of 2024 which was completed in October 2024. We began depreciating the Demo System over an estimated life of five years during the last calendar quarter of 2024. We expect to continue to develop and enhance this unit as we perform our demonstrations and continue progressing towards commercialization. Upgrades and enhancements that will improve the operational efficiency of the unit itself will be capitalized.

We are in the process of manufacturing an AirSCWO1 ("AS1") model that can process 1 metric ton of waste water per day. The AS1 is highly mobile and can be deployed quickly to provide on-site destruction services. As of June 30, 2025, these manufacturing costs have been classified as equipment in-progress.

Depreciation expense is presented as follows in the unaudited condensed consolidated statement of operations:

	Three Months		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Cost of revenues	$ 41,284	$ -	$ 81,611	$ -
General and administrative	125,744	9,278	231,078	16,910
Total depreciation expense	$ 167,028	$ 9,278	$ 312,689	$ 16,910

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, and marketable securities. Deposits with financial institutions are insured, up to certain limits, by the Federal Deposit Insurance Corporation ("FDIC"). The Company's cash deposits often exceed the FDIC insurance limit; however, all deposits are maintained with high credit quality institutions and the Company has not experienced any losses in such accounts. The financial condition of financial institutions is periodically reassessed, and the Company believes the risk of any loss is minimal. Furthermore, we perform ongoing credit evaluations of our customers and generally do not require collateral.

Significant customers and suppliers are those that account for greater than 10% of the Company's revenues, purchases, accounts receivable and accounts payable. Three customers made up approximately 76% of total revenues for the six months ended June 30, 2025, and one customer made up 87% of total revenues for the six months ended June 30, 2024.

At June 30, 2025, and December 31, 2024, four customers comprised 94% and three customers accounted for 89% of our outstanding accounts receivable, respectively.

At both June 30, 2025, and December 31, 2024, one customer comprised approximately 100% of our unbilled receivables. The loss of a significant customer could adversely affect the results of our operations.

During the six months ended June 30, 2024, the Company purchased a substantial portion of manufacturing services from one third party vendor, Merrell Bros Fabrication, LLC ("Merrell Bros.") (see Note 8).

Revenue Recognition

The Company follows the revenue standards of Codification (ASC) Topic 606: "Revenue from Contracts with Customers (Topic 606)." The core principle of this Topic is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized in accordance with that core principle by applying the following five steps: 1) identify the contracts with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) we satisfy a performance obligation using the input method.

The Company generates revenue from the sale of equipment (AirSCWO units) and services, specifically the completion of full-scale demonstrations and treatability studies. In the case of equipment revenues, the Company's performance obligations are satisfied over time over the life of the contract which are typically long-term fixed price contracts. Revenue is recognized over time by measuring the progress toward complete satisfaction of the performance obligation using specific milestones. These milestones within the contract are assigned revenue recognition percentages, based on overall expected cost-plus margin estimates of those milestones compared to the total cost of the contract. Equipment sale related contract revenues are recognized in the proportion that contract costs incurred bear to total estimated costs. This method is used because management considers the input method to be the best available measure of progress on these contracts.

Changes in our overall expected cost estimates are recognized as a cumulative adjustment for the inception-to-date effective of such change. If these changes in estimates result in a possible loss being incurred on the contract, we accrue for such a loss in the period such an outcome becomes probable.

Services revenues related to treatability studies are recognized when all five revenue recognition criteria have been completed which is generally when we deliver a completed treatability study report to the customer.

In late 2024, we deployed our Demo System to the City of Orlando's Iron Bridge Regional Water Reclamation Facility pursuant to a contract executed in March 2024 as part of a full-scale demonstration (the "Demo Contract"). Pursuant to the Demo Contract, the Company is responsible for system design, installation, commissioning and the start-up of the AirSCWO unit at the facility. Further, the Company will operate and maintain the AirSCWO unit for a period of approximately three months. Lastly, the Company will decommission, disassemble and demobilize the AirSCWO unit after the contract period. The Company will receive $812,000 as consideration for the full-scale demonstration.

In accordance with ASC 606-10-25-21, we have concluded that the Demo Contract includes one performance obligation the full-scale demonstration. The system design, site preparation, installation, commissioning and decommissioning represent fulfillment activities versus separate performance obligations. At June 30, 2025 and December 31, 2024, we have accounted for such costs as contract costs under ASC 340-40 (see below). We will recognize revenue on this Demo Contract over the three-month period of operations and maintenance, which is the point in time that the City of Orlando receives the benefit simultaneously to the Company's performance. We completed our first month of demonstration during the three months ended June 30, 2025 and we recognized $270,667 of service revenue representing one-third of the total contract price. Further, we expensed one-third of the contract costs of $45,550 that had been deferred which have been included in cost of revenues. We anticipate completing the remaining two months of the demonstration in the second half of 2025.

We expect to invoice the City of Orlando in accordance with the contract terms. Invoices are due within thirty days of receipt. At June 30, 2025, we invoiced City of Orlando $361,333, of which we have collected $170,000 and $90,666 of the invoiced amount is included in unearned revenue. The City of Orlando has the right to cancel the Demo Contract for convenience with a twenty-day written notice but is responsible for paying the Company all amounts owed and outstanding for work performed prior to the effective termination date and costs and expenses incurred by the Company to uninstall, remove, relocate and deliver the AirSCWO system up to a maximum amount of $68,000.

During the six months ended June 30, 2025, we completed a full-scale demonstration for another customer. The contract with this customer included three performance obligations: i) treatability studies, ii) full-scale demonstration and iii) a technical report summarizing the results of the full-scale demonstration. We have allocated the transaction price of approximately $498,000 among the performance obligations using stand-alone selling price ("SASP") for the treatability study, cost-plus-margin for the technical report and the residual approach in the case of the full-scale demonstration. Under the residual approach, the stand-alone selling price is estimated after subtracting the sum of the observable SASP allocated to the other performance obligations within the contract. We do not have a history of selling full-scale demonstrations and a technical report separately to our customers. At June 30, 2025, the delivery of the technical report is the only remaining performance obligation, which approximately $72,000 of the contract transaction price has been allocated. We anticipate this performance obligation to be completed in the third quarter of 2025.

Cost of revenues include all direct material, labor and subcontractor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation. General, selling, and administrative costs are charged to expenses as incurred. At June 30, 2025, we have capitalized an aggregate of $151,493 of costs incurred to date related to the following: (i) third-party costs totaling $60,393 related to the technical report to be delivered on the full-scale demonstration contract discussed above in the third quarter of 2025, which will be expensed at that time, and (ii) $91,100 of fulfillment related activities for the Demo Contract with the City of Orlando, which will be expensed over the two month demonstration period remaining on this Demo Contract.

See further revenue related disclosures in Note 5.

Accrued Contract Loss Provision and Onerous Contracts

Onerous contracts are those where the costs to fulfill a contract exceed the consideration expected to be received under the contract. The revenue standard does not provide guidance on the accounting for onerous contracts or onerous performance obligations. U.S. GAAP contains other applicable guidance on the accounting for onerous contracts, and those requirements should be used to identify and measure onerous contracts.

Our outstanding equipment manufacturing contract is a fixed price contract. Due to the nature of the contract, including customer specific equipment design, we applied ASC 605-35, *Revenue Recognition—Provision for Losses on Construction-Type and Production-Type Contract (ASC 605-35)*. ASC 605-35 requires the recognition of a liability for anticipated losses on contracts prior to those losses being incurred when a loss is probable and can be estimated.

At June 30, 2025, and December 31, 2024, we evaluated the total costs incurred on this contract to date and the estimated costs we anticipate incurring to complete the contract. Based on this analysis, we accrued an estimated loss provision of $1,230,000 and $1,000,000 at June 30, 2025 and December 31, 2024, respectively, which has been presented on the accompanying unaudited condensed consolidated balance sheets. Any changes to the estimated loss provision are reflected within cost of revenues on the accompanying unaudited condensed consolidated statements of operations.

Research and Development Costs

The Company's research and development costs are expensed in the period in which they are incurred. Such expenditures amounted to $1,064,757 and $1,101,715 for the six months ended June 30, 2025 and 2024, respectively, and $531,170 and $566,568, for the three months ended June 30, 2025, and 2024, respectively.

Loss Per Share

Loss per share is computed in accordance with ASC Topic 260, "Earnings per Share." Basic weighted-average number of shares of common stock outstanding for the six months ended June 30, 2025 and 2024 include the shares of the Company issued and outstanding during such periods, each on a weighted average basis. The basic weighted average number of shares of common stock outstanding excludes common stock equivalent incremental shares, while diluted weighted average number of shares outstanding includes such incremental shares. However, as the Company was in a loss position for all periods presented, basic and diluted weighted average shares outstanding are the same, as the inclusion of the incremental shares would be anti-dilutive. At June 30, 2025 and June 30, 2024, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be antidilutive: options for 17,515,502 and 15,999,370 shares of common stock, 14,675,244 and 1,235,000 outstanding common stock warrants, and unvested restricted stock units of 6,212,819 and 2,962,000, respectively.

Reclassifications

We have made certain reclassifications to prior period amounts presented on our unaudited consolidated statements of operations to conform to the current period presentation with no impact to net loss or loss per share. These reclassifications consisted of reclassifying $229,680 and $368,266 of stock-based compensation expense from general and administrative expenses to compensation and related expenses for the three and six months ended June 30, 2024, respectively.

Recent Accounting Pronouncements - Not Yet Adopted

In December 2023 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (ASU 2023-09). The ASU focuses on income tax disclosures around effective tax rates and cash income taxes paid. ASU 2023-09 requires public business entities to disclose, on an annual basis, a rate reconciliation presented in both dollars and percentages. The guidance requires the rate reconciliation to include specific categories and provides further guidance on disaggregation of those categories based on a quantitative threshold equal to 5% or more of the amount determined by multiplying pretax income (loss) from continuing operations by the applicable statutory rate. For entities reconciling to the US statutory rate of 21%, this would generally require disclosing any reconciling items that impact the rate by 1.05% or more. ASU 2023-09 is effective for public business entities for annual periods beginning after December 15, 2024 (generally, calendar year 2025) and effective for all other business entities one year later. Effective January 1, 2025, we adopted ASU 2023-09 on a prospective basis. The adoption of ASU 2023-09 did not have a material impact on these unaudited condensed consolidated financial statements.

ASU 2024-03, *Disaggregation of Income Statement Expenses ("**DISE**")*. In November 2024, the FASB issued a new accounting standard to improve the disclosures about an entity's expenses and address requests from investors for more detailed information about the types of expenses included in commonly presented expense captions. The new standard is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with retrospective application permitted. The Company is evaluating the disclosure requirements related to the new standard and its impact on our consolidated financial statements.

The Company considers the applicability and impact of all recently issued accounting pronouncements. Recent accounting pronouncements not specifically identified in our disclosures are either not applicable to the Company or are not expected to have a material effect on our financial condition or results of operations.

Note 3 – Liquidity, Capital Resources and Going Concern

In accordance with ASU No. 2014-15 *Presentation of Financial Statements – Going Concern* (subtopic 205-40), the Company's management evaluates 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 within one year after the date that the financial statements are issued. At June 30, 2025, the Company had working capital of $4,643,965 and an accumulated deficit of $36,666,480. For the six months ended June 30, 2025, the Company incurred a net loss of $8,278,862 and used $7,621,070 of net cash in operations for the period. These conditions raise substantial doubt regarding our ability to continue as a going concern.

Presently, the Company will need additional debt or equity financing or a combination of both to continue its operations and meet its financial obligations for at least the next twelve months from the date these unaudited condensed interim consolidated financial statements were issued and beyond. We may consume available resources more rapidly than currently anticipated, resulting in the need for additional funding. We expect to incur continuing losses and negative cash flows from operations for the foreseeable future. We do not believe we have sufficient cash on hand or cash flows from operations to fund our obligations over the next twelve months and will need additional capital from debt or equity financing to fund our operations.

Since inception, we have financed our operations principally through the sale of debt and equity securities and operating cash flows. We have an "at-the-market" (ATM) equity offering under which we may issue up to $15.1 million of common stock, subject to applicable law. At June 30, 2025, approximately $14.6 million remains available to be sold in the Company's at-the-market offerings, subject to various limitations. During the six months ended June 30, 2025, we raised approximately $332,400 of net proceeds from the issuance of shares of common stock through the ATM. At June 30, 2025, we had a stock subscription receivable of approximately $ 334,000 from gross proceeds from the ATM that were not received until July 2025. The Company is evaluating strategies to obtain the required additional funding for future operations.

In November 2024, we closed on an offering of shares of common stock and common stock warrants resulting in net proceeds of approximately $11,393,000.

Any additional debt or equity financing that the Company obtains may substantially dilute the ownership held by our existing stockholders. The economic dilution to our shareholders will be significant if our stock price does not materially increase, or if the effective price of any sale is below the price paid by a particular investor. The Company may be unable to access further equity or debt financing when needed or obtain additional financing under acceptable terms, if at all.

We may decide to raise additional capital through a variety of sources in the short-term and in the long-term, including but not limited to:

- ☐ the public equity markets;
- ☐ private equity financings;
- ☐ collaborative arrangements;
- ☐ asset sales; and/or
- ☐ public or private debt.

If the Company is unable to raise additional capital, there is a risk that the Company could be required to discontinue or significantly reduce the scope of its operations. These unaudited condensed interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 4 – Inventory, Net

Inventory, net consists of:

Name	Balance at June 30, 2025	Balance at December 31, 2024
Raw materials	$ 1,871,812	$ 1,751,474
Less: inventory reserves	(50,000)	(50,000)
Total	**$ 1,821,812**	**$ 1,701,474**

Note 5 – Revenues and Contract Balances

The following is a summary of our revenues by type for the three and six months ended June 30, 2025 and June 30, 2024:

	Three Months Ended			
Name	June 30, 2025	%	June 30, 2024	%
Equipment revenue	$ 84,814	14%	$ 9,773	27%
Service revenue	510,153	86%	27,048	73%
Total	**$ 594,967**	**100%**	**$ 36,821**	**100%**

	Six Months Ended			
Name	June 30, 2025	%	June 30, 2024	%
Equipment revenue	$ 219,224	19%	$ 305,869	87%
Service revenue	918,843	81%	46,230	13%
Total	**$ 1,138,067**	**100%**	**$ 352,099**	**100%**

Unbilled Accounts Receivable

The following is a summary of our unbilled accounts receivable activity for the six months ended June 30, 2025 and the year ended December 31, 2024:

Name	Balance at June 30, 2025	Balance at December 31, 2024
Unbilled accounts receivable at beginning of the period	$ 1,653,007	$ 1,494,553
Services performed but not yet billed	602,724	217,666
Services billed	(376,000)	(59,212)
Unbilled accounts receivable at end of the period	**$ 1,879,731**	**$ 1,653,007**

Pursuant to contractual terms with our customers, we anticipate billing the unbilled accounts receivable during our 2025 fiscal year.

Contract Assets

The following is a summary of our contract assets activity for the six months ended June 30, 2025 and the year ended December 31, 2024:

	Balance at June 30, 2025	Balance at December 31, 2024
Contract assets at beginning of period	$ 136,651	$ -
Contract costs deferred	60,392	136,651
Contract costs expensed	(45,550)	-
Contract assets at end of period	**$ 151,493**	**$ 136,651**

Unearned Revenue

The following is a summary of our unearned revenue activity for the six months ended June 30, 2025 and year ended December 31, 2024:

Name	Balance at June 30, 2025	Balance at December 31, 2024
Unearned revenue at beginning of the period	$ 227,683	$ 130,000
Billings deferred	103,507	197,683
Refundable deposit returned	-	(100,000)
Recognition of prior unearned revenue	(107,017)	-
Unearned revenue at end of period	**$ 224,173**	**$ 227,683**

At June 30, 2025 , we anticipate recognizing approximately $194,000 of the unearned revenue in 2025 which has been presented as a current liability at June 30, 2025. The remaining balance of $30,000 has been classified as a long-term liability as the timing of revenue recognition is unknown.

Note 6 – Note Payable

During the six months ended June 30, 2025, we purchased approximately $48,200 of equipment with a note payable. The note bears interest at 10.75% and requires fixed payments of principal and interest of $1,042 for sixty months. As of June 30, 2025, the outstanding principal balance was $46,236 of which $9,638 will be repaid within the next twelve months and has been presented as a current liability.

At June 30, 2025, future principal payments on the note for the year ended December 31, will be as follows:

2025 (remaining)	$	3,815
2026		8,270
2027		9,204
2028		10,244
2029		11,401
Thereafter		3,302
	$	46,236

Note 7 – Stockholders' Equity

Authorized Shares

On June 11, 2025, the Company filed a certificate of amendment to its amended and restated certificate of incorporation with the Secretary of State of the State of Delaware to increase the authorized shares of common stock from 200,000,000 to 1,000,000,000. This amendment was approved by the Company's stockholders at the Annual Meeting. There were no changes to the authorized preferred stock which remains at 50,000,000 shares.

Common Stock Sales

On June 6, 2025, the Company entered into a sales agreement (the "2025 Sales Agreement") with Lake Street Capital Markets, LLC ("Lake Street") as sales agent, pursuant to which the Company may offer and sell, from time to time, shares of the Company's common stock, having an aggregate offering price of up to $15.1 million (the "2025 ATM Shares"). The 2025 Sales Agreement replaces the prior sales agreement entered into between the Company and Jefferies LLC dated as of December 21, 2022 (the "2022 Sales Agreement").

Sales of common stock, if any, will be made at market prices by any method permitted by law deemed to be an "at-the-market" (ATM) offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The Company has no obligation to sell any shares of common stock under the open market sale agreement and may at any time suspend offers under the 2025 Sales Agreement, in whole or in part, or terminate the 2025 Sales Agreement.
During the six months ended June 30, 2025, a total of 1,270,706 shares of common stock were sold pursuant to the 2025 Sales Agreement offering resulting in gross proceeds of approximately $477,100, and issuance costs of approximately $144,700 consisting of approximately $49,300 in commissions and sale agent fees, and approximately $95,400 of accounting and legal fees for net proceeds of approximately $332,400. As of June 30, 2025, approximately $334,000 of the gross proceeds remained unpaid and were received in July 2025 which have been presented as stock subscription receivables on the accompanying consolidated balance sheet. As of June 30, 2025, a total of 1,270,706 shares of common stock have been sold pursuant to the open market sale agreement and approximately $14.6 million remains available on the 2025 Sales Agreement.

During the six months ended June 30, 2024, a total of 18,474 shares of common stock were sold pursuant to the 2022 Sales Agreement resulting in gross proceeds of approximately $24,000, and issuance costs consisting of approximately $600 in commission fees and approximately $49,100 of accounting and legal fees for net equity issuance costs of approximately $25,700.

Issuance of Stock for Services

During the six months ended June 30, 2025, we issued 293,092 fully vested shares of common stock to service providers with a fair value of $105,900 based on the market price of our common stock on date of grant.

During the six months ended June 30, 2024, we issued 6,754 fully vested shares of common stock to a service provider with a fair value of $9,000 based on the market price of our common stock on date of grant.

During the six months ended June 30, 2024, we issued an aggregate of 240,000 fully vested shares of restricted common stock to our board of directors with a fair value of $333,600 based on the market price of our common stock on the date of grant.

Common Stock for Stock Option Exercises

During the six months ended June 30, 2025, we issued an aggregate of 200,000 shares of common stock for a stock option exercise that resulted in cash proceeds of $24,000.

Fully Vested Restricted Stock

During the six months ended June 30, 2025, certain executives and key employees vested in time-based restricted stock resulting in the Company issuing 416,333 shares of common stock.

Stock-based compensation

2021 Plan

The Company has reserved 36,150,000 (increased from 24,000,000 at the Company's Annual Shareholder Meeting on June 11, 2025) shares of common stock or common stock equivalents to be issued under our 2021 Equity Incentive Plan (the "2021 Plan") to the Company's employees and non-employee services providers. At June 30, 2025, the Company has issued a total of 19,725,118 stock options and restricted stock units under the 2021 Plan with 16,424,882 reserved shares remaining for issuance.

Stock-based compensation expense related to stock options and restricted stock units expected to vest is presented as follows in the condensed unaudited consolidated financial statements:

	Three Months		Six Months Ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Research and development	$ 64,837	$ 45,704	$ 128,640	$ 90,318
Compensation and related expenses	484,241	229,680	1,129,902	368,266
Total expense	$ 549,078	$ 275,384	$ 1,258,542	$ 458,584

Stock Options

Stock option activity for the six months ended June 30, 2025 is summarized as follows:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Options outstanding at December 31, 2024	15,843,116*	$ 0.94	$ 3,324,000	5.95
Granted	908,659	0.66	-	-
Exercised	(200,000)	0.12	-	-
Expired/forfeit	(142,713)	2.96	-	-
Options outstanding at March 31, 2025	16,409,062	$ 0.92	$ 1,274,000	5.98
Granted	1,715,152	0.29	-	-
Exercised	-	-	-	-
Expired/forfeit	(608,712)	$ 0.84	-	-
Options outstanding at June 30, 2025	17,515,502*	$ 0.86	$ 1,210,855	5.99
Options Exercisable at June 30, 2025	8,960,030*	$ 0.66	$ 1,160,000	3.08

*At June 30, 2025 and December 31, 2024, the options outstanding and exercisable include 5,700,000 and 5,900,000 granted in connection with a merger that occurred in 2021, respectively, which were not granted under the 2021 Plan and include 275,000 of options granted in 2024 pursuant to a legal settlement and were not granted under the 2021 Plan.

During the six months ended June 30, 2025, the options granted were primarily to our Chief Financial Officer ("CFO"), Chief Technology Officer ("CTO") and other non-executive key employees. The weighted average grant-date fair value of the granted options was $0.24.

Of the total options outstanding at June 30, 2025, 4,465,864 of the options include performance conditions. The performance-based options vest as follows: 50% vest upon the achievement of operating profit, as defined in the employment agreements, and 50% upon the achievement of a revenue target of $100 million by the end of fiscal year 2028. The performance-based options with the revenue target begin vesting once the Company achieves $15 million in revenue for a fiscal year. Vesting will occur on January 31 of each year through January 31, 2029. The number of options that vest is based on the proportionate percentage of each fiscal year's revenue to the $100 million target. For example, if our annual revenue for fiscal year 2026 is $20 million, 20% of the restricted stock units with the revenue performance condition will vest on January 31, 2027. The remaining outstanding options vest over time generally over a four-year vesting period.

At June 30, 2025, total unrecognized compensation expense for service based and performance-based options was $3,387,173 and $2,898,790, respectively. The unrecognized service-based expense will be recognized over the option vesting period of four years through April 2029. The unrecognized expense associated with the performance-based options will be expensed when it becomes probable that the performance obligations will be met.

At June 30, 2025, intrinsic value is computed based on the difference between exercise price of the option and the market price of our common stock at June 30, 2025 of $0.32 per share multiplied by the total common stock options outstanding or exercisable whose exercise price is less than the market price.

During the three months ended June 30, 2025, 200,000 stock options issued outside of the 2021 Plan were exercised with an exercise price of $0.12 for total proceeds to the Company of $24,000.

The fair value of these options granted were estimated on the date of grant, using the Black-Scholes option-pricing model with the following assumptions:

	June 30, 2025	June 30, 2024
Expected volatility	67.81 – 71.56%	26.21 – 26.38%
Expected term (years)	6.25	6.25
Risk-free rate	4.00 - 4.51%	4.09 – 4.65%
Dividend rate	0.00%	0.00%

Restricted Stock Units

During the six months ended June 30, 2025, the Company granted an aggregate of 3,139,860 unvested restricted stock units under the 2021 Plan to the CFO, CTO and other non-executive key employees of the Company.

The unvested restricted stock units granted to our CFO and CTO consist of an aggregate of 687,430 units with time-based vesting provisions over four years and 687,430 units with performance-based vesting provisions. The performance-based units vest as follows: 50% vest upon the achievement of Operating Profit, as defined in the employment agreements, and 50% upon the achievement of revenue targets between $15 and $100 million by the end of fiscal year 2028. The restricted stock units with the revenue target begin vesting once the Company achieves $15.0 million in revenue for a fiscal year. Vesting will occur on January 31 of each year through January 31, 2029. The number of restricted stock units that vest is based on the proportionate percentage of each fiscal year's revenue to the $100 million target. For example, if our annual revenue for fiscal year 2026 is $20 million, 20% of the restricted stock units with the revenue performance condition will vest on January 31, 2027. The 1,765,000 restricted stock units granted to non-executive key employees are all time-based vesting and vest as follows: 50% on the one-year grant-date anniversary with the remaining vesting ratably over a period of thirty-six months.

The grant-date fair value of the restricted stock units was determined using the market price of our common stock on the date of grant which ranged from $0.33 to $0.63.

A summary of our outstanding nonvested restricted stock units as of June 30, 2025 is as follows:

	Amount	Weighted-Average Grant Date Fair Value
Nonvested, beginning of the year	3,549,292	$ 1.23
Granted	3,139,860	0.55
Vested	(416,333)	1.26
Forfeited	(60,000)	0.62
Nonvested, end of the year	6,212,819	$ 0.89

At June 30, 2025, we have $2,649,952 of unrecognized stock-based compensation associated with the restricted stock units with a performance condition, which will be recognized when the performance conditions are probable of being met. At June 30, 2025, the Company had $2,546,161 of unrecognized stock-based compensation associated with the time-based vesting restricted stock units which will be recognized over a weighted-average period of approximately 3.19 years.

Stock-based compensation expense related to time-based restricted stock units expected to vest is presented as follows in the condensed unaudited consolidated financial statements:

	Three Months		Six Months Ended	
	June 30, 2025	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
Research and development	$ 38,363	$ -	$ 70,332	$ -
Compensation and related expenses	233,386	73,340	450,368	73,340
Total expense	$ 271,749	$ 73,340	$ 520,700	$ 73,340

Stock Warrants

At June 30, 2025, there were 14,675,244 warrants outstanding which relate to an offering completed in November 2024, where investors were offered one and a half warrants for every one common share purchased in the offering at an exercise price of $1.125 per share.

During the six months ended June 30, 2025 and 2024, no warrants were issued or exercised.

A summary of warrant activity for the six months ended June 30, 2025, is as follows:

	Shares	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**	**Weighted Average Remaining Contractual Life (Years)**
Warrants outstanding at December 31, 2024	14,675,244	$ 1.13	$ -	4.88
Granted	-	-	-	-
Expired/forfeit	-	-	-	-
Warrants outstanding at March 31, 2025	14,675,244	$ 1.13		4.63
Granted	-	-	-	-
Expired/forfeit	-	-	-	-
Warrants outstanding at June 30, 2025	14,675,244	$ 1.13		
Warrants exercisable at June 30, 2025	**14,675,244**	**$ 1.13**	$ -	**4.39**

Note 8 - Related Party Transactions

On July 7, 2021, we entered into a manufacturing and services agreement (the "M&S Agreement") to fabricate and manufacture the AirSCWO systems with Merrell Bros. Fabrication, LLC ("Merrell Bros."). As part of the agreement, the Company appointed Terry Merrell, one of the owners of Merrell Bros., to its board of directors. On December 18, 2024, Mr. Merrell notified the Company of his intention to resign from the Company's Board of Directors effective December 31, 2024, to allow him to focus more on his core business responsibilities at Merrell Bros. The M&S Agreement terminated on its original expiration date of July 7, 2024.

On March 27, 2024, we executed a supplemental manufacturing and services agreement (the "Supplemental M&S Agreement") with Merrell Bros. as Merrell Bros. indicated to us their intent to not renew the Original M&S Agreement and we indicated our desire to relocate to a larger manufacturer facility with more square footage dedicated to expanding our manufacturing operations . The Supplemental M&S Agreement became effective on July 7, 2024 and replaced the Original M&S Agreement. Under the Supplemental M&S Agreement, our relationship and the manufacturing services provided by Merrell Bros. would continue an as needed basis based on statements of work to be agreed upon by both parties to fulfill future and current manufacturing orders. The Supplemental M&S Agreement terminated during the year ended December 31, 2024. Merrell Bros. is no longer considered a related party.

During the six months ended June 30, 2025 and 2024, the Company incurred $0 and $272,031, respectively, in related party expenses related to the manufacturing of our AirSCWO systems. At June 30, 2025 and December 31, 2024, we did not have any outstanding obligations owed to Merrell Bros. for these services.

Note 9 – Commitments and Contingencies

License Agreement

The patented technology underlying 374Water's supercritical water oxidation (SCWO) units, which was developed principally through the efforts of Messrs. Nagar and Deshusses at the facilities of Duke University, Durham, North Carolina ("Duke"), where Dr. Deshusses is a professor. The SCWO technology is licensed to 374Water pursuant to a worldwide license agreement with Duke executed on April 16, 2021 (the "License Agreement"). In connection with the License Agreement, 374Water also executed an equity transfer Agreement with Duke pursuant to which Duke received a small number of common stock in the Company (See Note 5). Under the terms of the License Agreement, the Company is required to make royalty payments based on a percentage of licensed product sales, as defined in the License Agreement which is triggered by the sale of licensed products. Further, the Company is also required to pay royalties on a percentage of sublicensing fees. The Company will reimburse Duke for any ongoing patent expenses incurred. At June 30, 2025, the Company has not incurred any expenses in connection with this License Agreement. The Company may terminate the license agreement anytime by providing Duke 60 days' written notice.

Legal Settlement

On November 4, 2024, our former Chief Executive Officer and Chairman of the Board filed a complaint against the Company alleging unpaid wages and a bonus. Management and the board of directors, in consultation with its attorneys, have estimated a potential loss associated with this complaint of approximately $335,000. At December 31, 2024, we established an accrual for legal settlement of this amount as presented on the consolidated balance sheet. This legal matter was officially settled on April 2, 2025 for the amount accrued. We agreed to pay $110,000 of the settlement within ten calendar days of certain conditions being met by the plaintiff, as defined in the settlement agreement, with the remaining settlement being paid in equal payments through December 31, 2025. As of the date of this filling, we have paid the agreed upon $110,000 as all plaintiff conditions were met, as well as an additional $105,883 in bimonthly payments.

We note that in the ordinary course of business we may be the subject of, or party to, various pending or threatened legal actions which could result in a material adverse outcome for which the related damages may not be estimable. We do not believe any legal action would have a significant impact on the financials other than the matter disclosed above. However, there is inherent uncertainty regarding such matters.

Note 10 - Segment Reporting

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly provided to the Chief Operating Decision Maker (CODM) in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer comprise the Company's CODMs. The CODMs review financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. The CODMs use consolidated net income (loss) to assess performance, evaluate cost optimization, and allocate resources, including personnel-related and financial or capital resources, in the annual budget and forecasting process, as well as budget-to-actual variances on a monthly basis. As such, the Company has determined that it operates as one operating and reportable segment.

The significant expenses regularly reviewed by the CODMs are consistent with those reported on the Company's unaudited condensed consolidated statement of operations and expenses are not regularly reviewed on a more disaggregated basis for assessing segment performance and deciding how to allocate resources. The CODMs do not regularly review total assets for our single reportable segment as total assets are not used to assess performance or allocate resources.

Note 11 - Subsequent Events

On July 8, 2025, the Company submitted a request to the Nasdaq Stock Market LLC ("Nasdaq") for a 180-day extension to regain compliance with Nasdaq Listing Rule 5550(a)(2), which requires a closing bid price for the Company's common stock of at least $1.00 (the "Minimum Bid Price Requirement") per share for the continued listing on the Nasdaq market. The previous 180-day compliance period ended July 14, 2025. On July 15, 2025, the Company received a letter from the Nasdaq advising that the Company had been granted a 180-day extension, or until January 12, 2026, to regain compliance with the Minimum Bid Price Requirement.

On July 18, 2025, the Company executed a warrant purchase agreement with the largest investor in the November 2024 offering of common stock and warrants (see Note 7). The total warrants held by the investor of 6,000,000 were purchased by the Company at a price of $0.10833 for total cash consideration of $649,980.

Subsequent to June 30, 2025, through the date of this file, we have sold approximately 4,546,000 shares of common stock through our ATM and received cash proceeds of approximately $956,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Readers are cautioned that the statements in this Report that are not descriptions of historical facts may be "forward-looking statements" that are subject to risks and uncertainties including, without limitation, statements regarding our business, results of operations and financial condition, our business and growth strategy, plans and prospects, our working capital levels and liquidity, including our ability to service any indebtedness and our reliance on government contracts, our relationship with significant suppliers, manufacturers and vendors, our ability to obtain new customers and retain existing significant customers, and develop, commercialize and scale our products, our research and development expenses, our timing and likelihood of success, macroeconomic, industry, market and technology trends, the governmental laws and regulations that we are subject to, potential exposure to litigation, and plans and objectives of management for future operations and results. This Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are based on the beliefs of our management, as well as on assumptions made by and information currently available to us as of the date of this Report. When used in this Report, the words "plan," "will," "may," "anticipate," "believe," "estimate," "expect," "intend," "project" and similar expressions are intended to identify such forward-looking statements. Although we believe these statements are reasonable, actual actions, operations and results could differ materially from those indicated by such forward-looking statements as a result of the risk factors included in our 2024 Annual Report on Form 10-K for the year ended December 31, 2024, filed with the SEC on March 28, 2025 (the "2024 Form 10-K"), or other factors. We must caution, however, that this list of factors may not be exhaustive and that these or other factors, many of which are outside of our control, could have a material adverse effect on us and our ability to achieve our objectives. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above.

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein.

Critical Accounting Policies

In preparing the condensed consolidated financial statements, we have made estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs, and expenses, and the disclosure of contingent assets and liabilities as in our condensed consolidated financial statements. Actual results may differ from these estimates. A summary of our critical accounting estimates and policies is included in our 2024 Form 10-K under "Management's Discussion and Analysis of Financial Condition and Results of Operations." During the three months ended June 30, 2025, there have been no significant changes to these estimates and policies previously disclosed in our 2024 Form 10-K. For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 of the unaudited condensed consolidated financial statements included in this Form 10-Q.

Overview

374Water Inc. (the "Company", "374Water", "We", or "Our") is a global industrial technology and services company providing innovative solutions addressing global organic waste destruction/treatment and waste management issues within the Municipal, Federal, and Industrial markets. 374Water offers our proprietary AirSCWO system, which is designed to efficiently destroy and mineralize a broad spectrum of non-hazardous and hazardous organic wastes producing safe dischargeable water streams, safe mineral effluent, safe vent gas, and recoverable heat energy. Importantly, our AirSCWO system eliminates recalcitrant organic wastes without creating waste byproducts. Our AirSCWO system effectively converts solid and liquid wastes such as sewage sludge, biosolids, food waste, hazardous and non-hazardous waste, and forever chemicals (e.g., "per-and polyfluoroalkyl substances" or "PFAS") into recoverable resources including water, minerals, and heat energy.

During the first half of 2025, we continued to execute our plan towards reaching critical business milestones. Our first half of 2025 achievements to date include (i) continuing ruggedizing and optimizing our AirSCWO system to effectively and continuously process a variety of organic waste streams; (ii) completing first phase of demonstration and bio-sludge processing using our first commercial scale AirSCWO system at the City of Orlando Iron Bridge Water Reclamation Facility; (iii) completing various federal waste destruction demonstrations; (iv) securing a waste destruction services contract for aqueous film forming firefighting form ("AFFF") with the University of North Carolina at Chapel Hill Collaboratory; and (v) strengthening our leadership team and organization.

Results of Operations

The following table sets forth, for the periods presented, the consolidated statements of operations data, which is derived from the accompanying unaudited condensed consolidated financial statements:

Three Months Ended June 30, 2025, as Compared to the Three Months Ended June 30, 2024

	Three Months Ended June 30,			
	2025	**2024**	**$ Change**	**% Change**
Revenues	$ 594,967	$ 36,821	$ 558,146	1,516%
Cost of revenues	871,333	43,543	827,790	1,901%
Gross deficit	(276,366)	(6,722)	(269,644)	4,011%
Operating expenses:				
Research and development	531,170	566,568	(35,398)	(6)%
Compensation and related expenses	1,996,387	1,007,005	988,882	98%
Professional fees	649,338	615,987	33,351	5%
General and administrative	1,184,689	822,818	362,371	44%
Total operating expenses	4,361,584	3,012,378	1,349,206	45%
Loss from operations	(4,637,950)	(3,019,100)	(1,618,850)	54%
Other income, net	57,502	86,780	(29,278)	(34)%
Loss before income taxes	(4,580,448)	(2,932,320)	(1,648,128)	56%
Provision for income taxes	—	—	—	0%
Net loss	**$ (4,580,448)**	**$ (2,932,320)**	**$ (1,648,128)**	**56%**

Our business has been focused on the development and commercialization of our supercritical water oxidation (SCWO) systems and bench and full-scale demonstrations. During the six months ended June 30, 2025, we generated $594,967 in revenue from equipment manufacturing and services, specifically full-scale demonstrations and treatability studies, compared to $36,821 of revenues during the three months ended June 30, 2024. The approximate $558,000 increase in revenues is primarily due to an increase in equipment revenues of approximately $85,000, an increase in our bench scale treatability studies of approximately $202,000 and an increase in our full-scale demonstration service revenues as we completed one month of demonstration and wastewater processing under our City of Orlando contract resulting in approximately $271,000 of revenues during the three months ended June 30, 2025.

Cost of revenues include all direct material, labor and subcontractor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation. The increase in our cost of revenues is directly attributable to the increase in our revenues as well as a $230,000 increase in our estimated accrued loss provision on our equipment contract during the six months ended June 30, 2025.

Our research and development expenses decreased to $531,170 during the three months ended June 30, 2025, as compared to $566,568 in the same period of 2024, a decrease of approximately $35,000 primarily due to a temporary reduction in personal in this department during the current period to focus on our revenue generating activities, partially offset by an increase in stock-based compensation of approximately $19,000. We anticipate our research and development expenses to increase as we build up our resources to continue our efforts to commercialize our systems.

Our compensation and related expenses increased to $1,996,387 during the three months ended June 30, 2025, as compared to $1,007,005 in the same period of 2024, an increase of approximately $989,000 primarily because of increased payroll and fringe benefit expenses of $734,000 due to a significant increase in headcount and our executive team and an increase in our stock-based compensation of approximately $255,000.

Our professional fees slightly increased to $649,338 during the three months ended June 30, 2025, as compared to $615,987 in the same period of 2024, an increase of approximately $33,000 primarily because of an increase in recruiting services of approximately $439,000 due to increased headcount in our operations department and the replacement of a board of director, an increase in accounting and audit related fees of approximately $15,000, offset by a decrease in legal fees of approximately $421,000. .

Our general and administrative expenses increased to $1,184,689 during the three months ended June 30, 2025, as compared to $822,818 in the same period of 2024, an increase of approximately $362,000 primarily because of an increase in depreciation expense of approximately $116,00 due to the capitalization of our owned unit in the fourth quarter 2024, an increase in travel and related expenses of approximately $164,000 due to our increased headcount, and an increase of approximately $82,000 in general administrative expenses.

Six Months Ended June 30, 2025, as Compared to the Six Months Ended June 30, 2024

	Six Months Ended June 30,			
	2025	2024	$ Change	% Change
Revenues	$ 1,138,067	$ 352,099	$ 785,968	223%
Cost of revenues	1,276,150	660,841	615,309	93%
Gross deficit	(138,083)	(308,742)	170,659	(55)%
Operating expenses:				
Research and development	1,064,757	1,101,715	(36,958)	(3)%
Compensation and related expenses	3,672,252	1,797,695	1,874,557	104%
Professional fees	1,421,239	868,692	552,547	64%
General and administrative	2,127,129	1,143,459	983,670	86%
Total operating expenses	8,285,377	4,911,561	3,373,816	69%
Loss from operations	(8,423,460)	(5,220,303)	(3,203,157)	61%
Other income, net	144,598	263,518	(118,920)	(45)%
Loss before income taxes	(8,278,862)	(4,956,785)	(3,322,077)	67%
Provision for income taxes	—	—	—	0%
Net loss	**$ (8,278,862)**	**$ (4,956,785)**	**$ (3,322,077)**	**67%**

Our business has been focused on the development and commercialization of our supercritical water oxidation (SCWO) systems and bench and full-scale demonstrations. Our revenues increased to $1,138,067 during the six months ended June 30, 2025 compared to $352,099 in the previous period. The approximate $786,000 increase in revenues is primarily due to an increase in service revenues of approximately $873,000 from the completion of two full-scale demonstrations, which generated approximately $474,000 of revenues, the completion of one month of demonstration and wastewater processing under our City of Orlando contract, which generated approximately $271,000 of revenues, and the completion of bench scale treatability studies, which generated approximately $174,000 of revenues compared to approximately $46,000 during the six months ended June 30, 2024, an increase of approximately $128,000. These increases were offset with a decrease in our equipment revenue of approximately $87,000.

Cost of revenues include all direct material, labor and subcontractor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation. The increase in our cost of revenues is directly attributable to the increase in our revenues as well as a $230,000 increase in our estimated accrued loss provision on our equipment contract recording during the six months ended June 30, 2025.

Our research and development expenses decreased to $1,064,757, during the six months ended June 30, 2025, as compared to $1,101,715 in the same period of 2024, primarily due to a temporary reduction in personnel in this department during the current period to focus on our revenue generating activities, partially offset by an increase in stock based compensation of approximately $38,000. We anticipate our research and development expenses to increase as we build up our resources to continue our efforts to commercialize our systems.

Our compensation and related expenses increased to $3,672,252 during the six months ended June 30, 2025, as compared to $1,797,695 in the same period of 2024, an increase of approximately $1,875,000, primarily from increased payroll and fringe benefit expenses of $1,113,000 due to a significant increase in headcount and our executive team and an increase in our stock-based compensation of approximately $762,000.

Our professional fees increased to $1,421,239 during the six months ended June 30, 2025, as compared to $868,692 in the same period of 2024, an increase of approximately $553,000 primarily from an increase in recruiting services of approximately $634,000 due to headcount increases in our operations department and the replacement of a board of director, and an increase in accounting and auditing fees of approximately $78,000, offset by a decrease in legal fees of approximately $159,000, .

Our general and administrative expenses increased to $2,127,129 during the six months ended June 30, 2025, as compared to $1,143,459 in the same period of 2024, an increase of approximately $984,000. This increase is primarily because of an increase in depreciation expense of approximately $214,000 due to the capitalization of our owned unit in the fourth quarter of 2024, an increase in investor and public relations services of $97,000, an increase in rent expense of approximately $57,000 from our North Carolina lab lease which commenced in October 2024, an increase in travel and related expenses of approximately $233,000 due to our increased headcount, an increase in relocation expenses of approximately $161,000 as we moved our manufacturing and operations locations to Florida and an increase of approximately $222,000 in general administrative expenses.

Liquidity, Capital Resources and Going Concern

In accordance with ASU No. 2014-15 Presentation of Financial Statements – Going Concern (subtopic 205-40), the Company's management evaluates 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 within one year after the date that the financial statements are issued. At June 30, 2025, the Company had working capital of $4,643,965 and an accumulated deficit of $36,666,480. For the six months ended June 30, 2025, the Company incurred a net loss of $8,278,862 and used $7,621,070 of net cash in operations for the period. These conditions raise substantial doubt regarding our ability to continue as a going concern.

Presently, the Company will need additional debt or equity financing or a combination of both to continue its operations and meet its financial obligations for at least the next twelve months from the date these unaudited condensed interim consolidated financial statements were issued and beyond. We may consume available resources more rapidly than currently anticipated, resulting in the need for additional funding. We expect to incur continuing losses and negative cash flows from operations for the foreseeable future.

Since inception, we have financed our operations principally through the sale of debt and equity securities and operating cash flows. We have an "at-the-market" (ATM) equity offering under which we may issue up to $15.1 million of common stock, subject to applicable law. During the six months ended June 30, 2025, we raised approximately $332,400 of net proceeds from the sale of shares of common stock through the ATM. The Company is evaluating strategies to obtain the required additional funding for future operations.

During 2024, we closed on an offering of shares of common stock and common stock warrants resulting in net proceeds of approximately $11,393,000.

Any additional debt or equity financing that the Company obtains may substantially dilute the ownership held by our existing stockholders. The economic dilution to our shareholders will be significant if our stock price does not materially increase, or if the effective price of any sale is below the price paid by a particular investor. The Company may be unable to access further equity or debt financing when needed or obtain additional financing under acceptable terms, if at all.

We may decide to raise additional capital through a variety of sources in the short-term and in the long-term, including but not limited to:

- ☐ the public equity markets;
- ☐ private equity financings;
- ☐ collaborative arrangements;
- ☐ asset sales; and/or
- ☐ public or private debt.

If the Company is unable to raise additional capital, there is a risk that the Company could be required to discontinue or significantly reduce the scope of its operations. These unaudited condensed interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Cash Flows

We used $7,621,070 of cash in operating activities for the six months ended June 30, 2025 compared to $4,934,044 of cash used in operating activities for the corresponding period in 2024, an increase of $2,687,026. The increase in cash used in operating activities was primarily due to the increase in our net loss of $3,322,077 and increase in operating cash outflows from changes in operating assets and liabilities of $257,060 partially offset by an increase in noncash expenses of $892,111. The cash used in operations was primarily to fund operations as well as our working capital requirements.

We used $901,823 of cash in investing activities for the six months ended June 30, 2025 compared to $402,220 of cash used in investing activities for the corresponding period in 2024, an increase of $499,603. The increase in cash used by investing activities for the six months ended June 30, 2025 was primarily due to a $526,952 increase in purchases of property and equipment and equipment-in-process, partially offset by a decrease of $27,349 in purchases of intangible assets.

We received $20,264 of cash from financing activities for the six months ended June 30, 2025 compared to using $25,658 in financing activities for the corresponding period in 2024, an increase of $45,922. The increase in cash received from investing activities was primarily due to $24,000 of proceeds received from the exercise of a stock option, partially offset by $1,955 of payments toward a note payable used for equipment financing during the six months ended June 30, 2025 compared to $25,658 of net equity issuance costs incurred during the six months ended June 30, 2024.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. Controls and Procedures. Disclosure Controls and Procedures

The Company, under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company’s "disclosure controls and procedures” (as defined in Rule 13a-15I under the Securities Exchange Act of 1934, as amended (the "Exchange Act”) as of December 31, 2024. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were not effective due to the identified material weakness in the Company’s internal controls over financial reporting caused by the lack of full-time resources in our finance and accounting department. As a result of the identified material weaknesses, we have established a remediation plan, and have hired additional full-time personnel with the necessary skills and expertise to enhance the Company’s financial and accounting resources and control environment. The material weakness will not be considered remediated until management completes its remediation plans and newly hired personnel operate in their roles for a sufficient period of time. The Company will monitor the effectiveness of its remediation plans and will continue to refine its remediation plans as appropriate.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance of such reliability and may not prevent or detect misstatements. Also, projection 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 the degree of compliance with the policies or procedures may deteriorate.

Management's Annual Report on Internal Control Over Financial Reporting

Notwithstanding the material weakness noted above, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer have concluded that our unaudited interim consolidated financial statements included in this Quarterly Report present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America.

Changes in Internal Control Over Financial Reporting

There have been no other changes in our internal control over financial reporting during the first six months of 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth under the "Legal Settlement" section in Note 8 – Commitments and Contingencies, in the notes to the unaudited condensed consolidated financial statements in Item 1 of Part I of this Form 10-Q, is incorporated herein by reference.

Item 1A. Risk Factors.

You should carefully consider the following risks. These risks could materially affect our business, results of operations or financial condition, cause the trading price of our common stock to decline materially or cause our actual results to differ materially from those expected or those expressed in any forward-looking statements made by us or on our behalf. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the factors mentioned under "Cautionary Note Regarding Forward-Looking Statements" and the risks of our businesses described elsewhere in this Report.

Summary of Risk Factors

Risks Related to Our Business and General Economic Conditions

- A sustainable market for our products may never develop.
- Our ability to treat hazardous wastes on a commercially viable basis is unproven, which could have a detrimental effect on our ability to generate or sustain revenues.
- We have a limited operating history with no material revenues.
- Our business and results of operations may be adversely affected if we are unable to recruit and retain qualified management.
- Our products may have defects, which could damage our reputation, decrease market acceptance of our products, cause us to lose customers and revenue and result in costly litigation or liability.
- Our management team may not be able to successfully implement our business strategies.
- Our ability to generate revenue will depend in part on government contracts which expose us to the uncertainties of governmental budgetary and funding constraints and local, national and international political conditions and events.
- We have identified material weaknesses in our internal control over financial reporting.
- Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.
- We may be unable to obtain required licenses from third parties for product development.
- If we fail to manage growth or to prepare for product scalability effectively, it could have an adverse effect on our employee efficiency, product quality, working capital levels and results of operations.
- We may be adversely affected by the effects of inflation.
- We face competition in our industry, and we may be unable to attract customers and maintain a viable business.
- We are required to obtain permits in different areas of the world in order to utilize our products in such regions. Our need to apply for and receive permits could substantially limit our ability to operate and grow our business.
- We have in the past and may in the future be involved in litigation matters or other legal proceedings that are expensive and time consuming.
- Developments in, and compliance with, current and future environmental and climate change laws and regulations could impact our business, financial condition or results of operations.
- If we become subject to claims relating to handling, storage, release or disposal of hazardous materials, we could incur significant cost and time to comply.
- Failure to effectively treat emerging contaminants could result in material liabilities.
- Wastewater operations entail significant risks that may impose significant costs.
- We may incur liabilities to customers as a result of warranty claims or failure to meet performance guarantees, which could reduce our profitability.
- We enter into various contracts in the normal course of our business, some or all of which may require us to indemnify the other party to the contract. In the event we have to perform under these indemnification provisions, it could have an adverse effect on our business, financial condition and results of operation.
- Natural disasters and other catastrophic events beyond our control could adversely affect our business operations and financial performance.
- United States trade policies and other factors beyond the Company's control, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition and results of operations.

Risks Related to Our Financial Position and Capital Requirements

- We will require and may have difficulty or be unsuccessful in raising needed capital in the future to continue to operate as a going concern.
- Our financial results depend on successful project execution and may be adversely affected by cost overruns, failure to meet customer schedules or other execution issues.
- We have inadequate capital and need for additional financing to accomplish our business and strategic plans. Terms of subsequent financing, if any, may adversely impact your investment.
- Our research and development expenses may increase in the future.

Risks Related to Our Intellectual Property

- We may have difficulty in protecting our intellectual property and may incur substantial costs to defend ourselves in patent infringement litigation.
- We may become subject to claims of infringement or misappropriation of the intellectual property rights of others, which could prohibit us from developing our products, require us to obtain licenses from third parties or to develop non-infringing alternatives and subject us to substantial monetary damages.
- We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.
- We may need to depend on certain technologies that are licensed to us. We would not control these technologies and any loss of our rights to them could prevent us from selling our products.

Risks Related to our Reliance on Third Parties

- Our suppliers may fail to deliver materials and parts according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these materials and parts effectively.
- Failure by third parties to supply or manufacture components of our products or to deploy our systems timely or properly could adversely affect our business, financial condition and results of operations.

Risks Related to our Common Stock and Capital Structure

- The market price of our common stock historically has been highly volatile and is likely to continue to be volatile, and you could lose all or part of your investment.
- If we cannot maintain full compliance with Nasdaq listing standards, or if we cannot cure any violations within the time afforded under the Nasdaq listing standards, then we may face penalties that could significantly impact our stock price, including delisting of our stock from Nasdaq.
- The interests of our principal stockholders, officers and directors, who collectively beneficially own a significant amount of our common stock, may not coincide with yours and such stockholders will have the ability to control decisions with which you may disagree.
- Because we are a "smaller reporting company," we may take advantage of certain scaled disclosures available to us, resulting in holders of our securities receiving less Company information than they would receive from a public company that is not a smaller reporting company.
- We do not intend to pay dividends on our common stock for the foreseeable future.
- If securities or industry analysts do not publish research about our business, or publish negative reports about our business, our share price and trading volume could decline.
- Future sales or potential sales of our common stock in the public market could cause our share price to decline.
- The market price of our common shares has been, and may continue to be, particularly volatile, and our shareholders may be unable to resell their shares at a profit.
- We incur costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.
- Provisions in our Amended and Restated Certificate of Incorporation and Bylaws and of Delaware law may prevent or delay an acquisition of the Company, which could decrease the trading price of our common stock.
- We may not regain compliance with the continued listing requirements of The Nasdaq Capital Market.

RISK FACTORS

Risks Related to Our Business and General Economic Conditions

A sustainable market for our products may never develop.

A sustainable market for our products may never develop or may take longer to develop than we anticipate which would adversely affect our results of operations. Our products represent an emerging market, and we do not know whether our targeted customers will accept our technology or will purchase our products in sufficient quantities to allow our business to grow. To succeed, demand for our products must increase significantly in existing markets, and there must be strong demand for products that we introduce in the future.

Our ability to treat hazardous wastes on a commercially viable basis is unproven, which could have a detrimental effect on our ability to generate or sustain revenues.

The technologies we use to treat sludge, biosolids and wastewater, have never been utilized on a full-scale commercial basis. Our AirSCWO technology and systems remain in a research and development status. All of the tests conducted to date by us with respect to the technology have been performed in a limited scale or small commercial scale environment and the same or similar results may not be obtainable at competitive costs on a large-scale commercial basis. We have never employed our technology under the conditions or in the volumes that will be required for us to be profitable and we cannot predict all of the difficulties that may arise. Accordingly, our technology may not perform successfully on a commercial basis and we may never generate any revenues or be profitable. Even if we are able to fully commercialize our products, we may not be able to grow our business at scale. Due to the uncertainties and potential difficulties to level up our technology to be deployed on a large-scale commercial basis, there is no guarantee that the costs of operating commercial-scale products will not exceed the revenues we earn. If we cannot grow our business at scale, then our business, results of operations, financial condition and stock price could be significantly impacted. If we are unable to sell additional AirSCWO systems or are unable to deliver on existing or future contracts, such failure could adversely affect our results of operations.

We have a limited operating history with no material revenues.

Our limited operating history makes evaluating the business and future prospects difficult and may increase the risk of your investment. We have yet to generate material revenues from our business and we have so far deployed our AirSCWO technology only in the City of Orlando, Florida. Therefore, the commercial value of our systems is uncertain. There can be no assurance that we will ever generate significant revenues or become profitable. Further, we are subject to all the risks inherent in a new business, including, but not limited to: intense competition; lack of sufficient capital; loss of protection of proprietary technology and trade secrets; difficulties in commercializing our products, managing growth and hiring and retaining key employees; adverse changes in costs and general business and economic conditions; and the need to achieve product acceptance, to enter and develop new markets and to develop and maintain successful relationships with customers, third party suppliers and contractors.

Our business and results of operations may be adversely affected if we are unable to recruit and retain qualified management.

Our success depends, in large part, on our ability to hire and retain highly qualified people and if we are unable to do so, our business and operations may be impaired or disrupted. Competition for highly qualified people is intense and there is no assurance that we will be successful in attracting or retaining replacements to fill vacant positions, successors to fill retirements or employees moving to new positions, or other highly qualified personnel.

Our products may have defects, which could damage our reputation, decrease market acceptance of our products, cause us to lose customers and revenue and result in costly litigation or liability.

Our products may contain defects for many reasons, including defective design or manufacture, defective material or software interoperability issues. Products as complex as those we offer, frequently develop or contain undetected defects or errors. Defects or errors may arise in our existing or new products, which could result in loss of revenue, market share, failure to achieve market acceptance, diversion of development resources, injury to our reputation, and increased service and maintenance costs. Such defects or errors in our products and solutions might discourage customers from purchasing future products. Often, these defects are not detected until after the products have been installed. If any of our products contain defects or perceived defects or have reliability, quality or compatibility problems or perceived problems, our reputation might be damaged significantly, we could lose or experience a delay in market acceptance of the affected product or products and might be unable to retain existing customers or attract new customers. In addition, these defects could interrupt or delay sales. In the event of an actual or perceived defect or other problem, we may need to invest significant capital, technical, managerial and other resources to investigate and correct the potential defect or problem and potentially divert these resources from other development efforts. If we are unable to provide a solution to the potential defect or problem that is acceptable to our customers, we may be required to incur substantial product recall, repair and replacement and even litigation costs. These costs could have a material adverse effect on our business and operating results.

Furthermore, if there are defects in the design, production or testing of our products and systems, we could face substantial repair, replacement or service costs, potential liability and damage to our reputation. Defects or malfunctioning of our products, if they were to occur, would likely result in significant damage and loss of life. These events could also lead to product recalls, safety or security alerts, or result in the removal of a product from the market, warranty or liability claims or contractual damages against us. We may not be able to obtain product liability or other insurance to fully cover such risks, and our efforts to implement appropriate design, testing and manufacturing processes for our products or systems may not be sufficient to prevent such occurrences, which could have a material adverse effect on our business, results of operations and financial condition.

Our management team may not be able to successfully implement our business strategies.

If our management team is unable to execute on its business strategies, then our development, including the establishment of revenues and our sales and marketing activities would be materially and adversely affected. Our management team has a number of business strategies intended to grow our operations, increase our customer base and footprint across various markets, and develop a full-scale commercialization of our AirSCWO systems. However, we currently have no demonstrated operating history of such full-scale commercialization, and our ability to execute on such strategies successfully and on the timelines we expect (or at all) is subject to significant uncertainties and risks. As our management team moves forward with its business strategies, unexpected setbacks, obstacles and challenges may occur, resulting in delays, changes in strategy, abandonment of certain projects and plans, and the creation of new strategies and plans that may look very different from our current business strategies. Even if we do not change or reverse our current business strategies, there is no guarantee that we will be able to scale our business on the timelines we expect or at all, or that we will be able to successfully compete with other providers in the market to capitalize on the demand that we have identified to exist. There is also no guarantee that we will be able to effectively manage the costs of maintaining the AirSCWO systems we provide to customers in a way that would allow us to turn a profit at some point in the future. Additionally, all of our management team's business strategies require significant financing to execute, and there is no guarantee that we will have sufficient capital at any given time to do so.

In addition, even if we manage to grow our business in the ways we plan, we may encounter difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any future growth. Our historical financial information may not be reflective of our future financial performance, and the costs and expenses that we have incurred in the past is likely not indicative of the volume of costs and expenses that we will incur in the future as we try to scale and fully commercialize our business. We expect there to be a period of time, during which we need to increase our costs and expenses to invest in our future commercialization success as a company. However, we may be stuck in such a period of time indefinitely if we cannot recognize revenue quickly enough and we cannot manage our costs efficiently during the time it takes us to ramp up production and development, negotiate and win new contracts and streamline the maintenance and continued work required on our AirSCWO systems.

Since our business is still in its nascent stages, there is no historical basis upon which to evaluate our ability to successfully execute on our business strategies, achieve our business goals and objectives, and recognize revenue and turn a profit over time. If we are not able to deliver the results we expect, or if our business strategies do not result in the successes we intend, our business, operations and financial condition will be materially and adversely impacted.

Furthermore, we may seek to augment or replace members of our management team. For example, we have recently hired a new Chief Financial Officer and have made other key senior management hires. In addition, we may lose key members of our management team, and we may not be able to attract new management talent with sufficient skill and experience.

Our ability to generate revenue will depend in part on government contracts which expose us to the uncertainties of governmental budgetary and funding constraints and local, national and international political conditions and events.

We expect to derive a significant portion of our future revenues directly or indirectly from government agencies. The funding of government programs could be reduced or eliminated due to numerous factors, including changes in administration, governmental budget constraints, changes in funding priorities and policies, and developments in geopolitical events and macroeconomic conditions that are beyond our control. Reduction or elimination of government spending under our contracts would imperil the sales of our products and may cause a negative effect on our revenues, results of operations, cash flow and financial condition.

We have identified material weaknesses in our internal control over financial reporting, which may have a material adverse effect on our results of operations and financial condition for future periods.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and to effectively prevent fraud. Any inability to provide reliable financial reports or to prevent fraud could harm our business. The Sarbanes-Oxley Act requires management to evaluate and assess the effectiveness of our internal controls over financial reporting. In order to comply with the requirements of the Sarbanes-Oxley Act, we are required to continuously evaluate and, where appropriate, enhance our policies, procedures and internal controls.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. While we continue the process of reviewing and improving our internal controls and procedures for compliance with applicable law, implementing any appropriate changes to our internal controls requires significant attention from our officers and employees, entail substantial costs to modify our existing processes and take significant time to complete. However, our efforts do not always result in maintaining effective internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and harm our business. In addition, investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate and complete financial statements on a timely basis may harm the trading price of our ordinary shares and make it more difficult for us to effectively market and sell our service to new and existing customers.

Give the early-stage of our Company, we have limited full-time accounting and financial reporting personnel and other resources with which to address our internal controls and related procedures. We hired a full-time Chief Financial Officer in December 2024. For the fiscal year ended December 31, 2024, we and our independent registered public accounting firm have identified material weaknesses in our internal controls over financial reporting related due to our ongoing personnel limitations. 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. While we have hired full-time accounting personal to support our Chief Financial Officer and internal controls processes, there is no assurance that the actions we are taking or plan to take will give us the results we expect, that our remediation plan will be effective, or that our remediation plan will be completed on the timelines that we expect. See Part I, Item 4 "Controls and Procedures" for further discussion about the material weakness and our remediation activities.

If we are unable to remedy our material weaknesses in a timely manner, we may be unable to produce timely and accurate financial statements, and we may again discover additional material weaknesses and conclude that our internal control over financial reporting is not effective in future periods, which could adversely impact our investors' confidence and our stock price. If we continue to fail to maintain the adequacy of our internal controls over financial reporting, we could be subject to litigation or regulatory scrutiny.

Significant disruptions of our information technology systems or breaches of our data security could adversely affect our business.

A significant invasion, interruption, destruction or breakdown of our information technology systems and/or infrastructure by persons with authorized or unauthorized access could negatively impact our business and operations. We could also experience business interruption, information theft and/or reputational damage from cyberattacks, which may compromise our systems and lead to data leakage either internally or at our third-party providers. Our systems have been, and are expected to continue to be, the target of malware and other cyberattacks. The measures we have undertaken to reduce these risks may not be successful in preventing compromise and/or disruption of our information technology systems and related data. As a technology company, our business depends on our ability to protect our propriety intellectual property. We also maintain records of sensitive and/or confidential information about our customers, including various governmental agencies. If we are not able to prevent access to our systems and a bad actor gains access to such proprietary, sensitive or confidential information, then our business, financial condition and reputation could be significantly impacted.

We may be unable to obtain required licenses from third parties for product development.

We may be required to obtain licenses to patents or other proprietary rights from third parties. If we do not obtain required licenses, we could encounter delays in product development or find that the development, manufacture or sale of products requiring these licenses could be prevented in the U.S. or abroad.

If we fail to manage growth or to prepare for product scalability effectively, it could have an adverse effect on our employee efficiency, product quality, working capital levels and results of operations.

Any significant growth in the market for our products or our entry into new markets may require an expansion of our employee base for managerial, operational, financial, and other purposes. During any period of growth, we may face problems related to our operational and financial systems and controls, including quality control and delivery and service capacities. We would also need to continue to expand, train and manage our employee base. Continued future growth will impose significant added responsibilities upon the members of management to identify, recruit, maintain, integrate, and motivate new employees. Aside from increased difficulties in the management of human resources, we may also encounter working capital issues, as we will need increased liquidity to finance the development of new products and the hiring of additional employees. For effective growth management, we will be required to continue improving our operations, management, and financial systems and controls. Our failure to manage growth effectively may lead to operational and financial inefficiencies that will have a negative effect on our profitability.

We may be adversely affected by the effects of inflation.

Inflation has the potential to adversely affect our business, results of operations, financial position and liquidity by increasing our overall cost structure, particularly if we are unable to achieve commensurate increases in the prices we expect to charge our customers. The existence of inflation in the economy has the potential to result in higher interest rates and capital costs, supply shortages, increased costs of labor and other similar effects. As a result of inflation, we have experienced and may continue to experience, increases in our costs associated with operating our business including labor, equipment and other inputs. If we are unable to take measures to mitigate the impact of inflation through pricing actions upon commercialization of our product and efficiency gains, then our business, results of operations, financial position and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost inflation is incurred.

We face competition in our industry, and we may be unable to attract customers and maintain a viable business.

The markets for our products and services are highly competitive, with companies offering a variety of competitive products and services. We expect competition in our markets to intensify in the future as new and existing competitors introduce new or enhanced products and services that are potentially more competitive than our products and services. We compete with direct competitors in the SCWO Field. Additionally, several other technologies are in competition with SCWO, depending on the market sector, including but not limited to: anaerobic digestion, landfilling, drying and incineration, lagoon and spray-fields, and lime stabilization.

We believe many of our competitors and potential competitors have significant competitive advantages, including longer operating histories, greater ability to leverage their sales efforts and marketing expenditures across a broader portfolio of products and services, larger and broader customer bases, more established relationships with a larger number of suppliers, contract manufacturers, and channel partners, greater brand recognition, and greater financial, research and development, marketing, distribution, and other resources than we do and the ability to offer financing for projects. Our competitors and potential competitors may also be able to develop products or services that are equal or superior to ours, achieve greater market acceptance of their products and services, and increase sales by utilizing different distribution channels than we do. Some of our competitors may aggressively discount their products and services in order to gain market share, which could result in pricing pressures, reduced profit margins, lost market share, or a failure to grow market share for us once we attain commercialization. If we are not able to compete effectively against our current or potential competitors, our prospects, operating results, and financial condition could be adversely affected.

Our ability to commercialize our systems and grow and achieve profitability in accordance with our business plan will depend on our ability to satisfy our customers and withstand increasing competition by providing superior waste treatment at reasonable cost. There can be no assurance that we will be able to achieve or maintain a successful competitive position.

We are required to obtain permits in different areas of the world in order to utilize our products in such regions. Our need to apply for and receive permits could substantially limit our ability to operate and grow our business.

Our ability to continue with our current scope of operations and expand our operations and business across the globe is subject, in certain cases, to our receiving a permit for different purposes, including the use of land. It may be difficult to receive the required permits, which may require our management team to divert its attention from other aspects of our business, or it may be more capital intensive or a more time-consuming process than expected to receive permits, either of which could increase costs and delay the launch of our products.

We have in the past and may in the future be involved in litigation matters or other legal proceedings that are expensive and time consuming.

We have in the past and may in the future become involved in litigation matters, including class action lawsuits and lawsuits relating to intellectual property and product liability. Any lawsuit to which we are a party, with or without merit, may result in an unfavorable judgment. Any such negative outcome could result in payments of substantial damages or fines, damage to our reputation, loss of rights, or adverse changes to our offerings or business practices. Any of these results could adversely affect our business. In addition, defending claims is costly and can impose a significant burden on our management.

If any of our current or future products and services that we make or sell (including items that we source from third parties) are defectively designed or manufactured, contain defective components, are misused, have safety or quality issues, have inadequate operating guidelines, malfunctions or if someone claims any of the foregoing, whether or not meritorious, we may become subject to substantial and costly litigation. Misuse of our products by us or other operating parties or services or failing to adhere to the operating guidelines could cause significant harm to the public and the environment. The foregoing events could lead to recalls or safety alerts, result in the removal of a product or service from the market and result in product liability or similar claims being brought against us.

Any product liability claims brought against us could divert management's attention from our core business, be expensive to defend and result in sizable damage awards against us. We may not have sufficient product insurance coverage for all future claims. Any product liability claims brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing continuing coverage, could harm our reputation in the industry and could reduce revenue, if any. Product and services liability claims in excess of our insurance coverage would be paid out of cash reserves, harming our financial condition and adversely affecting our results of operations.

In addition, if we expand into additional geographic markets, we may then be exposed to different and changing regulations regarding, for example, environmental impact and damages, which entail risks for compensation obligation, which may mean that we would need to update our existing insurance policy or obtain additional policies for specific geographical markets. If we do not have sufficient insurance coverage or the cost of obtaining the appropriate insurance coverage is costly, this could have a material adverse effect on our business, results of operations and financial position.

Moreover, in the past companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could seriously hurt our business. Any adverse determination in litigation could also subject us to significant liabilities. For further information on our legal proceedings, see Part II, Item 3. "Legal Proceedings."

Developments in, and compliance with, current and future environmental and climate change laws and regulations could impact our business, financial condition or results of operations.

Our business, operations, and product and service offerings are subject to and affected by many federal, state, local and foreign environmental laws and regulations, including those enacted in response to climate change concerns.

Increasing public and governmental awareness and concern regarding the effects of climate change has led to significant legislative and regulatory efforts to limit greenhouse gas emissions and will likely result in further environmental and climate change laws and regulations. Compliance with existing laws and regulations currently requires, and compliance with future laws is expected to continue to require, increasing operating and capital expenditures, including with respect to the design or re-design of our products in order to conform to changing environmental standards and regulations, which could impact our business, financial condition and results of operations. Furthermore, environmental laws and regulations may authorize substantial fines and criminal sanctions as well as facility shutdowns to address violations, and may require the installation of costly pollution control equipment or operational changes to limit emissions or discharges. We also incur, and expect to continue to incur, costs to comply with current environmental laws and regulations. Developments such as the adoption of new environmental laws and regulations, stricter enforcement of existing laws and regulations, violations by us of such laws and regulations, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our inability to recover costs associated with any such developments, or financial insolvency of other responsible parties could in the future have a material adverse effect on our financial condition and results of operations.

If we become subject to claims relating to handling, storage, release or disposal of hazardous materials, we could incur significant cost and time to comply.

Our business activities, including our manufacturing processes and waste recycling and treatment processes, currently involve the use, treatment, storage, transfer, handling and/or disposal of hazardous materials, chemicals and wastes. These activities create a risk of significant environmental liabilities and reputational damage. Under applicable environmental laws and regulations, we could be strictly, jointly and severally liable for releases of regulated substances by us at our current or former properties or the properties of others or by other businesses that previously owned or used our current or former properties, including if such releases result in contamination of air, water or soil, or cause harm to individuals. We could also be liable or incur reputational damage if we merely generate hazardous materials or wastes, or arrange for their transportation, disposal or treatment, or we transport such materials, and they are subsequently released or cause harm.

Our business activities also create a risk of contamination or injury to our employees, customers or third parties, from the use, treatment, storage, transfer, handling and/or disposal of these materials.

In the event that our business activities result in environmental liabilities, such as those described above, we could incur significant costs or reputational damage in connection with the investigation and remediation of environmental contamination, and we could be liable for any resulting damages including natural resource damages. Such liabilities could exceed our available cash or any applicable insurance coverage we may have. Additionally, we are subject to, on an ongoing basis, federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with these laws and regulations may become significant and could have a material adverse effect on our business, financial condition, results of operations or prospects.

Further, we may incur costs to defend our position even if we are not liable for consequences arising out of a release of or exposure to a hazardous substance or waste, or other environmental damage. Our insurance policies may not be sufficient to cover the costs of such claims.

Failure to effectively treat emerging contaminants could result in material liabilities.

A number of emerging contaminants might be found in water that we treat, including PFAS, 1,4-dioxane, dinitrotoluene, perchlorate, in addition to other pathogens and hazardous substances that have the potential to cause any number of illnesses, including cholera, typhoid fever, cancer, giardiasis, cryptosporidiosis, amoebiasis and free-living amoebic infections. There is a risk that workers may be exposed to these contaminants and pathogens before material is treated, the unit may not be operated properly and waste not fully treated during the process, or there is a malfunction and waste is not properly treated, creating a risk of third-party exposure to contaminants in byproducts that are generated. The potential impact of a failure to adequately treat is difficult to predict and could lead to an increased risk of exposure to property damage, natural resource damage, personal injury or even product liability claims, increased scrutiny by federal and state regulatory agencies and negative publicity.

Wastewater operations entail significant risks that may impose significant costs.

Wastewater treatment involves various unique risks. If our treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. Liabilities resulting from such damages and injuries could materially adversely affect our business, financial condition, results of operations or prospects.

These risks could be increased by the potential physical impacts of climate change on our operations. The physical impacts of climate change are highly uncertain and vary depending on geographical location, but could include changing temperatures, water shortages, changes in weather and rainfall patterns and changing storm patterns and intensities. Many climate change predictions, if true, present several potential challenges to water and wastewater service providers, such as increased precipitation and flooding, potential degradation of water quality and changes in demand for water services.

We may incur liabilities to customers as a result of warranty claims or failure to meet performance guarantees, which could reduce our profitability.

We anticipate that our customers may require product warranties as to the proper operation and conformance to specifications of the products we manufacture or install and performance guarantees as to any effluent produced by our equipment and services. Failure of our products to operate properly or to meet specifications of our customers or our failure to meet our performance guarantees may increase costs by requiring additional engineering resources and services, replacement of parts and equipment and frequent replacement of consumables or monetary reimbursement to a customer or could otherwise result in liability to our customers. There are significant uncertainties and judgments involved in estimating warranty and performance guarantee obligations, including changing product designs, differences in customer installation processes and failure to identify or disclaim certain variables in a customer’s influent. To the extent that we incur substantial warranty or performance guarantee claims in any period, our reputation, earnings and ability to obtain future business could be materially adversely affected.

We enter into various contracts in the normal course of our business, some or all of which may require us to indemnify the other party to the contract. In the event we have to perform under these indemnification provisions, it could have an adverse effect on our business, financial condition and results of operations.

In the normal course of business, we may enter into agreements that contain indemnification provisions which require us to indemnify the other parties against adverse events occurring as a result of our operations. Should our obligation under an indemnification provision exceed applicable insurance coverage or if we were denied insurance coverage, our business, financial condition and results of operations could be adversely affected. Similarly, if we are relying on a third party to indemnify us and the party is denied insurance coverage, or the indemnification obligation exceeds the applicable insurance coverage and does not have other assets available to indemnify us, our business, financial condition and results of operations could be adversely affected.

Natural disasters and other catastrophic events beyond our control could adversely affect our business operations and financial performance.

The occurrence of one or more natural disasters, such as fires, hurricanes, tornados, tsunamis, floods and earthquakes; geo-political events, such as civil unrest in a country in which our suppliers are located or terrorist or military activities disrupting transportation, communication or utility systems; or other highly disruptive events, such as nuclear accidents, pandemics, unusual weather conditions or cyber-attacks, could adversely affect our operations and financial performance. Such events could result, among other things, in operational disruptions, physical damage to or destruction or disruption of one or more of our properties or properties used by third parties in connection with the supply of products or services to us, the lack of an adequate workforce in parts or all of our operations and communications and transportation disruptions. These factors could also cause consumer confidence and spending to decrease or result in increased volatility in the United States and global financial markets and economy. Such occurrences could have a material adverse effect on us and could also have indirect consequences such as increases in the costs of insurance if they result in significant loss of property or other insurable damage.

United States trade policies and other factors beyond the Company's control, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition, and results of operations.

President Trump has issued executive orders announcing sweeping tariffs on products originating from Canada, Mexico and China. Certain tariffs are already effective and there is no guarantee that other tariffs will be further delayed or negated. Additionally, these tariffs are in addition to existing duties and other tariffs, including the existing and upcoming additional tariffs on steel and aluminum. Our products contain materials and parts purchased globally from hundreds of suppliers, including single-source direct suppliers, which exposes us to potential component shortages or delays.

In addition to the impacts to our business stemming from the tariffs imposed by the Trump administration, we may also be materially impacted by retaliatory tariffs and other penalties that may be imposed by such countries against the United States.

There continues to be significant uncertainties regarding these recent changes in U.S. trade policies, legislation, treaties, and tariffs, and potential future developments. If maintained, the newly announced tariffs and the potential escalation of trade disputes, a trade war or other governmental action related to tariffs or international trade agreements or policies, have the potential to negatively impact our and/or our clients' costs, demand for our clients' products, and/or the U.S. economy or certain sectors thereof and, thus, adversely affect our business, financial condition, and results of operations. These tariffs and changes in trade policies may result in significant increases in our cost of doing business, including increases in costs to our R&D and increases in costs of materials in our supply chain. If we are not able to find cheaper alternative sources, or if we are unable to obtain supplies at all, we could experience material harm to our business, results of operations and financial condition.

See "Risks Related to our Reliance on Third Parties—Our suppliers may fail to deliver materials and parts according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these materials and parts effectively." for more information about risks related to our ability to source materials and parts from our suppliers

Risks Related to Our Financial Position and Capital Requirements

We will require and may have difficulty or be unsuccessful in raising needed capital in the future to continue to operate as a going concern.

Our business currently does not generate sufficient revenues to meet our capital requirements and we do not expect that it will do so in the near future.

Presently, we do not have sufficient cash resources to meet our plans for the next twelve months from the issuance of the financial statements included herein. Our recurring losses from operations, negative cash flows and need for additional capital raise substantial doubt about our ability to continue as a going concern. We will require additional financing to fund our operations or we will have to significantly curtail or discontinue our operations to conserve our capital resources. Additional funds may not be available on acceptable terms, if at all, and such availability will depend on a number of factors, some of which are outside of our control, including general capital markets conditions and investors' view of our prospects and valuation. In addition, our ability to raise capital in the public capital markets, including through our at-the-market equity offerings, may in the future be limited by, among other things, SEC rules and regulations impacting the eligibility of smaller companies to use Form S-3 for primary offerings of securities. In general, under the "baby shelf" rules if our public float is less than $75 million at the time we file our annual report of Form 10-K to update our Form S-3 and our public float remains less than $75 million, we may not sell more than the equivalent of one-third of our public float during any 12 consecutive months pursuant to the baby shelf rules. Alternative public and private transaction structures may require additional time and cost, may impose operational restrictions on us, and may not be available on attractive terms. Further, investors' perception of our ability to continue as a going concern may make it more difficult for us to obtain financing, or necessitate that we obtain financing on terms that are more favorable to investors, and could result in the loss of confidence by investors, suppliers and employees. Our continued operations are contingent on our ability to raise additional capital or deploy or otherwise monetize our technology. If we do not acquire sufficient additional funding or alternative sources of capital to meet our working capital needs, we will have to substantially curtail or discontinue our operations, resulting in delays in the development and deployment of our technology and in generating revenue.

Our actual capital requirements will depend on many factors, including:

- continued progress and cost of our research and development programs;
- the time and costs involved in obtaining regulatory approvals and permitting, if any;
- regulatory actions with respect to our technology;
- costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing intellectual property rights;
- costs of developing sales, marketing and distribution channels and our ability to sell our products;
- competing technological and market developments;
- market acceptance of our products;
- costs for recruiting and retaining employees and consultants; and
- unexpected legal, accounting and other costs and liabilities related to our business.

Our financial results depend on successful project execution and may be adversely affected by cost overruns, failure to meet customer schedules or other execution issues.

A significant portion of our revenue will be derived from large projects that are technically complex and may occur over multiple years. These projects are subject to a number of significant risks, including project delays, cost overruns, changes in scope, unanticipated site conditions, design and engineering issues, incorrect cost assumptions, increases in the cost of materials and labor, safety hazards, third party performance issues, weather issues and changes in laws or permitting requirements. If we are unable to manage these risks, we may incur higher costs, liquidated damages and other liabilities to our customers, which may decrease our profitability and harm our reputation. Our continued growth will depend in part on executing a higher volume of large projects, which will require us to expand and retain our project management and execution personnel and resources.

We have inadequate capital and need for additional financing to accomplish our business and strategic plans. Terms of subsequent financing, if any, may adversely impact your investment in our securities.

We will need to raise substantial additional funds in order to execute our business plan. Our ability to secure additional financing depends on a variety of different factors, including but not limited to our ability to meet major milestones in our technology R&D pursuits, our ability to attract new customers and grow our business, our ability to attract new investors who believe in our business strategy and our potential for future growth, our ability to successfully convert financing into tangible business successes, our stock price and the marketability (or perceived marketability) of our securities, among others. There is no guarantee that we will be able to secure financing on terms that are favorable to us, or at all. If the cost of securing financing is too high, or if the obligations to which we are subject pursuant to the terms of the financing we secure are too burdensome, we may not be able to realize the full benefits of the financing we receive. If we cannot secure financing at all, we may have to cease operations or scale back our activities. Our ultimate success may depend on our ability to raise additional capital. In the absence of additional financing or significant revenues and profits, we will have to approach our business plan from a much different and much more restricted direction, attempting to secure additional funding sources to fund our growth, borrowing money from lenders or elsewhere or to take other actions to attempt to provide funding.

We may have to engage in common equity, debt, or preferred stock financings in the future. Your rights and the value of your investment in the common stock could be reduced by the dilution caused by future equity issuances. Interest on debt securities could increase costs and negatively impact operating results and debt issuances may subject us to restrictive covenants which may limit our flexibility. In the event we issue preferred stock pursuant to the terms of our certificate of incorporation, preferred stock could be issued in series from time to time with such designation, rights, preferences, and limitations as needed to raise capital. The terms of preferred stock would be more advantageous to those investors than to the holders of common stock. In addition, if we need to raise more equity capital from the sale of common stock, institutional or other investors may negotiate terms possibly less favorable to us, and thereby cause our stock price to fall.

Our research and development expenses may increase in the future.

Our research and development expenses primarily relate to our efforts to increase the output, durability and commercial viability of our technology. The results of such research and development can be unforeseen and undesirable and therefore our forecasted costs related to such research and development are associated with great uncertainty. We expect that our research and development expenses will increase in the future. Unforeseen research and development results could require us to undertake supplementary research and development at significant costs or cause us to pause or stop research and development efforts. A delay or non-existent launch of our technology or an insufficient investment (or overspend on such expenditure) could have a material adverse effect on our business, results of operations and financial position.

Risks Related to Our Intellectual Property

We may have difficulty in protecting our intellectual property and may incur substantial costs to defend ourselves in patent infringement litigation.

At this time, we rely primarily on a combination of patents, trade secrets, copyright and trademark laws, and confidentiality procedures to protect our proprietary technology, which is our principal asset.

Our ability to compete effectively will depend to a large extent on our success in protecting our proprietary technology, both in the United States and abroad. There can be no assurance that (i) any patents that we apply for will be issued, (ii) we will ever obtain the rights to any patents covering the technology on which our current systems are based, (iii) any patents issued will not be challenged, invalidated, or circumvented, (iv) we will have the financial resources to enforce any such patents, (v) our confidentiality and invention agreements will be honored or that we will be able to protect our rights to our non-patented trade secrets and know-how effectively, (vi) our competitors will not independently develop equivalent or superior proprietary information and techniques or otherwise gain access to our trade secrets and know-how, and (vi) any patent rights granted will provide any competitive advantage. We could incur substantial costs in obtaining patent coverage and defending any patent infringement suits or in asserting our patent rights, including those granted by third parties, and we might not be able to afford such expenditures.

We do not know whether any of our current or future patent applications, if any, will result in the issuance of any patents. Even issued patents may be challenged, invalidated or circumvented. Patents may not provide a competitive advantage or afford protection against competitors with similar technology. Competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to, compounds or processes used by or competitive with ours. Both the patent application process and the process of managing patent disputes can be time-consuming and expensive. Competitors may be able to design around our patents or develop products which provide outcomes which are comparable or may even be superior to ours.

In the event a competitor infringes upon our intellectual property rights, enforcing those rights may be costly, uncertain, difficult and time consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time consuming and could divert our management's attention. We may not have sufficient resources to enforce our intellectual property rights or to defend our patent rights against a challenge. The failure to obtain patents and/or protect our intellectual property rights could have a material and adverse effect on our business, results of operations and financial condition.

In addition, we have taken steps to protect our intellectual property and proprietary technology, including entering into confidentiality agreements and intellectual property assignment agreements with our executive officers, employees, consultants and advisors; however, such agreements may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. Moreover, the following can limit our ability to protect our intellectual property and technology:

- intellectual property laws in certain jurisdictions may be relatively ineffective;
- detecting infringements and enforcing proprietary rights may divert management's attention and company resources;
- contractual measures such as non-disclosure agreements and confidentiality provisions may afford only limited protection;
- any patents we may receive will expire, thus providing competitors access to the applicable technology;
- competitors may independently develop products that are substantially equivalent or superior to our products or circumvent our intellectual property rights; and
- competitors may register patents in technologies relevant to our business areas.

In addition, various parties may assert infringement claims against us. The cost of defending against infringement claims could be significant, regardless of whether the claims are valid. If we are not successful in defending such claims, we may be prevented from the use or sale of certain of our products, or liable for damages and required to obtain licenses, which may not be available on reasonable terms, any of which may have a material adverse impact on our business, results of operation or financial condition.

We may become subject to claims of infringement or misappropriation of the intellectual property rights of others, which could prohibit us from developing our products, require us to obtain licenses from third parties or to develop non-infringing alternatives and subject us to substantial monetary damages.

Third parties could, in the future, assert infringement or misappropriation claims against us with respect to products we develop. Whether a product infringes a patent or misappropriates other intellectual property involves complex legal and factual issues, the determination of which is often uncertain. Therefore, we cannot be certain that we have not infringed the intellectual property rights of others. Our potential competitors may assert that some aspect of our product infringes their patents. Because patent applications may take years to issue, there also may be applications now pending of which we are unaware that may later result in issued patents upon which our products could infringe. There also may be existing patents or pending patent applications of which we are unaware upon which our products may inadvertently infringe.

Any infringement or misappropriation claim could cause us to incur significant costs, place significant strain on our financial resources, divert management's attention from our business and harm our reputation. If the relevant patents in such a claim were upheld as valid and enforceable and we were found to infringe them, we could be prohibited from selling any product that is found to infringe unless we could obtain licenses to use the technology covered by the patent or are able to design around the patent. We may be unable to obtain such a license on terms acceptable to us, if at all, and we may not be able to redesign our products to avoid infringement. A court could also order us to pay compensatory damages for such infringement, plus prejudgment interest and could, in addition, treble the compensatory damages and award attorney fees. These damages could be substantial and could harm our reputation, business, financial condition and operating results. A court also could enter orders that temporarily, preliminarily or permanently enjoin us and our customers from making, using, or selling products, and could enter an order mandating that we undertake certain remedial activities. Depending on the nature of the relief ordered by the court, we could become liable for additional damages to third parties.

We also employ individuals who were previously employed at other companies in our industry, including our competitors or potential competitors. We may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed intellectual property, including trade secrets or other proprietary information, of any of our employee's former employer or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could adversely impact our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of consultants or others who are involved in developing our products. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

We employ individuals or hire consultants who are employed by or otherwise affiliated with universities and have commitments or obligations under employment agreements, policies, and other contracts with those universities. Failure by these employees and consultants to comply with their commitments or obligations to any university may result in disputes over our intellectual property or technology. The resolution of any dispute that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, which could adversely impact our business.

We may need to depend on certain technologies that are licensed to us. We would not control these technologies and any loss of our rights to them could prevent us from selling our products.

We have entered into license agreements with third parties for certain licensed technologies that are not currently utilized in the systems we market but may be in the future. In addition, we may in the future elect to license third-party intellectual property to further our business objectives and/or as needed for freedom to operate our systems. We do not and will not own the patents or patent applications that are a subject of these licenses. Our rights to use these technologies and employ the inventions claimed in the licensed patents and patent applications are or will be subject to the continuation of and compliance with the terms of those licenses.

In some cases, we do not or may not control the prosecution, maintenance, or filing of the patents or patent applications to which we hold licenses, or the enforcement of these patents against third parties. As a result, we cannot be certain that drafting or prosecution of the licensed patents and patent applications by the licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights.

Moreover, disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our products, technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

In addition, the agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected products, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

Risks Related to our Reliance on Third Parties

Our suppliers may fail to deliver materials and parts according to schedules, prices, quality and volumes that are acceptable to us, or we may be unable to manage these materials and parts effectively.

Our products contain materials and parts purchased globally from numerous suppliers, including single-source direct suppliers, which exposes us to potential component shortages or delays. Unexpected changes in business conditions, materials pricing, labor issues, natural disasters, health epidemics, trade and shipping disruptions, port congestions and other factors beyond our or our suppliers' control could also affect these suppliers' ability to deliver components to us or to remain solvent and operational. Additionally, if our suppliers do not accurately forecast and effectively allocate production or if they are not willing to allocate sufficient production to us, it may reduce our access to components and require us to search for new suppliers. The unavailability of any component or supplier could result in production delays, idle manufacturing facilities, product design changes and loss of access to important technology and tools for producing and supporting our products, as well as impact the capacity of our AirSCWO systems. Product design changes by us may also require us to procure additional components in a short amount of time. Our suppliers may not be willing or able to sustainably meet our timelines or our cost, quality and volume needs, or to do so may cost us more, which may require us to replace them with other sources. There is no assurance that we will be able to secure additional or alternate sources for our components quickly or at all.

As we scale production of our AirSCWO systems, we will also need to accurately forecast, purchase, warehouse and transport components at high volumes to our manufacturing facilities. If we are unable to accurately match the timing and quantities of component purchases to our actual needs or successfully implement automation, inventory management and other systems to accommodate the increased complexity in our supply chain and parts management, we may incur unexpected production disruption, storage, transportation and write- off costs, which may harm our business and operating results.

Failure by third parties to supply or manufacture components of our products or to deploy our systems timely or properly could adversely affect our business, financial condition and results of operations.

We have been and expect to continue to be dependent on third parties to supply and manufacture components of our technology. If, for any reason, our third-party manufacturers or vendors are not willing or able to provide us with components or supplies in a timely fashion, or at all, our ability to manufacture and sell many of our products could be impaired, which, in turn, could have a material adverse effect on our business, results of operations and financial position.

We do not have long-term contracts with all of our third-party suppliers and manufacturers or vendors. Therefore, if we do not develop ongoing relationships with those vendors located in different regions, we may not be successful at controlling unit costs as our manufacturing volume increases. We may not be able to negotiate new arrangements with these third parties on acceptable terms, or at all. In addition, we rely on third parties, under our oversight, for the deployment and installation of our AirSCWO systems. For example, the manufacture, assembly and installation of the hydraulic, control and automation and electrical sub-systems of our AirSCWO systems are performed by third-party suppliers. The mechanical sub-system is installed (moored) at the relevant project site by third-party engineering service providers. If these third parties do not properly manufacture, assemble, and install our AirSCWO technology and systems, or otherwise do not perform adequately, or if we fail to recruit and retain third parties to deploy our systems in particular geographic areas, our business, financial condition and results of operations could be adversely affected.

Risks Related to our Common Stock and Capital Structure

The market price of our common stock historically has been highly volatile and is likely to continue to be volatile, and you could lose all or part of your investment.

The market price of our common stock has been volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this Annual Report, these factors include:

- Inability to obtain additional capital;
- Failure to meet or exceed financial or operational projections we may provide to the public;
- Failure to meet or exceed the financial or operational projections of the investment community;
- Significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- Additions or departures of key management personnel;
- Significant lawsuits, including shareholder litigation;
- If securities or industry analysts issue an adverse or misleading opinion regarding our common stock;
- Changes in market valuations of similar companies;
- General market or macroeconomic conditions;
- Sales of shares of our common stock by us or our shareholders in the future; and
- Trading volume of our common stock.

In addition, companies trading in the stock market in general, and on the Nasdaq Capital Market, have experienced extreme price and volume fluctuations, and we have in the past experienced volatility that has been unrelated or disproportionate to our operating performance. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

Further, on some occasions, our share price may be, or may be purported to be, subject to "short squeeze" activity. A "short squeeze" is a technical market condition that occurs when the price of a stock increases substantially, forcing market participants who had taken a position that its price would fall (i.e., who had sold the stock "short"), to buy it, which in turn may create a significant, short-term demand for the stock not for fundamental reasons, but rather due to the need for such market participants to acquire the stock in order to forestall the risk of even greater losses. A "short squeeze" condition in the market for a stock can lead to short-term conditions involving very high volatility and trading that may or may not track fundamental valuation models.

In addition, in the past, class action litigation has often been instituted against companies whose securities experienced periods of volatility in market price. Securities litigation brought against us following volatility in the price of our common stock, regardless of the merit or ultimate results of such litigation, could result in substantial costs, which would hurt our financial condition and operating results and divert management's attention and resources from our business.

The interests of our principal stockholders, officers and directors, who collectively beneficially own a significant amount of our common stock, may not coincide with yours and such stockholders will have the ability to control decisions with which you may disagree.

At June 30, 2025, our principal stockholders, officers and directors beneficially owned approximately 41.56% of our common stock. As a result, our principal stockholders, officers and directors will have the ability to control matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of the Company and make some future transactions more difficult or impossible without the support of our controlling stockholders. The interests of such stockholders may not coincide with your interests or the interests of other stockholders.

Because we are a "smaller reporting company," we may take advantage of certain scaled disclosures available to us, resulting in holders of our securities receiving less Company information than they would receive from a public company that is not a smaller reporting company.

We are a "smaller reporting company" as defined under Rule 12b-2 of the Exchange Act. As a smaller reporting company, we may take advantage of certain of the scaled disclosures available to smaller reporting companies and will be able to take advantage of these scaled disclosures for so long as (i) our Common Stock held by non-affiliates is less than $250 million measured on the last business day of our second fiscal quarter, or (ii) our annual revenue is less than $100 million during the most recently completed fiscal year and our Common Stock held by non-affiliates is less than $700 million measured on the last business day of our second fiscal quarter. Based on the closing price of our common stock on June 30, 2024, we will remain a smaller reporting company through at least the end of fiscal year 2025. To the extent we take advantage of any reduced disclosure obligations, it may make it harder for investors to analyze the Company's results of operations and financial prospectus in comparison with other public companies.

As a smaller reporting company, we are permitted to comply with scaled-back disclosure obligations in our SEC filings compared to other issuers, including with respect to disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We have elected to adopt the accommodations available to smaller reporting companies. Until we cease to be a smaller reporting company, the scaled-back disclosure in our SEC filings will result in less information about our company being available than for other public companies.

If investors consider our Common Stock less attractive as a result of our election to use the scaled-back disclosure permitted for smaller reporting companies, there may be a less active trading market for our Common Stock and our share price may be more volatile.

We do not intend to pay dividends on our common stock for the foreseeable future.

We currently intend to retain our future earnings to finance the development and expansion of our business and, therefore, do not intend to pay cash dividends on our common stock for the foreseeable future. The timing, declaration, amount and payment of future dividends to stockholders will fall within the discretion of our Board of Directors. Our Board of Directors' decisions regarding the payment of future dividends will depend on many factors, including our financial condition, earnings, capital requirements of our business and covenants associated with debt obligations, as well as legal requirements, regulatory constraints, industry practice and other factors that our Board of Directors deem relevant. There can be no assurance that we will pay a dividend in the future or continue to pay any dividend if we do commence paying dividends.

If securities or industry analysts do not publish research about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our common stock may, depend on the research and reports that securities or industry analysts publish about our business. We do not have any control over these analysts. If one or more of the analysts elect to cover us and downgrade our shares or lower their opinion of our shares, our share price would likely decline. If one or more of these analysts elect to cover us and subsequently cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Additionally, there may be risks associated with us becoming public through a merger. Securities analysts of major brokerage firms and securities institutions may not provide coverage of us because there were no broker-dealers who sold our stock in a public offering that would be incentivized to follow or recommend the purchase of our common stock. The absence of such research coverage could limit investor interest in our common stock, resulting in decreased liquidity. No assurance can be given that established brokerage firms will, in the future, want to cover our securities or conduct any secondary offerings or other financings on our behalf.

Future sales or potential sales of our common stock in the public market could cause our share price to decline.

If the existing holders of our common stock, particularly our directors and officers, sell a large number of shares, they could adversely affect the market price for our common stock. We have an at-the-market equity offering pursuant to which, we can issue up to an aggregate of $15.1 million of common stock, subject to applicable law and our previous at-the-market equity offering sales. Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline.

The market price of our common stock has been, and may continue to be, particularly volatile, and our shareholders may be unable to resell their shares at a profit. The market price of our common shares has significantly declined over the past twelve months, and may continue to fluctuate or decline in the future. Between January 1, 2022 and June 30, 2025, the closing price per share of our common shares has ranged from a high of $4.94 (on April 3, 2023) to a low of $0.25 (on June 30, 2025).

If we cannot find ways to successfully manage our stock price, our business and financial condition may be negatively impacted. We may not be able to attract new investors and other stakeholders, and we may not be able to secure financing or otherwise acquire capital in the market (either on favorable terms or at all). If our share price is volatile, we may also become the target of securities litigation, which could result in substantial costs and divert our management's attention and resources from our business. Since our stock price has been trading below $1.00 per share, we are also subject to delisting from the Nasdaq stock exchange if we cannot improve our stock price and regain full compliance with the Nasdaq listing standards.

We incur costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives.

As a public reporting company, we incur significant legal, accounting and other expenses. The Sarbanes-Oxley Act and rules subsequently implemented by the SEC, have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will entail significant legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that these rules and regulations may make it difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept low policy limits and coverage.

Provisions in our Amended and Restated Certificate of Incorporation and Bylaws and of Delaware law may prevent or delay an acquisition of the Company, which could decrease the trading price of our common stock.

Several provisions of our Amended and Restated Certificate of Incorporation, Bylaws and Delaware law may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable. These include, but are not limited to, provisions that:

- Only our board of directors may fill board vacancies;
- Permit us to issue blank check preferred stock;
- Prevent stockholders from calling special meetings;
- Maintain a plurality voting standard for our board of directors;
- Does not include an opt out of Delaware anti-takeover law;
- Require stockholders to follow certain advance notice and disclosure requirements in order to propose business or nominate directors at an annual or special meeting; and
- Limit our ability to enter into business combination transactions with certain stockholders.

These and other provisions of our Amended and Restated Certificate of Incorporation, Bylaws and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of us, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price.

We may not regain compliance with the continued listing requirements of The Nasdaq Capital Market.

As previously reported on our Current Report on Form 8-K filed on January 15, 2025, the Company received a deficiency letter from the Nasdaq Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that, for the last 30 consecutive business days, the closing bid price for the Company's common stock has been below the minimum $1.00 per share required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement").

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company had been given 180 calendar days, or until July 14, 2025, to regain compliance with the Minimum Bid Price Requirement. If at any time before July 14, 2025, the bid price of the Company's common stock closed at $1.00 per share or more for a minimum of 10 consecutive business days, the Staff would provide written confirmation that the Company has achieved compliance.

As previously reported on our Current Report on Form 8-K filed on July 16, 2025, on July 8, 2025, the Company submitted a request to Nasdaq for a 180-day extension to regain compliance with the Minimum Bid Price Requirement pursuant to Nasdaq Listing Rule 5810(c)(3)(A)(ii) as the previous 180 calendar day compliance period ended July 14, 2025. On July 15, 2025, the Company received a letter from the Staff advising that the Company had been granted a 180-day extension, or until January 12, 2026, to regain compliance with the Minimum Bid Price Requirement, in accordance with Nasdaq Listing Rule 5810(c)(3)(A)(ii).

The Company intends to monitor the closing bid price of its common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement, including initiating a reverse stock split. However, there can be no assurance that the Company will be able to regain compliance with the Minimum Bid Price Requirement or will otherwise be in compliance with other Nasdaq Listing Rules.

The Minimum Bid Price Requirement deficiency has no immediate effect on the listing or trading of the Company's common stock, which will continue to be listed and traded on The Nasdaq Capital Market under the symbol "SCWO," subject to the Company's compliance with the other Nasdaq listing requirements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(a) None.

(b) None.

(c) During the fiscal quarter ended June 30, 2025, none of our directors or officers informed us of the adoption, modification or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

(a) Exhibits

3.1	Amended and Restated Certificate of Amendment to Certificate of Incorporation of 374Water Inc.(restated for SEC filing purposes only).
10.1	374Water Inc. 2021 Equity Incentive Plan, as amended and restated.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

SIGNATURES

In accordance with Section 13(a) or 15(d) of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

	374WATER INC
Dated: August 12, 2025	By: /s/ Christian Gannon Christian Gannon Chief Executive Officer
Dated: August 12, 2025	By: /s/ Russell Kline Russell Kline Chief Financial Officer

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EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
VYREX CORPORATION

Vyrex Corporation, a corporation organized under the laws of the State of Delaware (the "Corporation") on September 8, 2005, under the name VYREX (DELAWARE) CORPORATION, by its Chief Executive Officer does hereby certify that:

1. Pursuant to the provisions of Sections 242 and 245 of the Delaware General Corporation Law, the Corporation hereby amends and restates its Certificate of Incorporation as set forth below.

2. The amendment and restatement of the Certificate of Incorporation as set forth below was adopted by the Corporation's Board of Directors on July 16, 2008.

3. The amendment and restatement of the Certificate of Incorporation as set forth below was approved by the stockholders of the Corporation at a meeting thereof duly noticed and held on August 6, 2008.

4. The undersigned officer has been authorized and directed by the Board of Directors to execute and file this certificate setting forth the text of the Certificate of Incorporation of the Corporation as amended and restated in its entirety to this date as follows:

ONE: The name of this corporation is PowerVerde, Inc.

TWO: The address of the registered agent for service of process for the corporation is Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, State of Delaware 19808.

THREE: The nature of the business and the purpose for which the corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOUR: The corporation is to have perpetual existence.

FIVE: In furtherance and not in limitation of the powers confined by statute, the Board of Directors is expressly authorized to make, alter or repeal the bylaws of the corporation.

SIX: The total number of shares of stock this corporation shall have authority to issue is Two Hundred Fifty Million (250,000,000) shares, divided into two classes of stock designated respectively "Common Stock" and "Preferred Stock", both of which shall have a par value of $.0001 per share. The number of shares of Common Stock which this corporation shall have authority to issue is Two Hundred Million (200,000,000) shares. The number of shares of Preferred Stock which this corporation shall have authority to issue is Fifty Million (50,000,000) shares.

The Board of Directors of this corporation is authorized, subject to limitations prescribed by law and the provisions of this Certificate of Incorporation, to provide for the issuance of the shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereon including, but not limited to, the determination of dividend, voting, liquidation, redemption and conversion rights, preferences and limitations and any other preferences and relative, participating, optional or other special rights. The Board of Directors is also authorized to increase or decrease the number of shares of any series before or after the issue of that series, but not above the total number of authorized and unissued shares of the series or below the number of shares of such series then outstanding.

SEVEN: Newly created directorships resulting from any increase in the number of directors, or vacancies in any existing directorships resulting from death, resignation, disqualification, removal or other cause shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum, or by the sole remaining director. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director in which the new directorship was created, or the vacancy occurred, and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

EIGHT:

(A) No Personal Liability.

A director or officer of the corporation shall not be personally liable to the corporation or its Stockholders for monetary damages for breach of fiduciary duty as a director or officer, except liability for (i) acts or omissions which involve intentional misconduct, fraud or knowing violations of law; or (ii) the payment of distributions in violation of the General Corporation Law of Delaware.

(B) Indemnification.

1. Each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he or she is or was a director, officer, legal counsel, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, legal counsel, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise shall be indemnified and held harmless to the fullest extent authorized by the General Corporation Law of Delaware, as the same exists or may hereafter be amended, (but in the case of any such amendment only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expenses, liabilities, and loss including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit, or proceeding if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he or she had reasonable cause to believe that his or her conduct was unlawful.

2. Each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor, by reason of the fact that he or she is or was a director, officer, legal counsel, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, legal counsel, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent authorized by the General Corporation Law of Delaware, as the same exists or may hereafter be amended, (but in the case of any such amendment only to be the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expenses, liabilities and loss including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him or her in connection with the defense or settlement of the action or suit if he or she acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification pursuant to this Section (B) 2 may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

The right to indemnification conferred in this Article 8 shall be a contract right and shall include the right to be paid by the corporation any expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the General Corporation Law of Delaware requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of any undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this section or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

If a claim under Section (B) 1 of this Article is not paid in full by the corporation within forty five (45) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of Delaware for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its Stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of Delaware, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its Stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-laws, agreement(s), vote of Stockholders or disinterested directors or otherwise.

The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

NINE: At any regularly scheduled meeting of Stockholders, only such business shall be conducted, and only such proposals shall be acted upon, as shall have been brought before the meeting (a) by, or at the direction of, the Board of Directors, or (b) by any stock holder of the corporation who complies with the notice procedures set forth in this Article 9. For a proposal to be properly brought before a meeting by a Stockholder, the Stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a Stockholder's notice must be delivered to, or mailed and received at, the principal executive office of the corporation no less than 60 days prior to the scheduled meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that if less than 70 days' notice or prior public disclosure of the date of the scheduled meeting is given or made, notice by the Stockholder, to be timely, must be so delivered or received not later than the close of business on the tenth day following the earlier of the day on which such notice of the date of the scheduled meeting was mailed or the day on which such public disclosure was made. A Stockholder's notice to the Secretary shall set forth as to each matter the Stockholder proposes to bring before the meeting: (a) a brief description of the proposal desired to be brought before the meeting and the reasons for conducting such business at the meeting; (b) the name and address, as they appear on the corporation's books, of the Stockholder proposing such business and any other Stockholder known by such Stockholder to be supporting such proposal; (c) the class and number of shares of the corporation's stock which are beneficially owned by the Stockholder on the date of such Stockholder's notice and by any other Stockholders known by such Stockholder to be supporting such proposal on the date of such Stockholder notice; and (d) any financial interest of the Stockholder making the proposal or any other Stockholder known by such Stockholder to be supporting the proposal.

The presiding officer of the meeting shall determine and declare at or before the meeting whether the Stockholder proposal was made in accordance with the terms of this Article 9. If the presiding officer determines that a Stockholder proposal was not made in accordance with the terms of this Article 9, he or she shall so declare at the meeting and any such proposal shall not be acted upon at the meeting.

This provision shall not prevent the consideration and approval or disapproval at the meeting of reports of officers, directors and committees of the Board, but, in connection with such reports, no new business shall be acted upon at such meeting unless stated, filed and received as herein provided.

TEN: No shareholder shall be entitled as a matter of right to subscribe for or receive additional shares of any class of stock, whether now or hereafter authorized, or any bonds, debentures or securities convertible into stock. Any such issuance of stock or securities convertible into stock shall be as directed by the Board of Directors, upon such terms as in its discretion it shall deem advisable.

ELEVEN: This corporation reserves the right at any time, and from time to time, to amend, modify or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Delaware. All rights, preferences and privileges of any nature whatsoever conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this article.

I, the undersigned, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate of Incorporation, and do certify that the facts herein stated are true, and I have accordingly hereunto set my hand this 6th day of August, 2008.

By: /s/ George Konrad
Name: George Konrad
Title: **President**

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
374WATER, INC.

(Pursuant to Section 242 of the General Corporation Law of the State of Delaware)

374Water, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "General Corporation Law"),

DOES HEREBY CERTIFY:

1. That the name of this corporation is 374Water, Inc., and that this corporation was originally incorporated pursuant to the General Corporation Law on July 18, 2018.

2. That the Board of Directors duly adopted resolutions proposing to amend the Certificate of Incorporation of this corporation, declaring said amendment to be advisable and in the best interests of this corporation and its stockholders.

3. The amendment to this corporation's Certificate of Incorporation to be effected hereby is as follows:

Article FIRST of the Certificate of Incorporation shall be deleted in its entirety and replaced with the following:

The name of the Corporation is 374Water Systems, Inc. (the "Corporation").

4. That this Certificate of Amendment to Certificate of Incorporation, which further amends the provisions of this Corporation's Certificate of Incorporation, has been duly adopted in accordance with Section 242 of the General Corporation Law.

5. This Certificate of Amendment shall be effective upon filing.

IN WITNESS WHEREOF, 374Water, Inc. has caused this Certificate of Amendment to be executed by the undersigned officer, on this the 30th day of April 2021.

POWERVERDE, INC.

By: /s/ Yaacov Nagar
Yaacov Nagar, President and CEO

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION OF
374WATER INC.

(Pursuant to Section 242 of the General Corporation Law of the State of Delaware)

374Water Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "General Corporation Law”),

DOES HEREBY CERTIFY:

1. That the name of this corporation is 374Water Inc., and that this corporation was originally incorporated pursuant to the General Corporation Law on September 8, 2005.

2. That the Board of Directors and Stockholders duly adopted resolutions proposing to amend the Certificate of Incorporation of this corporation, declaring said amendment to be advisable and in the best interests of this corporation and its stockholders.

3. The amendment to this corporation’s Certificate of Incorporation to be effected hereby is as follows:

Article SIX of the Certificate of Incorporation shall be deleted in its entirety and replaced with the following:

The total number of shares of stock this corporation shall have authority to issue is One Billion Fifty Million (1,050,000,000) shares, divided into two classes of stock designated respectively "Common Stock” and "Preferred Stock”, both of which shall have a par value of $.0001 per share. The number of shares of Common Stock which this corporation shall have authority to issue is One Billion (1,000,000,000) shares. The number of shares of Preferred Stock which this corporation shall have authority to issue is Fifty Million (50,000,000) shares.

The Board of Directors of this corporation is authorized, subject to limitations prescribed by law and the provisions of this Certificate of Incorporation, to provide for the issuance of the shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereon including, but not limited to, the determination of dividend, voting, liquidation, redemption and conversion rights, preferences and limitations and any other preferences and relative, participating, optional or other special rights. The Board of Directors is also authorized to increase or decrease the number of shares of any series before or after the issue of that series, but not above the total number of authorized and unissued shares of the series or below the number of shares of such series then outstanding.

4. That this Certificate of Amendment to Certificate of Incorporation, which further amends the provisions of this Corporation’s Certificate of Incorporation, has been duly adopted in accordance with Section 242 of the General Corporation Law.

5. This Certificate of Amendment shall be effective upon filing.

IN WITNESS WHEREOF, 374Water Inc. has caused this Certificate of Amendment to be executed by the undersigned officer, on this the 11th day of June, 2025.

374WATER INC.

By: /s/ Christian Gannon
Christian Gannon, President and CEO

2021 EQUITY INCENTIVE PLAN, AS AMENDED AND RESTATED
374WATER INC.
2021 EQUITY INCENTIVE PLAN

As Adopted June 4, 2010
And as Thereafter Amended

1. Purpose; Eligibility.

1.1 General Purpose. The name of this plan is the 374Water Inc. 2021 Equity Incentive Plan (the "**Plan**"). The purposes of the Plan are to (a) enable 374Water Inc., a Delaware corporation (the "**Company**"), and any Affiliate to attract and retain the types of Employees, Consultants and Directors who will contribute to the Company's long range success; (b) provide incentives that align the interests of Employees, Consultants and Directors with those of the shareholders of the Company; and (c) promote the success of the Company's business.

1.2 Eligible Award Recipients. The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Affiliates.

1.3 Available Awards. Awards that may be granted under the Plan include: (a) Incentive Stock Options, (b) Non-qualified Stock Options, (c) Restricted Awards, (d) Cash Awards, and (e) Other Equity-Based Awards.

2. Definitions.

"**Affiliate**" means a corporation or other entity that, directly or through one or more intermediaries, controls, is controlled by or is under common control with, the Company.

"**Applicable Laws**" means the requirements related to or implicated by the administration of the Plan under applicable state corporate law, United States federal and state securities laws, the Code, any stock exchange or quotation system on which the shares of Common Stock are listed or quoted, and the applicable laws of any foreign country or jurisdiction where Awards are granted under the Plan.

"**Award**" means any right granted under the Plan, including an Incentive Stock Option, a Non-qualified Stock Option, a Restricted Award, a Cash Award, or an Other Equity-Based Award.

"**Award Agreement**" means a written agreement, contract, certificate or other instrument or document evidencing the terms and conditions of an individual Award granted under the Plan which may, in the discretion of the Company, be transmitted electronically to any Participant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d- 5 under the Exchange Act, except that in calculating the beneficial ownership of any particular Person, such Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"**Board**" means the Board of Directors of the Company, as constituted at any time.

"**Cash Award**" means an Award denominated in cash that is granted under Section 8 of the Plan.

"**Cause**" means:

With respect to any Employee or Consultant, unless the applicable Award Agreement states otherwise:

(a) If the Employee or Consultant is a party to an employment or service agreement with the Company or its Affiliates and such agreement provides for a definition of Cause, the definition contained therein; or

(b) If no such agreement exists, or if such agreement does not define Cause: (i) the commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company or an Affiliate; (ii) conduct that brings or is reasonably likely to bring the Company or an Affiliate negative publicity or into public disgrace, embarrassment, or disrepute; (iii) gross negligence or willful misconduct with respect to the Company or an Affiliate; (iv) material violation of state or federal securities laws; or (v) material violation of the Company's written policies or codes of conduct, including written policies related to discrimination, harassment, performance of illegal or unethical activities, and ethical misconduct.

With respect to any Director, unless the applicable Award Agreement states otherwise, a determination by a majority of the disinterested Board members that the Director has engaged in any of the following:

(a) malfeasance in office;

(b) gross misconduct or neglect;

(c) false or fraudulent misrepresentation inducing the director's appointment;

(d) willful conversion of corporate funds; or

(e) repeated failure to participate in Board meetings on a regular basis despite having received proper notice of the meetings in advance.

The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

"**Change in Control**"

(a) The direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, to any Person that is not a subsidiary of the Company;

(b) The Incumbent Directors cease for any reason to constitute at least a majority of the Board;

(c) The date which is 10 business days prior to the consummation of a complete liquidation or dissolution of the Company;

(d) The acquisition by any Person of Beneficial Ownership of 50% or more (on a fully diluted basis) of either (i) the then outstanding shares of Common Stock of the Company, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the "**Outstanding Company Common Stock**") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); *provided, however*, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Affiliate, (B) any acquisition by any employee benefit plan sponsored or maintained by the Company or any subsidiary, (C) any acquisition which complies with clauses, (i), (ii) and (iii) of subsection (e) of this definition or (D) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant); or

(e) The consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company's shareholders, whether for such transaction or the issuance of securities in the transaction (a "**Business Combination**"), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (A) the entity resulting from such Business Combination (the "**Surviving Company**"), or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the "**Parent Company**"), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination; (ii) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company) is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company); and (iii) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

"**Code**" means the Internal Revenue Code of 1986, as it may be amended from time to time. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

"**Committee**" means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3.3 and Section 3.4.

"**Common Stock**" means the common stock, $0.0001 par value per share, of the Company, or such other securities of the Company as may be designated by the Committee from time to time in substitution thereof.

"**Company**" means 374Water Inc., a Delaware corporation, and any successor thereto.

"**Consultant**" means any individual or entity which performs bona fide services to the Company or an Affiliate, other than as an Employee or Director, and who may be offered securities registerable pursuant to a registration statement on Form S-8 under the Securities Act.

"**Continuous Service**" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Consultant or Director, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, *provided that* there is no interruption or termination of the Participant's Continuous Service; *provided further that* if any Award is subject to Section 409A of the Code, this sentence shall only be given effect to the extent consistent with Section 409A of the Code. For example, a change in status from an Employee of the Company to a Director of an Affiliate will not constitute an interruption of Continuous Service. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence. The Committee or its delegate, in its sole discretion, may determine whether a Company transaction, such as a sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in a termination of Continuous Service for purposes of affected Awards, and such decision shall be final, conclusive and binding.

"**Director**" means a member of the Board.

"**Disability**" means, unless the applicable Award Agreement says otherwise, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment; *provided, however,* for purposes of determining the term of an Incentive Stock Option pursuant to Section 6.10 hereof, the term Disability shall have the meaning ascribed to it under Section 22(e)(3) of the Code. The determination of whether an individual has a Disability shall be determined under procedures established by the Committee. Except in situations where the Committee is determining Disability for purposes of the term of an Incentive Stock Option pursuant to Section 6.10 hereof within the meaning of Section 22(e)(3) of the Code, the Committee may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

"**Disqualifying Disposition**" has the meaning set forth in Section 15.12.

"**Effective Date**" shall mean the date that the Company's shareholders approve this Plan if such shareholder approval occurs before the first anniversary of the date the Plan is adopted by the Board.

"**Employee**" means any person, including an Officer or Director, employed by the Company or an Affiliate; *provided, that,* for purposes of determining eligibility to receive Incentive Stock Options, an Employee shall mean an employee of the Company or a parent or subsidiary corporation within the meaning of Section 424 of the Code. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Fair Market Value**" means, as of any date, the value of the Common Stock as determined below. If the Common Stock is listed on any established stock exchange or a national market system, the Fair Market Value shall be the closing price of a share of Common Stock (or if no sales were reported the closing price on the date immediately preceding such date) as quoted on such exchange or system on the day of determination, as reported in the *Wall Street Journal*. In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee and such determination shall be conclusive and binding on all persons.

"**Fiscal Year**" means the Company's fiscal year.

"**Good Reason**" means, unless the applicable Award Agreement states otherwise:

(a) If an Employee or Consultant is a party to an employment or service agreement with the Company or its Affiliates and such agreement provides for a definition of Good Reason, the definition contained therein; or

(b) If no such agreement exists or if such agreement does not define Good Reason, the occurrence of one or more of the following without the Participant's express written consent, which circumstances are not remedied by the Company within thirty (30) days of its receipt of a written notice from the Participant describing the applicable circumstances (which notice must be provided by the Participant within ninety (90) days of the Participant's knowledge of the applicable circumstances): (i) any material, adverse change in the Participant's duties, responsibilities, authority, title, status or reporting structure; (ii) a material reduction in the Participant's base salary or bonus opportunity; or (iii) a geographical relocation of the Participant's principal office location by more than fifty (50) miles.

"**Grant Date**" means the date on which the Committee adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the key terms and conditions of the Award or, if a later date is set forth in such resolution, then such date as is set forth in such resolution.

"**Incentive Stock Option**" means an Option that is designated by the Committee as an incentive stock option within the meaning of Section 422 of the Code and that meets the requirements set out in the Plan.

"**Incumbent Directors**" means individuals who, on the Effective Date, constitute the Board, *provided that* any individual becoming a Director subsequent to the Effective Date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) shall be an Incumbent Director. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.

"**Non-Employee Director**" means a Director who is a "non-employee director" within the meaning of Rule 16b-3.

"**Non-qualified Stock Option**" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

"**Officer**" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

"**Option**" means an Incentive Stock Option or a Non-qualified Stock Option granted pursuant to the Plan.

"**Optionholder**" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

"**Option Exercise Price**" means the price at which a share of Common Stock may be purchased upon the exercise of an Option.

"Other Equity-Based Award" means an Award that is not an Option or Restricted Stock that is granted under Section 8 and is payable by delivery of Common Stock and/or which is measured by reference to the value of Common Stock.

"**Participant**" means an eligible person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

"**Performance Goals**" means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon business criteria or other performance measures determined by the Committee in its discretion.

"**Performance Period**" means the one or more periods of time not less than one fiscal quarter in duration, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Cash Award.

"**Permitted Transferee**" means: (a) a member of the Optionholder's immediate family (child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships), any person sharing the Optionholder's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Optionholder) control the management of assets, and any other entity in which these persons (or the Optionholder) own more than 50% of the voting interests; (b) third parties designated by the Committee in connection with a program established and approved by the Committee pursuant to which Participants may receive a cash payment or other consideration in consideration for the transfer of a Non-qualified Stock Option; and (c) such other transferees as may be permitted by the Committee in its sole discretion.

"Person" means a person as defined in Section 13(d)(3) of the Exchange Act.

"**Plan**" means this 374Water Inc. 2021 Equity Incentive Plan, as amended and/or amended and restated from time to time.

"**Restricted Award**" means any Award granted pursuant to Section 7.

"**Restricted Period**" has the meaning set forth in Section 7.

"**Rule 16b-3**" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Stock for Stock Exchange**" has the meaning set forth in Section 6.4.

"Substitute Award" has the meaning set forth in Section 4.6.

"**Ten Percent Shareholder**" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

"Total Share Reserve" has the meaning set forth in Section 4.1.

3. Administration.

3.1 Authority of Committee. The Plan shall be administered by the Committee or, in the Board's sole discretion, by the Board. Subject to the terms of the Plan, the Committee's charter and Applicable Laws, and in addition to other express powers and authorization conferred by the Plan, the Committee shall have the authority:

(a) to construe and interpret the Plan and apply its provisions;

(b) to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan;

(c) to authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;

(d) to delegate its authority to one or more Officers of the Company with respect to Awards that do not involve "insiders" within the meaning of Section 16 of the Exchange Act;

(e) to determine when Awards are to be granted under the Plan and the applicable Grant Date;

(f) from time to time to select, subject to the limitations set forth in this Plan, those eligible Award recipients to whom Awards shall be granted;

(g) to determine the number of shares of Common Stock to be made subject to each Award;

(h) to determine whether each Option is to be an Incentive Stock Option or a Non-qualified Stock Option;

(i) to prescribe the terms and conditions of each Award, including, without limitation, the exercise price and medium of payment and vesting provisions, and to specify the provisions of the Award Agreement relating to such grant;

(j) to amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, or the term of any outstanding Award; *provided, however*, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under his or her Award or creates or increases a Participant's federal income tax liability with respect to an Award, such amendment shall also be subject to the Participant's consent;

(k) to determine the duration and purpose of leaves of absences which may be granted to a Participant without constituting termination of their employment for purposes of the Plan, which periods shall be no shorter than the periods generally applicable to Employees under the Company's employment policies;

(l) to make decisions with respect to outstanding Awards that may become necessary upon a change in corporate control or an event that triggers anti-dilution adjustments;

(m) to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; and

(n) to exercise discretion to make any and all other determinations which it determines to be necessary or advisable for the administration of the Plan.

The Committee also may modify the purchase price or the exercise price of any outstanding Award, *provided that* if the modification effects a repricing, shareholder approval shall be required before the repricing is effective.

3.2 Committee Decisions Final. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

3.3 Delegation. The Committee or, if no Committee has been appointed, the Board may delegate administration of the Plan to a committee or committees of one or more members of the Board, and the term "**Committee**" shall apply to any person or persons to whom such authority has been delegated. The Committee shall have the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board or the Committee shall thereafter be to the committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. The members of the Committee shall be appointed by and serve at the pleasure of the Board. From time to time, the Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act pursuant to a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board. Subject to the limitations prescribed by the Plan and the Board, the Committee may establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

3.4 Committee Composition. Except as otherwise determined by the Board, the Committee shall consist solely of two or more Non-Employee Directors. The Board shall have discretion to determine whether or not it intends to comply with the exemption requirements of Rule 16b-3. However, if the Board intends to satisfy such exemption requirements, with respect to any insider subject to Section 16 of the Exchange Act, the Committee shall be a compensation committee of the Board that at all times consists solely of two or more Non-Employee Directors. Within the scope of such authority, the Board or the Committee may delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Awards to eligible persons who are not then subject to Section 16 of the Exchange Act. Nothing herein shall create an inference that an Award is not validly granted under the Plan in the event Awards are granted under the Plan by a compensation committee of the Board that does not at all times consist solely of two or more Non-Employee Directors.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by Applicable Laws, the Committee shall be indemnified by the Company against the reasonable expenses, including attorney's fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal therein, to which the Committee may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by the Committee in settlement thereof (*provided, however*, that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the Committee in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee did not act in good faith and in a manner which such person reasonably believed to be in the best interests of the Company, or in the case of a criminal proceeding, had no reason to believe that the conduct complained of was unlawful; *provided, however*, that within 60 days after the institution of any such action, suit or proceeding, such Committee shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

4. Shares Subject to the Plan.

4.1 Subject to adjustment in accordance with Section 12, no more than 36,150,000 shares of Common Stock shall be available for the grant of Awards under the Plan (the "**Total Share Reserve**”). During the terms of the Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Awards.

4.2 Shares of Common Stock available for distribution under the Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Company in any manner.

4.3 Subject to adjustment in accordance with Section 12, no more than 36,150,000 shares of Common Stock may be issued in the aggregate pursuant to the exercise of Incentive Stock Options (the **"ISO Limit”**).

4.4 The maximum number of shares of Common Stock subject to Awards granted during a single Fiscal Year to any Director, together with any cash fees paid to such Director during the Fiscal Year shall not exceed a total value of $300,000 (calculating the value of any Awards based on the grant date fair value for financial reporting purposes).

4.5 Any shares of Common Stock subject to an Award that expires or is canceled, forfeited, or terminated without issuance of the full number of shares of Common Stock to which the Award related will again be available for issuance under the Plan. Notwithstanding anything to the contrary contained herein: shares subject to an Award under the Plan shall not again be made available for issuance or delivery under the Plan if such shares are (a) shares tendered in payment of an Option, (b) shares delivered or withheld by the Company to satisfy any tax withholding obligation, or (c) shares covered by other Awards that were not issued upon the settlement of the Award.

4.6 Awards may, in the sole discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines ("**Substitute Awards**”). Substitute Awards shall not be counted against the Total Share Reserve; *provided, that*, Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding options intended to qualify as Incentive Stock Options shall be counted against the ISO Limit. Subject to applicable stock exchange requirements, available shares under a shareholder-approved plan of an entity directly or indirectly acquired by the Company or with which the Company combines (as appropriately adjusted to reflect such acquisition or transaction) may be used for Awards under the Plan and shall not count toward the Total Share Limit.

5. Eligibility.

5.1 Eligibility for Specific Awards . Incentive Stock Options may be granted only to Employees. Awards other than Incentive Stock Options may be granted to Employees, Consultants and Directors.

5.2 Ten Percent Shareholders. A Ten Percent Shareholder shall not be granted an Incentive Stock Option unless the Option Exercise Price is at least 110% of the Fair Market Value of the Common Stock on the Grant Date and the Option is not exercisable after the expiration of five years from the Grant Date.

6. Option Provisions. Each Option granted under the Plan shall be evidenced by an Award Agreement. Each Option so granted shall be subject to the conditions set forth in this Section 6, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. All Options shall be separately designated Incentive Stock Options or Non- qualified Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. Notwithstanding the foregoing, the Company shall have no liability to any Participant or any other person if an Option designated as an Incentive Stock Option fails to qualify as such at any time or if an Option is determined to constitute "nonqualified deferred compensation” within the meaning of Section 409A of the Code and the terms of such Option do not satisfy the requirements of Section 409A of the Code. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

6.1 Term. Subject to the provisions of Section 5.2 regarding Ten Percent Shareholders, no Incentive Stock Option shall be exercisable after the expiration of 10 years from the Grant Date. The term of a Non-qualified Stock Option granted under the Plan shall be determined by the Committee; *provided, however*, no Non-qualified Stock Option shall be exercisable after the expiration of 10 years from the Grant Date.

6.2 Exercise Price of an Incentive Stock Option. Subject to the provisions of Section 5.2 regarding Ten Percent Shareholders, the Option Exercise Price of each Incentive Stock Option shall be not less than 100% of the Fair Market Value of the Common Stock subject to the Option on the Grant Date. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

6.3 Exercise Price of a Non-qualified Stock Option. The Option Exercise Price of each Non-qualified Stock Option shall be not less than 100% of the Fair Market Value of the Common Stock subject to the Option on the Grant Date. Notwithstanding the foregoing, a Non- qualified Stock Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 409A of the Code.

6.4 Consideration. The Option Exercise Price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (a) in cash or by certified or bank check at the time the Option is exercised or (b) in the discretion of the Committee, upon such terms as the Committee shall approve, the Option Exercise Price may be paid: (i) by delivery to the Company of other Common Stock, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the Option Exercise Price (or portion thereof) due for the number of shares being acquired, or by means of attestation whereby the Participant identifies for delivery specific shares of Common Stock that have an aggregate Fair Market Value on the date of attestation equal to the Option Exercise Price (or portion thereof) and receives a number of shares of Common Stock equal to the difference between the number of shares thereby purchased and the number of identified attestation shares of Common Stock (a "**Stock for Stock Exchange**"); (ii) a "cashless" exercise program established with a broker; (iii) by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate Option Exercise Price at the time of exercise; (iv) by any combination of the foregoing methods; or (v) in any other form of legal consideration that may be acceptable to the Committee. Unless otherwise specifically provided in the Option, the exercise price of Common Stock acquired pursuant to an Option that is paid by delivery (or attestation) to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

Notwithstanding the foregoing, during any period for which the Common Stock is publicly traded (i.e., the Common Stock is listed on any established stock exchange or a national market system) an exercise by a Director or Officer that involves or may involve a direct or indirect extension of credit or arrangement of an extension of credit by the Company, directly or indirectly, in violation of Section 402(a) of the Sarbanes-Oxley Act of 2002 shall be prohibited with respect to any Award under this Plan.

6.5 Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.6 Transferability of a Non-qualified Stock Option. A Non-qualified Stock Option may, in the sole discretion of the Committee, be transferable to a Permitted Transferee, upon written approval by the Committee to the extent provided in the Award Agreement. If the Non- qualified Stock Option does not provide for transferability, then the Non-qualified Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.7 Vesting of Options. Each Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Committee may deem appropriate. The vesting provisions of individual Options may vary. No Option may be exercised for a fraction of a share of Common Stock. The Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any Award Agreement upon the occurrence of a specified event.

6.8 Termination of Continuous Service. Unless otherwise provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Committee, in the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (a) the date three months following the termination of the Optionholder's Continuous Service or (b) the expiration of the term of the Option as set forth in the Award Agreement; *provided that*, if the termination of Continuous Service is by the Company for Cause, all outstanding Options (whether or not vested) shall immediately terminate and cease to be exercisable. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Award Agreement, the Option shall terminate.

6.9 Extension of Termination Date. An Optionholder's Award Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service for any reason would be prohibited at any time because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act or any other state or federal securities law or the rules of any securities exchange or interdealer quotation system, then the Option shall terminate on the earlier of (a) the expiration of the term of the Option in accordance with Section 6.1 or (b) the expiration of a period after termination of the Participant's Continuous Service that is three months after the end of the period during which the exercise of the Option would be in violation of such registration or other securities law requirements.

6.10 Disability of Optionholder. Unless otherwise provided in an Award Agreement, in the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (a) the date 12 months following such termination or (b) the expiration of the term of the Option as set forth in the Award Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein or in the Award Agreement, the Option shall terminate.

6.11 Death of Optionholder. Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (a) the date 12 months following the date of death or (b) the expiration of the term of such Option as set forth in the Award Agreement. If, after the Optionholder's death, the Option is not exercised within the time specified herein or in the Award Agreement, the Option shall terminate.

6.12 Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds $100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-qualified Stock Options.

7. Restricted Awards. A Restricted Award is an Award of actual shares of Common Stock (" **Restricted Stock**"), which may, but need not, provide that such Restricted Award may not be sold, assigned, transferred or otherwise disposed of, pledged or hypothecated as collateral for a loan or as security for the performance of any obligation or for any other purpose for such period (the "**Restricted Period**") as the Committee shall determine. Each Restricted Award granted under the Plan shall be evidenced by an Award Agreement. Each Restricted Award so granted shall be subject to the conditions set forth in this Section 7, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement.

7.1 Restricted Stock. Each Participant granted Restricted Stock shall execute and deliver to the Company an Award Agreement with respect to the Restricted Stock setting forth the restrictions and other terms and conditions applicable to such Restricted Stock. If the Committee determines that the Restricted Stock shall be held by the Company or in escrow rather than delivered to the Participant pending the release of the applicable restrictions, the Committee may require the Participant to additionally execute and deliver to the Company (A) an escrow agreement satisfactory to the Committee, if applicable, and (B) the appropriate blank stock power with respect to the Restricted Stock covered by such agreement. If a Participant fails to execute an agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and stock power, the Award shall be null and void. Subject to the restrictions set forth in the Award, the Participant generally shall have the rights and privileges of a shareholder as to such Restricted Stock, including the right to vote such Restricted Stock and the right to receive dividends.

7.2 Restrictions

(a) Restricted Stock awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period, and to such other terms and conditions as may be set forth in the applicable Award Agreement: (A) if an escrow arrangement is used, the Participant shall not be entitled to delivery of the stock certificate; (B) the shares shall be subject to the restrictions on transferability set forth in the Award Agreement; (C) the shares shall be subject to forfeiture to the extent provided in the applicable Award Agreement; and (D) to the extent such shares are forfeited, the stock certificates shall be returned to the Company, and all rights of the Participant to such shares and as a shareholder with respect to such shares shall terminate without further obligation on the part of the Company.

(b) The Committee shall have the authority to remove any or all of the restrictions on the Restricted Stock whenever it may determine that, by reason of changes in Applicable Laws or other changes in circumstances arising after the date the Restricted Stock are granted, such action is appropriate.

7.3 Restricted Period. With respect to Restricted Awards, the Restricted Period shall commence on the Grant Date and end at the time or times set forth on a schedule established by the Committee in the applicable Award Agreement. No Restricted Award may be granted or settled for a fraction of a share of Common Stock. The Committee may, but shall not be required to, provide for an acceleration of vesting in the terms of any Award Agreement upon the occurrence of a specified event.

7.4 Delivery of Restricted Stock. Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock, the restrictions set forth in Section 7.2 and the applicable Award Agreement shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award Agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his or her beneficiary, without charge, the stock certificate evidencing the shares of Restricted Stock which have not then been forfeited and with respect to which the Restricted Period has expired (to the nearest full share) and any cash dividends or stock dividends credited to the Participant's account with respect to such Restricted Stock and the interest thereon, if any.

7.5 Stock Restrictions. Each certificate representing Restricted Stock awarded under the Plan shall bear a legend in such form as the Company deems appropriate.

8. Other Equity-Based Awards and Cash Awards The Committee may grant Other Equity- Based Awards, either alone or in tandem with other Awards, in such amounts and subject to such conditions as the Committee shall determine in its sole discretion. Each Equity-Based Award shall be evidenced by an Award Agreement and shall be subject to such conditions, not inconsistent with the Plan, as may be reflected in the applicable Award Agreement. The Committee may grant Cash Awards in such amounts and subject to such Performance Goals, other vesting conditions, and such other terms as the Committee determines in its discretion. Cash Awards shall be evidenced in such form as the Committee may determine.

9. Securities Law Compliance. Each Award Agreement shall provide that no shares of Common Stock shall be purchased or sold thereunder unless and until (a) any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Committee may require. The Company shall use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock upon exercise of the Awards; *provided, however*, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Awards unless and until such authority is obtained.

10. Use of Proceeds from Stock. Proceeds from the sale of Common Stock pursuant to Awards, or upon exercise thereof, shall constitute general funds of the Company.

11. Miscellaneous.

11.1 Acceleration of Exercisability and Vesting. The Committee shall have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

11.2 Shareholder Rights. Except as provided in the Plan or an Award Agreement, no Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Award unless and until such Participant has satisfied all requirements for exercise of the Award pursuant to its terms and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date such Common Stock certificate is issued, except as provided in Section 12 hereof.

11.3 No Employment or Other Service Rights. Nothing in the Plan or any instrument executed or Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate (a) the employment of an Employee with or without notice and with or without Cause or (b) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

11.4 Transfer; Approved Leave of Absence. For purposes of the Plan, no termination of employment by an Employee shall be deemed to result from either (a) a transfer of employment to the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another, or (b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the Employee's right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Committee otherwise so provides in writing, in either case, except to the extent inconsistent with Section 409A of the Code if the applicable Award is subject thereto.

11.5 Withholding Obligations. To the extent provided by the terms of an Award Agreement and subject to the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award, *provided, however*, that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax required to be withheld by law; or (c) delivering to the Company previously owned and unencumbered shares of Common Stock of the Company.

12. Adjustments Upon Changes in Stock. In the event of changes in the outstanding Common Stock or in the capital structure of the Company by reason of any stock or extraordinary cash dividend, stock split, reverse stock split, an extraordinary corporate transaction such as any recapitalization, reorganization, merger, consolidation, combination, exchange, or other relevant change in capitalization occurring after the Grant Date of any Award, Awards granted under the Plan and any Award Agreements, the exercise price of Options, the Performance Goals to which Cash Awards are subject, the maximum number of shares of Common Stock subject to all Awards stated in Section 4 will be equitably adjusted or substituted, as to the number, price or kind of a share of Common Stock or other consideration subject to such Awards to the extent necessary to preserve the economic intent of such Award. In the case of adjustments made pursuant to this Section 12, unless the Committee specifically determines that such adjustment is in the best interests of the Company or its Affiliates, the Committee shall, in the case of Incentive Stock Options, ensure that any adjustments under this Section 12 will not constitute a modification, extension or renewal of the Incentive Stock Options within the meaning of Section 424(h)(3) of the Code and in the case of Non-qualified Stock Options, ensure that any adjustments under this Section 12 will not constitute a modification of such Non-qualified Stock Options within the meaning of Section 409A of the Code. Any adjustments made under this Section 12 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

13. Effect of Change in Control.

13.1 Unless otherwise provided in an Award Agreement, notwithstanding any provision of the Plan to the contrary:

(a) In the event of a Change in Control, all outstanding Options shall become immediately exercisable with respect to 100% of the shares subject to such Options, and/or the Restricted Period shall expire immediately with respect to 100% of the outstanding shares of Restricted Stock.

(b) With respect to Cash Awards, in the event of a Change in Control, all incomplete Performance Periods in respect of such Awards in effect on the date the Change in Control occurs shall end on the date of such change and the Committee shall (i) determine the extent to which Performance Goals with respect to each such Performance Period have been met based upon such audited or unaudited financial information then available as it deems relevant and (ii) cause to be paid to the applicable Participant partial or full Awards with respect to Performance Goals for each such Performance Period based upon the Committee's determination of the degree of attainment of Performance Goals or, if not determinable, assuming that the applicable "target" levels of performance have been attained, or on such other basis determined by the Committee.

To the extent practicable, any actions taken by the Committee under the immediately preceding clauses (a) and (b) shall occur in a manner and at a time which allows affected Participants the ability to participate in the Change in Control with respect to the shares of Common Stock subject to their Awards.

13.2 In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least 10 days' advance notice to the affected persons, cancel any outstanding Awards and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per share of Common Stock received or to be received by other shareholders of the Company in the event. In the case of any Option with an exercise price that equals or exceeds the price paid for a share of Common Stock in connection with the Change in Control, the Committee may cancel the Option without the payment of consideration therefor.

13.3 The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to all or substantially all of the assets and business of the Company and its Affiliates, taken as a whole.

14. Amendment of the Plan and Awards.

14.1 Amendment of Plan. The Board at any time, and from time to time, may amend or terminate the Plan. However, except as provided in Section 12 relating to adjustments upon changes in Common Stock and Section 14.3, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy any Applicable Laws. At the time of such amendment, the Board shall determine, upon advice from counsel, whether such amendment will be contingent on shareholder approval.

14.2 Shareholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval.

14.3 Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees, Consultants and Directors with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Section 409A of the Code and/or to bring the Plan and/or Awards granted under it into compliance therewith.

14.4 No Impairment of Rights. Rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (a) the Company requests the consent of the Participant and (b) the Participant consents in writing.

14.5 Amendment of Awards . The Committee at any time, and from time to time, may amend the terms of any one or more Awards; *provided, however*, that the Committee may not affect any amendment which would otherwise constitute an impairment of the rights under any Award unless (a) the Company requests the consent of the Participant and (b) the Participant consents in writing.

15. General Provisions.

15.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant’s rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a termination of the Participant’s Continuous Service for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

15.2 Clawback. Notwithstanding any other provisions in this Plan, the Company may cancel any Award, require reimbursement of any Award by a Participant, and effect any other right of recoupment of equity or other compensation provided under the Plan in accordance with any Company policies that may be adopted and/or modified from time to time (**"Clawback Policy”**). In addition, a Participant may be required to repay to the Company previously paid compensation, whether provided pursuant to the Plan or an Award Agreement, in accordance with the Clawback Policy. By accepting an Award, the Participant is agreeing to be bound by the Clawback Policy, as in effect or as may be adopted and/or modified from time to time by the Company in its discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements).

15.3 Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

15.4 Sub-Plans. The Committee may from time to time establish sub-plans under the Plan for purposes of satisfying securities, tax or other laws of various jurisdictions in which the Company intends to grant Awards. Any sub-plans shall contain such limitations and other terms and conditions as the Committee determines are necessary or desirable. All sub-plans shall be deemed a part of the Plan, but each sub-plan shall apply only to the Participants in the jurisdiction for which the sub-plan was designed.

15.5 Deferral of Awards . The Committee may establish one or more programs under the Plan to permit selected Participants the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Participant to payment or receipt of shares of Common Stock or other consideration under an Award. The Committee may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Committee deems advisable for the administration of any such deferral program.

15.6 Unfunded Plan. The Plan shall be unfunded. Neither the Company, the Board nor the Committee shall be required to establish any special or separate fund or to segregate any assets to assure the performance of its obligations under the Plan.

15.7 Recapitalizations. Each Award Agreement shall contain provisions required to reflect the provisions of Section 12.

15.8 Delivery. Upon exercise of a right granted under this Plan, the Company shall issue Common Stock or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, for purposes of this Plan, 30 days shall be considered a reasonable period of time.

15.9 No Fractional Shares. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional shares of Common Stock or whether any fractional shares should be rounded, forfeited or otherwise eliminated.

15.10 Other Provisions. The Award Agreements authorized under the Plan may contain such other provisions not inconsistent with this Plan, including, without limitation, restrictions upon the exercise of Awards, as the Committee may deem advisable.

15.11 Section 409A. The Plan is intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless Applicable Laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six month period immediately following the Participant's termination of Continuous Service shall instead be paid on the first payroll date after the six-month anniversary of the Participant's separation from service (or the Participant's death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any additional tax or penalty on any Participant under Section 409A of the Code and neither the Company nor the Committee will have any liability to any Participant for such tax or penalty.

15.12 Disqualifying Dispositions. Any Participant who shall make a "disposition" (as defined in Section 424 of the Code) of all or any portion of shares of Common Stock acquired upon exercise of an Incentive Stock Option within two years from the Grant Date of such Incentive Stock Option or within one year after the issuance of the shares of Common Stock acquired upon exercise of such Incentive Stock Option (a "**Disqualifying Disposition**") shall be required to immediately advise the Company in writing as to the occurrence of the sale and the price realized upon the sale of such shares of Common Stock.

15.13 Section 16. It is the intent of the Company that the Plan satisfy, and be interpreted in a manner that satisfies, the applicable requirements of Rule 16b-3 as promulgated under Section 16 of the Exchange Act so that Participants will be entitled to the benefit of Rule 16b-3, or any other rule promulgated under Section 16 of the Exchange Act, and will not be subject to short-swing liability under Section 16 of the Exchange Act. Accordingly, if the operation of any provision of the Plan would conflict with the intent expressed in this Section 15.13, such provision to the extent possible shall be interpreted and/or deemed amended so as to avoid such conflict.

15.14 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any right under the Plan is to be exercised in case of such Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Committee and shall be effective only when filed by the Participant in writing with the Company during the Participant's lifetime.

15.15 Expenses. The costs of administering the Plan shall be paid by the Company.

15.16 Severability. If any of the provisions of the Plan or any Award Agreement is held to be invalid, illegal or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected thereby.

15.17 Plan Headings. The headings in the Plan are for purposes of convenience only and are not intended to define or limit the construction of the provisions hereof.

15.18 Non-Uniform Treatment. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who are eligible to receive, or actually receive, Awards. Without limiting the generality of the foregoing, the Committee shall be entitled to make non-uniform and selective determinations, amendments and adjustments, and to enter into non-uniform and selective Award Agreements.

16. Effective Date of Plan. The Plan shall become effective as of the Effective Date, but no Award shall be exercised (or, in the case of a stock Award, shall be granted) unless and until the Plan has been approved by the shareholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

17. Termination or Suspension of the Plan. The Plan shall terminate automatically on December 31st, 2031. No Award shall be granted pursuant to the Plan after such date, but Awards theretofore granted may extend beyond that date. The Board may suspend or terminate the Plan at any earlier date pursuant to Section 14.1 hereof. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

18. Choice of Law. The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of law rules.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVEOFFICER RULE13a-14(a)/15d-14(a) CERTIFICATIONS

I, Christian Gannon, certify that:

1. I have reviewed this Form 10-Q of 374Water Inc. for the quarterly period ending June 30, 2025;

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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer 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 controls 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 quarterly 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer 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 function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: August 12, 2025

By: */s/ Christian Gannon*
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER RULE13a-14(a)/15d-14(a) CERTIFICATIONS

I, Russell Kline, certify that:

1. I have reviewed this Form 10-Q of 374Water Inc. for the quarterly period ending June 30, 2025;

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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer 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 controls 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 quarterly 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer 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 function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: August 12, 2025

By: */s/ Russell Kline*
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVEOFFICER AND PRINCIPAL FINANCIAL OFFICER
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 Form 10-Q of 374Water Inc. for 374Water Inc., (the "Company") for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christian Gannon, Chief Executive Officer, of the Company certify pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 12, 2025

By: */s/ Christian Gannon*
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION OF PRINCIPAL EXECUTIVEOFFICER AND PRINCIPAL FINANCIAL OFFICER
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 Form 10-Q of 374Water Inc. for 374Water Inc., (the "Company") for the period ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Russell Kline, Chief Financial Officer, of the Company certify pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 12, 2025

By: */s/ Russell Kline*
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.