

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

Commission File No. 000-27866

374WATER INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

88-0271109

(I.R.S. Employer
Identification No.)

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

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	Name of each exchange on which registered
Common Stock, \$0.0001 par value	SCWO	Nasdaq Stock Market

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act.

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

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

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and ask prices of such stock equity, as of June 30, 2025, the last business day of the issuer's most recently completed second fiscal quarter: \$27.4 million.

As of March 27, 2026, the number of outstanding shares of common stock, \$0.0001 par value per share, of the registrant was 17,441,368.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2026 annual meeting of stockholders (the "2026 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2026 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the year to which this report relates.

374WATER INC.
Annual Report on Form 10-K
Year Ended December 31, 2025

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PART I

ITEM 1. BUSINESS.

Overview

374Water Inc. (the "Company", "374Water", "We", or "Our") is a cleantech and environmental services company developing supercritical water oxidation technology ("SCWO") for the destruction of organic waste streams within the municipal, federal, and industrial markets. 374Water offers our proprietary AirSCWO technology, which is designed to 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 is designed to eliminate recalcitrant organic wastes without creating waste byproducts, as well as to simplify existing, complex waste processing and disposal practices. Our AirSCWO technology is designed to effectively convert solid and liquid wastes such as sewage sludge, biosolids, food waste, hazardous and non-hazardous waste, including "forever chemicals" (e.g., "per- and polyfluoroalkyl substances" or "PFAS") into inert and recoverable resources including water, minerals, and heat energy.

374Water made significant commercial and technological progress throughout the 2025 fiscal year. We continue to make technological breakthroughs in processing solids and slurries, as well as liquid waste streams across three main market sectors – industrial, municipal, and federal. Throughout the year we established our Waste Destruction Services ("WDS") hub at the City of Orlando's Iron Bridge Water Reclamation Facility, deployed a commercial AirSCWO system to Detroit, MI, for a six week Department of Defense ("DoD") Destruction Demonstration of six PFAS-impacted waste streams, deployed our mobile AirSCWO lab to Peterson Space Force Base in Colorado, and tested waste streams from several clients, including major oil and gas companies, multi-national chemical and pharmaceutical companies, the United States DoD and defense contractors, and resource recovery companies, at our laboratory in the Research Triangle, North Carolina.

Recent business highlights underscore the Company's continued effort to increase capacity to address multiple significant markets, and include winning an award for and commencing the destruction of 1,000 gallons of Aqueous Film Forming Foam ("AFFF") from the University of North Carolina at Chapel Hill Collaboratory; completion of WDS field demonstrations of an AS system at Clean Earth's Detroit, MI in partnership with the DoD, led by the Defense Innovation Unit ("DIU") in collaboration with Environmental Security Technology Certification Program ("ESTCP"), to evaluate commercial-scale technology solutions to destroy per- and polyfluoroalkyl ("PFAS") contaminated wastes; a collaboration agreement with Crystal Clean to locate 374Water's AirSCWO technology at one of their RCRA-permitted facilities to destroy various PFAS waste streams; and an agreement with the city of Olathe, KS for the sale of an AirSCWO system and pre-treatment equipment with an associated service agreement for the treatment of PFAS-impacted wastewater and other waste streams.

As we begin 2026, we have already secured additional contracts for Waste Destruction Services, made technological advances to better address the demand and needs of customers and partners across market segments, and continue to capitalize our business to establish 374Water as a leader in developing waste destruction industry and the unique abilities of AirSCWO to unlock tremendous value.

During 2026, we expect to design and scale our AirSCWO systems to handle larger capacities of slurries and liquid wastes; build out our Waste Destruction Services hub at the City of Orlando's Iron Bridge Water Reclamation Facility; begin to receive and destroy significant volumes of PFAS wastes to our WDS hub; deploy our team and technology to Orange County Sanitation District ("OC San") in Fountain Valley, CA; deploy our mobile AirSCWO system to St. Cloud, MN, to demonstrate its effectiveness destroying PFAS-laden biosolids and other PFAS wastes; negotiate additional Treatment, Storage, and Disposal Facility ("TSDF") partnerships to expand our WDS hubs; and grow our manufacturing, operations, and research and development ("R&D") capacity as we lead the industry towards SCWO.

Our Technology

374Water has developed AirSCWO, a proprietary waste destruction/treatment system which harnesses the power of supercritical water oxidation ("SCWO"). AirSCWO leverages the unique properties of water in its supercritical phase (above 374°C and above a barometric pressure of 221 Bar). The supercritical phase of water has unique properties, which when combined with air, destroys organic "wastes" by oxidizing organic matter and yielding recoverable energy, minerals, and water. Our AirSCWO technology platform sits at the heart of our waste destruction solutions. The effectiveness of AirSCWO has been demonstrated on a wide variety of organic waste streams at commercial and laboratory scale with waste destruction results at or above 99.95%.

Our AirSCWO technology has treated a wide variety of non-hazardous and hazardous slurries and liquid organic wastes. Our technology can effectively process solid wastes, which can be pre-processed into slurries for treatment, including wastewater sludges and biosolids, spent granular activated carbon ("GAC"), spent ion exchange resins ("IX"), and hard-to-degrade plastics, to name a few. In addition, our technology can process liquid wastes such as AFFF used in firefighting, landfill leachate, light-non-aqueous phase liquid ("L-NAPL"), military wastes, industrial solvents, oily sludges, pharmaceuticals, foam fractionate streams, pesticides, and other industrial wastes, to name a few. AirSCWO has been shown to treat (destroy) wastes to levels at or below regulatory standards, significantly reduce or eliminate disposal costs, remove operational process bottlenecks, and reduce liabilities and other risks associated with waste management.

Our AirSCWO system is designed to be a continuous flow waste destruction process with a unique system design that includes highly efficient energy recapture technology, to minimize overall energy demand and maximize reusable energy. Our AirSCWO system testing has demonstrated that our systems can run continuously at commercial scale with periodic stops for routine maintenance. We continue to increase capacity and decrease the duration frequency of maintenance downtime, to increase process efficiency in our AirSCWO systems. The technology we continue to refine and innovate is designed to address business operations and environmental challenges, which we believe have been inadequately addressed and poorly resourced until now. We believe 374Water's AirSCWO technology is a paradigm-shift across sectors of waste management.

Products and Services

AirSCWO Solutions

374Water's ability to provide scaled waste destruction solutions is a significant differentiator across waste treatment and destruction providers. We intend to offer multiple commercial-scale AirSCWO system models and corresponding pre- and post-treatment technologies to fully support end customers' organic waste destruction needs.

Our fleet and product offering currently includes a mobile, trailered AS system for rapid deployment into non-permanent or low-infrastructure settings. This system is designed to process over 700 kg per day of wet waste and is ideal for onsite demonstrations, event cleanups, and down-scaled WDS deployments.

Our modular AS systems, used for both WDS operations and permanent or semi-permanent onsite customer integrations is designed to scale between six (6) and ten (10) tons per day and is well-suited for smaller municipal, federal, and industrial sites. We currently have two AS systems, one is already operating in Orlando, FL and the second is anticipated to be delivered to OC San upon completing a factory acceptance test.

The Company's product road map includes scaling the design and operations of the AS systems to address customer needs and requirements for increased capacity. We are aggressively undertaking R&D efforts to scale our system capacity safely and effectively to 20+, 30+, and 50+ tons per day in the near- to mid-term, and see the demand for systems exceeding 100+ tons per day in both our WDS and capital sale offerings.

All AirSCWO systems are designed to be flexible solutions to meet the specific needs of municipal, federal, and industrial customers. Our AirSCWO systems are designed to augment or replace conventional waste management infrastructure or be the sole waste destruction solution. In addition, our AirSCWO systems are designed to operate in parallel, thereby allowing customers to easily and efficiently expand or contract waste destruction capacity needs, as necessary.

Pre- and Post-Treatment Solutions

We offer, as part of a broader solution package, ancillary equipment to pre-treat the inlet waste stream and post-treat the byproduct stream, depending on the application. Such solutions may be developed by the Company, or by its strategic partners, to provide a complete solution and integrated treatment train.

Our pre-treatment packaged systems are designed to condition waste streams to meet the AirSCWO inlet requirements (e.g., water percentage, total dissolved solids, particulate size, calorific content, etc.). Our pre-treatment systems are installed upstream of our AirSCWO system to ensure system waste destruction processing performance.

Our post-treatment packaged systems are designed to enhance the system outputs value (e.g., carbon dioxide utilization or sequestration, minerals recovery and upgrade, water purification, and energy recovery/recycling, etc.). Our post-treatment systems are installed downstream of our AirSCWO system to improve performance and byproduct valorization.

Waste Destruction Services ("WDS")

During 2024, we announced the launch of our WDS business. Along with select capital sales and service contracts, WDS provides our customers with a fit-to-need waste destruction service without significant capital investment. Our WDS business is based on a partner model with: (1) Wastewater facilities, (2) Industrial facilities, and (4) RCRA Part B permitted TSDFs. These partnerships may take the form of operational joint ventures and/or service provider models.

We established our first WDS operations in 2025 at the City of Orlando's Iron Bridge Water Reclamation Facility. Throughout the course of 2026 and beyond we plan to make system upgrades, as well as adding additional systems, to increase our WDS capacity.

We expect our WDS facility to not only serve as a revenue generator as we receive and destroy customer waste, but a proving ground for our R&D teams to test technology improvements before including these in our capital sale product offerings.

Laboratory & Testing Services

374Water provides extensive AirSCWO waste destruction laboratory and testing services to municipal, federal, and industrial clients. Our laboratory also serves as an integral part of our R&D efforts.

Our lab conducts AirSCWO waste destruction treatability evaluations for prospective clients on a wide range of waste streams. These waste destruction evaluations demonstrate the destruction efficacy of our AirSCWO solution to support operations and solutions design.

Our lab also provides us with rapid analysis, characterization, and treatment parameters to support full-scale waste destruction operations. We use our lab-scale system as guidance to continually optimize our AirSCWO process for improved performance and customized operations for unique client wastes.

Operations & Maintenance Services

Our AirSCWO operations team is highly trained and professional, with significant experience working closely with customer teams. We offer comprehensive, professional, full system operations, customer training and integration, and on-demand support and maintenance. We have a fully equipped and skilled field team capable of installing, integrating, and operating our AirSCWO systems in a vast range of settings and for different applications.

Markets and Industries

Waste Processing Technology Conversion

The municipal, federal, and industrial market verticals seek alternatives to existing waste treatment, processing, and disposal processes which primarily transport, transform, concentrate, and/or partially destroy wastes often shifting - not eliminating - the burden and liability. 374Water's AirSCWO technology aims to achieve maximum destruction of organic wastes with the intent of eliminating residual pollutants, operational burden, and liability.

Primary demand drivers for waste destruction include excessive costs and operational burden of current disposal practices, the desire for waste destruction at the point of generation, outdated and/or inadequate waste disposal infrastructure, poor waste disposal processes or options, increasing quantity/complexity of waste streams, public health, existing and anticipated State and Federal regulations, liability threat from contaminant of emerging concern ("CECs"), resource scarcity, corporate sustainability targets, commodity prices, climate change, and energy security.

We believe our AirSCWO solutions provide unique value propositions that support rapid market adoption across various verticals and applications. These differentiators include:

- Continuous waste processing design, with scalable throughput and high energy efficiency;
- Effective destruction of emerging contaminants such as PFAS, 1,4 Dioxane, microplastics, pharmaceuticals, and other CECs;
- The generation of recoverable and usable heat energy, paired with highly efficient energy recapture technology, to minimize overall energy demand and maximize reusable energy; and
- On-site waste treatment solutions that reducing haulage and transportation needs, associated greenhouse gas emissions, hauling liability, and waste disclosures.

Municipal Market Vertical

The global municipal water and wastewater treatment market was estimated to be more than \$347 billion annually in 2024, growing at a Compound Annual Growth Rate (CAGR) of approximately 7.5%. The U.S. water and municipal wastewater management market, which is our near-term focus, includes approximately 152,000 water utilities, 16,000 wastewater treatment facilities, 3,000 capped and uncapped landfills, and more than 52,000 state and local firefighting units. All these facilities have waste streams which must be managed, disposed of, and/or destroyed. We believe our AirSCWO technology is well positioned to provide a compelling waste destruction solution to these markets.

Water Utilities: Water utilities are increasingly impacted by contaminants such as PFAS, microplastics, and pharmaceuticals, leading to widespread adoption of treatment methods like GAC and IX to filter these contaminants. As these materials become saturated with PFAS and other pollutants, we believe technologies like AirSCWO are essential for safely destroying the spent GAC and spent IX, offering a more complete solution for PFAS management.

Wastewater Treatment Facilities: Wastewater facilities treat sludge wastes. Sludge is a semi-solid by-product obtained from the treatment of residential and commercial or industrial wastewater. Municipal sludge is typically treated in large biological treatment processes which generates a final residue known as biosolids and is generally high in organic material. Sludge and biosolids management is a key part of any wastewater treatment process. Those residual streams are ideal applications for our AirSCWO technology as current treatment and disposal methods are becoming increasingly costly, scrutinized by regulators, and operationally infeasible.

Landfills: Landfill Leachate is a liquid that forms when water percolates through waste material in a landfill, picking up various dissolved and suspended substances. This contaminated liquid is a result of rainfall, surface runoff, and decomposing waste within the landfill, which can include organic material, chemicals, heavy metals, pathogens, and biosolids.

State and Local Fire Departments: AFFF is a significant source of PFAS. Full-scale removal and disposal of AFFF firefighting foam, is now underway at the State and Municipal government levels. Sixteen U.S. states currently operate AFFF take-back programs to enable fire departments to safely dispose of firefighting foam. These programs enable fire departments and agencies to return obsolete, used or unused AFFF stocks, which are then safely stored and processed for disposal.

Federal Market Vertical

The U.S. federal waste management market is estimated at \$15 billion. The federal market includes 723 DoD sites which require PFAS assessment, 53 Department of Energy ("DoE") sites, and 150 airports under the oversight of the Federal Aviation Agency ("FAA"). Federal agencies have stockpiles of contaminated waste streams such as AFFF (firefighting foam), chemicals, narcotics, biosolids, filtration media (GAC and IX), hydrocarbons and other wastes which must be stored, treated, disposed of, or preferably destroyed. Federal agencies are actively and aggressively seeking the best destruction solutions to eliminate these contaminated waste streams. We believe our AirSCWO technology, along with our developing partnerships and business model position 374Water to provide a compelling waste destruction solution to these markets.

Department of Defense: To date, the DoD has determined that 574 military installations will require PFAS-focused environmental remediation. Recent site clean-up estimates exceed \$29 billion for PFAS contamination and other organic wastes in the aggregate. The Army Corp of Engineers has begun to award task order contracts to remove and dispose of PFAS-contaminated fire-fighting equipment foam at US military facilities. We also see growing demand for the destruction of PFAS-contaminated filtration media, such as GAC and IX, waste streams that are used in the filtration of wastewater and soil washing at DoD facilities. We are working directly with U.S. military services to demonstrate the efficacy of destruction and performance scale of the AirSCWO system. Additional destruction projects are contracted into 2026. We expect Bipartisan Congressional support for funding the remediation of PFAS-contaminated military facilities will continue; although there is no short-term certainty whether the funds will be cut or increased.

Department of Energy: The DoE spends approximately \$8 billion annually to treat hazardous waste. In 2024 the DOE spent \$455M on PFAS-contaminated wastes including the treatment of radioactive, PFAS-contaminated biosolids. Landfills, fire departments, water treatment plants, Cold War-era liquid waste discharges, and fire training facilities are the top five PFAS-contaminated sites. DOE has identified 53 contaminated facilities that require further investigation and remediation.

Federal Aviation Agency: Like the DoD, the use of AFFF to extinguish fires at civil airports is coming to an end with the FAA directing airports to migrate to the new Military Standard Fluorine Free Foam ("F3"). To facilitate this process the FAA Reauthorization Act of 2024 included \$350 million for the PFAS Replacement Program for Airports to support the transition to F3. While the focus of this five-year program is for equipment replacement, funds from this grant can also be spent on AFFF clean up and disposal. We are following FAA and airport interest in environmental remediation closely, working with partners and ready for AAAF destruction opportunities.

Industrial Market Vertical

The global industrial waste management market for specific sectors (O&G, Chemicals, Battery Recycling and Pharmaceuticals & Healthcare) is estimated at \$144.5 billion in 2025, with the United States accounting for 33.4% of this total valuation. Driven by stringent regulations and battery recycling, the market is projected to grow at a CAGR of 6.74% over the next ten years.

Treatment, Storage, and Disposal Facility Market Vertical

The United States Resource Conservation and Recovery Act (the "RCRA") Part B permitted TSD market includes more than 860 sites in the U.S. As part of our growth strategy, we are engaging with TSD market participants to establish one or more waste destruction sites to service customers within our three core markets, municipal, federal, and industrial, and provide a WDS offering which we believe will enable us to generate recurring service revenues. We seek to partner with TSDs who are known to our customers, have experience in non-hazardous and hazardous waste treatment, and have appropriate local, state and federal operating permits. We believe our AirSCWO technology is well positioned to provide a compelling waste destruction solution to TSD market participants.

374Water is targeting high value markets that we expect will contribute to the Company's revenue and thereby help fuel our growth plans. Table 1 below shows near-term target markets, their subsegments, and the relevant applications associated with those markets.

Sales and Marketing

Our business development and sales team offer our products through capital sales, joint development agreements, and waste destruction services to municipal, federal, and industrial customers. Our municipal efforts focus on building trust and strong working relationships with state and local municipal water and wastewater leaders directly responsible for waste handling and processing operations. Our federal efforts focus on establishing credibility and strong relationships with Government experts, Congressional leaders, and civilian and military officials directly responsible for addressing PFAS waste streams in the DoD, DOE, and FAA. Government officials have personally visited our facilities and observed firsthand the destruction of multiple PFAS-contaminated waste streams. Our industrial efforts are focused on fielding inbound requests for engagement, lab and full-scale waste destruction demonstrations across multiple industrial sub-verticals.

During 2026, we intend to generate ongoing revenue from WDS operations and capital sale partnerships. Specifically, we intend to fill our WDS capacity at our Orlando hub, deliver and operate at OC San, and begin fabrication of the system destined for Olathe, KS. We believe we are well positioned to deliver our commercial-scale AirSCWO solutions. Municipal officials remain eager to begin waste destruction operations and have expressed interest in capital purchase and WDS models. Federal government officials have plans to remove and destroy PFAS and other wastes from numerous military and civilian facilities and have appropriated hundreds of millions of dollars to perform waste destruction work. We believe we are well positioned to secure government work. Finally, we are actively pursuing strategic partnerships with industrial partners, TSDFs, to establish WDS operations.

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Our product marketing approach includes maintaining a strategic presence at water, wastewater, federal, and industrial industry events. Our marketing approach is multi-pronged with three areas of focus: (1) education and distribution of information, (2) research and development including the publishing of destruction results, and (3) industry-recognized thought leadership. We believe our approach is effective at calling potential customers and partners to action as decisions are increasingly based on triple-bottom line metrics and providing essential services to communities and customers.

We are actively exploring partnerships and strategic transactions to further support and advance our R&D and market reach. These initiatives are aimed at unlocking new opportunities, strengthening our market position, and accelerating the adoption of our groundbreaking solutions. We believe that combining our technology and expertise with that of complementary partners will allow us to expand our reach and drive the advancement and adoption of our waste destruction technology.

In the future, we intend to further expand our sales and marketing teams to more fully service the municipal, federal and industrial markets across North America. In addition, we plan to further expand these efforts into international markets.

Manufacturing

As of December 31, 2025, our products, including our AirSCWO, pre-treatment, and post-treatment systems are designed, manufactured, assembled, and tested in our state-of-the-art facility located at the Iron Bridge Regional Water Reclamation Facility in Oviedo, Florida. As of the first quarter of 2026, our manufacturing capabilities have included: CNC Plasma cutting of pipe and sheet stock, 5 axis milling, pipe bending, CAD/CAM, sheet metal forming, MIG, TIG, Stick welding, electrical design and panel build, as well as full system integration and testing.

We obtain raw materials, as well as processed, and pre-assembled components from various suppliers to support our manufacturing operations. A limited number of these suppliers are single source to maintain consistent quality and support product development. We have qualified redundant source(s) to ensure consistent supply for many critical materials and manufactured components.

Research, Development & Engineering

We focus our research, development and engineering ("RD&E") activities on improving the performance of and expanding the use cases of our AirSCWO technology. Our investments in RD&E are mainly focused on (1) enhancing the throughput, durability, and operability of our AirSCWO technology; (2) developing pre- and post-treatment systems; (3) applying our technology to new markets; and (4) fundamental research into new applications of our technology in existing and new markets.

We believe our focus on throughput, durability and operability will allow us to provide solutions that can scale to meet the demands of customers. In addition to throughput, we also dedicate our RD&E effort to expanding the markets and use cases our AirSCWO system can support, for example applying our AirSCWO technology to new markets such as oil and gas, battery recycling and pharmaceuticals. Our goal is to provide customers with the flexibility to manage and destroy a broader spectrum of waste materials.

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Through our RD&E investment, we are aiming to make it more economical for our customers to handle waste disposal on a larger scale, driving down costs and contributing to more sustainable waste management practices. We aim to be a leading waste destruction solution through this combination of higher throughput, versatility and cost-efficiency.

Intellectual Property

We seek patent protection for new technologies, inventions, and improvements that are likely to be incorporated into our AirSCWO, pre-treatment, and post-treatment solutions. We rely on patents, trade secret laws, and contractual safeguards to protect our proprietary technology, processing techniques, and other know-how used in the design and operations of our systems.

We have a robust, and growing, intellectual property ("IP") portfolio consisting of U.S. and international patents and trademarks. We have designed an intellectual property strategy to advance our competitive edge and disruptive position in the market. As of December 31, 2025, we have four (4) pending U.S. non-provisional applications, six (6) provisional filings, and three (3) pending Patent Cooperation Treaty (PCT) applications. Additionally, we have 3 utility patent applications in process, and intend to file additional patent applications in 2026.

Duke University License Agreement

On April 16, 2021, we entered into a License Agreement (the "License Agreement") with Duke, pursuant to which Duke has granted us a license (with the right to grant sublicenses) to make, have made, import, use, market, offer for sale and sell certain licensed products and to sell, use and/or provide certain licensed processes, for water and waste treatment. 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. The Company is also required to pay royalties on a percentage of sublicensing fees.

Competition

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 additional and enhanced products and services. Our AirSCWO systems have proven capable of successfully processing a wide variety of challenging organic non-hazardous and hazardous solid and liquid wastes. While we believe technology will continue to prove more efficient and economical with higher treatment throughput, and lower operating costs than our competition, we expect competition to increase. We compete with other SCWO technology providers, other emerging technology providers (e.g., plasma and electrochemical oxidation), as well as anaerobic digestion, landfilling, drying and incineration, lagoon and spray-fields, lime stabilization, and others.

We compete primarily based on our product offering, quality of service and price. From time-to-time, our competitors may reduce the price of their services in an effort to win a competitively bid contract. Our ability to maintain and increase prices in certain markets may be impacted by our competitors' pricing policies. This may have an effect on our future revenue and profitability.

Government Regulations

Our operations and AirSCWO system may be subject to various U.S. federal, state and local laws and regulations and requirements governing the protection of the environment, public health and safety, and other matters.

For example, the construction and operation of our AirSCWO systems may require obtaining air permits from various states or, alternatively, obtaining a formal determination from a state that a permit is not required. The federal Clean Air Act, as amended ("CAA"), and comparable state laws and regulations, regulate emissions of various air pollutants through the issuance of permits and the imposition of other requirements. The U.S. Environmental Protection Agency ("EPA") has developed, and continues to develop, stringent regulations governing emissions of air pollutants at specified sources. We may be required to obtain permits for our facilities before we can operate our facilities, and we may incur one-time and recurring costs to achieve or maintain compliance with any EPA regulations and similar laws. These laws and regulations may increase our compliance costs, and federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the federal CAA and associated state laws and regulations. Obtaining or renewing permits has the potential to delay the development, production, and deployment of our products, including our AirSCWO systems.

We may also be required to obtain state and local treatment works approval to install our AirSCWO systems if a unit is connected to a system, which is permitted pursuant to the United States National Pollutant Discharge Elimination Systems Act ("NPDES"), which governs the discharge of pollutants into navigable waters of the U.S.

In the event our AirSCWO systems are used to treat metals, the resulting mineral stream may constitute heavy metals under the RCRA. These regulations impose detailed requirements for the handling, storage, treatment and disposal of hazardous waste. If the mineral stream resulting from treatment of metals with our AirSCWO systems were deemed to be hazardous waste under the RCRA, such waste would be subject to the requirements of the RCRA. If the operators of our AirSCWO units are treating hazardous waste, such operators may be required to obtain special hazardous waste technician training. We may incur training costs, monitoring costs, and remediation costs in relation to such regulations.

Additionally, our AirSCWO systems may be regulated pursuant to the United States Occupational Safety and Health Act ("OSHA") and thereby be subject to inspections thereunder. For instance, OSHA's hazard communication standard requires that information be maintained about hazardous materials used or produced in operations and that this information be provided to employees, state and local government authorities and citizens, which could result in increased compliance costs. We intend that our operations and AirSCWO systems will be in material compliance with, and in many cases surpass, minimum standards required by applicable laws and regulations.

Human Capital and Culture

As of December 31, 2025, we employed 48 full-time employees and 7 contractors.

We have made a significant investment in our people and recognize and value our team as our most important asset in achieving our strategic goals. We are working towards a human resources strategy that will help drive the right culture, leadership, talent management, performance, reward and recognition, personal development, and ways of working to ensure the Company achieves its objectives and our people benefit from an exceptional experience.

Our focus areas in creating a working environment that draws out the best in our employees and supports the Company objectives are as follows:

- 1) Attract, identify, develop and retain high-performing talent across all parts of the company.
- 2) Develop and support the growth of leadership.
- 3) Enable the development of a high-performance culture where staff performance can be supported, rewarded, enhanced and managed effectively.
- 4) Develop a market-based total reward approach, which is valued by staff, and supports retention of our employees.
- 5) Provide excellent core HR services across all business areas to enable the effective operation of the organization.

Our goal is to ensure we have the right talent in the right seat to enable the organization to execute on our strategic objectives. Our recruitment strategy is based on identifying top talent, predominantly via existing networks and referrals, and offering competitive remuneration packages that combine salary, benefits and equity. We intend to apply a wide range of retention initiatives that include rewarding high-performance and opening opportunities for progression and career development. Identification of high-performing talent will be linked to succession planning and development of the future-workforce will be embedded in employee professional development schemes.

We are setting clear standards with respect to generating an open and transparent working environment in which everyone has a voice. This will include effective personal development discussions, and provide the opportunity to conduct performance reviews supported by clear performance objectives, transparent data, and open conversation.

Corporate Information

374Water Inc. is a Delaware corporation which was incorporated in Delaware as Vyrex Corporation in September 2005. At that time, the Company was focused on developing, commercializing and marketing a series of unique electric generating power systems designed to produce electrical power with zero emissions or waste byproducts, based on a pressure-driven expander motor and related organic rankine cycle technology. Following the acquisition of PowerVerde, Inc. in 2008, Vyrex Corporation's name was changed to PowerVerde, Inc.

On April 16, 2021, the Company entered into an Agreement and Plan of Merger (the "Merger") with 374Water Inc., a privately held company based in Durham, North Carolina, and 374Water Acquisition Corp., a newly-formed wholly-owned subsidiary of PowerVerde, Inc. Following the Merger, the Company's name was changed to 374Water Inc.

374Water offers proprietary AirSCWO technology, 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 is designed to eliminate recalcitrant organic waste without creating waste byproducts, as well as to simplify existing, complex waste processing and disposal practices. Our AirSCWO technology is designed to effectively convert 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 inert and recoverable resources including water, minerals, and heat energy. Our vision is a world without waste and our mission is to destroy organic waste for a cleaner tomorrow.

Our principal executive offices are located at 100 Southcenter Court, Suite 200, Morrisville, North Carolina, 27560, telephone number (440) 601-9677. Our website address is www.374water.com. References to our website and any information contained therein or connected thereto are not intended to be incorporated by reference into this report and should not be considered a part of this report, and the referenced websites are not intended to act as active hyperlinks.

FORWARD-LOOKING STATEMENTS

Prospective investors are cautioned that the statements in this annual report on Form 10-K (the "Report") that are not descriptions of historical facts may be forward-looking statements that are subject to risks and uncertainties. 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, as they relate to 374Water, are intended to identify such forward-looking statements. Although 374Water believes 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 this Report or other factors. We must caution, however, that these 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 374Water and our ability to achieve our objectives. All forward-looking statements attributable to 374Water or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above.

INDUSTRY AND MARKET DATA

Certain industry data and market data included in this Annual Report were obtained from independent third-party surveys, market research, publicly available information, reports of governmental agencies, and industry publications and surveys. Third-party industry publications, research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. All of the industry data, market data and related estimates used in this Annual Report involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such data and estimates.

We are responsible for all of the disclosures in this Annual Report, and while we believe that each of the publications, research, surveys and studies included in this Annual Report are prepared by reputable sources, we have not independently verified market and industry data from third-party sources. In addition, while we believe our internal company research and estimates are reliable, such research and estimates have not been verified by independent sources. You should carefully consider the inherent risks and uncertainties associated with the market and other industry data contained in this Annual Report. Assumptions and estimates of our and our industry's future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors." These and other factors could cause results to differ materially from those expressed in the estimates made by independent parties and by us.

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 for the year ended December 31, 2025.

SUMMARY 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.
- We have experienced management turnover, including turnover of our top executives, which creates uncertainties and could have an adverse effect on our business.
- 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.

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. Our revenues to date are primarily from the sale of one AirSCWO system. 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. 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.

We have experienced management turnover, including turnover of our top executives, which creates uncertainties and could have an adverse effect on our business.

Our success depends, in large part, on the continued services of our senior management team and on our ability to attract, motivate, develop, and retain a sufficient number of other highly qualified personnel. The loss of any one or more members of our senior management team, for any reason, could impair our ability to execute our business strategy and have a material adverse effect on our business, financial condition, and results of operations.

Recently, we have experienced significant changes in our executive leadership as part of our Company restructuring. Effective as of October 8, 2025, Christian Gannon stepped down as the Company's President and Chief Executive Officer and Peter Mandel stepped down as the Company's General Counsel. The Board of Directors (the "Board") appointed Stephen J. Jones, a former director of the Company, as the Company's Interim President and Chief Executive Officer effective as of October 8, 2025. On February 23, 2026, Danny Bogar was appointed as the Company's President and Chief Executive Officer and Stephen Jones resigned as Interim President and Chief Executive Officer. On March 2, 2026, the Company appointed Adrienne Anderson as its Interim Chief Financial Officer to replace Russell Kline, whose employment as the Company's Chief Financial Officer was terminated effective as of March 2, 2026.

Although we have endeavored to implement these management transitions in a non-disruptive manner, such transitions can be inherently difficult to manage and may hamper our ability to meet our financial and operational goals. Such changes may also give rise to uncertainty among our customers, investors, vendors, employees and others concerning our future direction and performance. Any of the foregoing could result in significant disruptions to our operations and may adversely affect our financial condition, results of operations, cash flows and ability to execute on our business plans.

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, including as a result of changes in our executive leadership as part of our company restructuring, then our development, including the establishment of revenues and our sales and marketing activities would be materially and adversely affected. We have recently replaced our management team, including our Chief Executive Officer and Chief Financial Officer. As described in "Item 1. Business" above, 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 new 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 young, there is limited historical basis upon which to evaluate our ability to successfully execute on our business strategies at scale, 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.

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.

Given the early stage of our Company and significant changes in executive team, we have limited full-time accounting and financial reporting personnel and other resources with which to address our internal controls and related procedures. We recently experienced significant changes in our Chief Financial Officer position. On March 2, 2026, the Company appointed Adrienne Anderson as its Interim Chief Financial Officer to replace Russell Kline, whose employment as the Company's Chief Financial Officer was terminated effective as of March 2, 2026. For the fiscal year ended December 31, 2025, we and our independent registered public accounting firm have identified material weaknesses in our internal controls over financial reporting related to our ongoing personnel limitations and changes. 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. We are working to further expand our financial reporting personnel and replace our former CFO to strengthen our internal controls processes. However, 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 "Item 9A. 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 proprietary 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 United States 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, product liability, and the termination of former executive officers. 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.

In 2025, President Trump issued executive orders announcing sweeping tariffs on products originating from certain countries and jurisdictions, including Canada, Mexico and China and in some cases threatened to impose additional tariffs. In February 2026, the U.S. Supreme Court ruled that many of the tariffs recently imposed by the United States government exceeded its authority, thereby invalidating many, but not all, of such tariffs. Subsequent to the U.S. Supreme Court's ruling, the Trump administration raised potential alternative means through which the administration could impose tariffs and subsequently imposed a global tariff under a different law. The outlook on further trade policy actions, including trade agreements and potential retaliatory tariffs is unclear.

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. For example, Canada has imposed 25% tariffs on specific U.S.-origin products, including steel and aluminum. China has also retaliated with tariffs on certain U.S.-origin products and trade and investment restrictions on certain U.S. companies.

The potential imposition of increased tariffs are in addition to existing duties and other tariffs, including existing 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.

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 ("ATM") equity offering, 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.

As of the date of this Annual Report, the aggregate market value of our outstanding common stock held by non-affiliates, or the public float, was approximately \$39,144,000, which was calculated based on 11,184,116 outstanding shares of the Company's common stock held by non-affiliates at a price of \$3.50 per share, the closing price of our common stock on March 25, 2026, as reported on Nasdaq. Pursuant to General Instruction I.B.6 of Form S-3, or the "baby shelf" rules, in no event will we sell securities registered on our Form S-3 registration statement, including under our at-the-market equity offering, with a value of more than one-third of the aggregate market value of shares of our common stock held by non-affiliates in any 12-month period, so long as the aggregate market value of shares of our common stock held by non-affiliates is less than \$75 million. After giving effect to the approximate \$13,000,000 offering limit imposed by General Instruction I.B.6 of Form S-3 and deducting the shares sold within the preceding 12 months, as of the date of filing this Annual Report, approximately \$3,700,000 shares of common stock remain available at this time for sale under our Form S-3, including through our at-the-market equity offering, 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 will 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.

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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 December 31, 2025, our principal stockholders, officers and directors beneficially owned approximately 34% 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, 2025, we will remain a smaller reporting company through at least the end of fiscal year 2026. 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 ATM equity offering pursuant to which, we can issue up to an aggregate of \$50 million of common stock, subject to applicable law, limitation and our previous ATM 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 three years, and may continue to fluctuate or decline in the future. Between January 1, 2023 and December 31, 2025, the closing price per share of our common shares has ranged from a high of \$49.40 (on April 3, 2023) to a low of \$1.76 (on December 29, 2025). We believe that one of the reasons for the continual decline in our common stock market price is due to the significant supply that far exceeds demand, as a result of the large volume of sales of our common stock by a single significant stockholder of the Company. Sales by such significant stockholder are out of our control, and there is no assurance that such stockholder will not continue to engage in such sales.

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.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information.

We have implemented a number of security measures designed to protect its systems and data, including firewalls, antivirus and malware detection tools, patches, log monitors, routine back-ups, system audits, system hardening, penetration testing and privileged access session management. In addition, we have continued its efforts to migrate its platforms to cloud-based computing, which is designed to further strengthen its security posture. We also hired a information technology manager to oversee and identify any risks from cybersecurity threats associated with our use of third-party service providers.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program and shares common methodologies, reporting channels, and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Our cybersecurity risk management program includes the following:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise IT environment;
- a security team led and supervised by our information technology manager, which is principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test, or otherwise assist with aspects of our security control, as well as processes to oversee and identify any cybersecurity risks associated with our use of third-party service providers;
- cybersecurity awareness training of our employees, incident response personnel, and senior management; and
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents.

There can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information.

Cybersecurity Governance

Our Senior Manager of Information Technology is primarily responsible for assessing and managing our material risks from cybersecurity threats. They lead our security team and coordinate with our Chief Operations Officer (COO), Chief Financial Officer (CFO), and Chief Technology Officer (CTO) to fully integrate our cybersecurity risk management programs with our overall enterprise risk management program. Our Information Technology Manager is responsible for overseeing and managing all potential and actual incidents that are identified by our security team. Our security team regularly updates our systems with updates, anti-virus signatures, policies and security best practices. At least annually, our COO and CTO report to the Audit Committee of the Board updates to the Company's cybersecurity risk management program and any material cyber incidents. Our Senior Manager of Information Technology Manager has extensive expertise and experience on cybersecurity matters, including identification, remediation, and management.

Our Board considers cybersecurity risks as part of its risk oversight function and has delegated to the Audit Committee oversight of cybersecurity and other information technology risks.

The Audit Committee oversees management's implementation of our cybersecurity risk management program and receives updates on the cybersecurity risk management program from management at least annually. In addition, management updates the Audit Committee regarding any material or significant cybersecurity incidents, as well as incidents with lesser impact potential as necessary.

The Audit Committee reports to the full Board annually regarding cybersecurity.

Ongoing Risks

We have not experienced any material cybersecurity incidents. We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected us, including our operations, business strategy, results of operations, or financial condition.

Incident Response and Assessment Policies and Procedures

We align with industry-standard cybersecurity frameworks designed to protect the company and customer data from unintentional disclosure, cybersecurity events, and other threats of all severity levels. As part of our alignment with these frameworks we are in the process of implementing a Cybersecurity Incident Response Plan that outlines actions to be taken after identifying a suspected information security breach and the people responsible for managing those actions. Additionally, this plan will outline communication responsibilities during incidents of all severity levels.

ITEM 2. PROPERTIES.

On October 15, 2024, the Company executed an operating lease for 3,317 square feet of laboratory space located in North Carolina. The lease began September 1, 2024 and ends October 1, 2029 with one five-year extension period. Monthly rental payments required under the lease are subject to annual increases and range from \$14,235 to \$16,503 over the initial term of the lease.

On January 26, 2026, the Company executed a license agreement with the City of Orlando for use of their space at Iron Bridge Water Reclamation (the "License Agreement"). The License Agreement grants the Company a temporary, revocable, nonexclusive license to use approximately 15,000 square feet of the facility for the following (i) installation and operation of AirSCWO units to process city wastewater sludge, (ii), processing of certain approved third-party materials under a waste destruction services program, subject to approval by the City of Orlando, and maintenance of equipment, manufacturing of AirSCWO units and inventory storage. The initial term of the License Agreement commences February 1, 2026 for five years with two optional five-year renewal terms. The initial monthly licensee fee is \$8,000 for the first two years, with annual increases of 2.5% thereafter. The License Agreement includes provisions for the termination for convenience with 180 days' written notice by either party.

ITEM 3. LEGAL PROCEEDINGS.

See Note 10, Commitments and Contingencies to our consolidated financial statements for the year ended December 31, 2025 contained in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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

Our common stock is traded on The Nasdaq Capital Market under the symbol "SCWO". As of March 27, 2026, there were 154 holders of record of our common stock. The following table sets forth the range of high and low sales prices for the Company stock for the periods indicated.

Period Beginning	Period Ending		High	Low
January 1, 2024	March 31, 2024	\$	15.00	\$ 10.60
April 1, 2024	June 30, 2024	\$	16.20	\$ 10.80
July 1, 2024	September 30, 2024	\$	17.50	\$ 9.60
October 1, 2024	December 31, 2024	\$	19.40	\$ 6.70
January 1, 2025	March 31, 2025	\$	6.99	\$ 3.12
April 1, 2025	June 30, 2025	\$	5.48	\$ 2.51
July 1, 2025	September 30, 2025	\$	4.07	\$ 1.88
October 1, 2025	December 31, 2025	\$	7.00	\$ 1.76

Dividends

We have never declared or paid any cash dividends on our common stock, nor do we intend to declare or pay any cash dividends on our common stock in the foreseeable future. Subject to the limitations described below, the holders of our common stock are entitled to receive only such dividends (cash or otherwise) as may (or may not) be declared by our Board of Directors.

Recent Sales of Unregistered Securities

All of 374Water's sales of unregistered securities since inception have been made pursuant to private offerings to accredited investors. The sales set forth below were made pursuant to an exemption from registration requirements under Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. Except as otherwise noted below, no placement agent fees or commissions were paid on these offerings, and net proceeds were used for working capital.

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On October 25, 2025, we issued an aggregate of 22,105 shares of common stock to a service provider for the settlement of \$105,000 accounts payable balance for certain milestones meet pursuant to contract terms. The fair value of the shares was estimated to be \$105,000 based on the closing price of the Company's stock at time the milestone was achieved.

Issuer Purchases of Equity Securities

As of December 31, 2025, the Company did not have any purchases of equity securities from stockholders.

ITEM 6. [RESERVED]

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

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

Critical Accounting Policies and Estimates

The consolidated financial statements of 374Water Inc., ("374Water Inc.," "we," "us," "our," or the "Company") are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these consolidated financial statements requires our management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. We believe the following critical accounting policies affect its more significant judgments and estimates used in the preparation of the consolidated financial statements.

Long-Lived Assets

The Company reviews long-lived assets, including property and equipment and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses an estimate of the undiscounted cash flows over the remaining life of its long-lived assets, or related group of assets where applicable, in measuring whether the assets to be held and used will be realizable. Recoverability of assets held and used is measured by a comparison of the carrying amount to the future undiscounted expected net cash flows to be generated by the asset. As of December 31, 2025 and 2024, there were no impairments.

Inventory

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 and work in progress. 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. 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. When quantities on hand exceed estimated sales or usage 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 and \$50,000 at December 31, 2025 and December 31, 2024, respectively.

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 systems) and services, specifically the completion of treatability studies and demonstration services of various types of waste streams. In the case of revenues from AirSCWO systems, the Company's performance obligations are satisfied over time over the life of the contract, which is currently a long-term fixed price contract. 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 proportion to the contract costs incurred compared to the total estimated costs to complete. 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, from treatability studies, are recognized when all five revenue recognition criteria have been completed which is generally when the Company has delivered a completed treatability study report to the customer.

Change in Accounting Estimate

Our equipment revenue contract with OC San is a fixed price contract that includes billings based on the achievement of deliverables or milestones. We have experienced delays in completing the equipment due to design changes and upgrades preventing us from meeting the next contractual milestone. Due to these delays, we have not been contractually able to bill for certain costs incurred related to the OC San contract. At December 31, 2025, we have incurred costs in excess of billings of approximately \$1.9 million in connection with completing this contract. Pursuant to the contract terms with OC San, we will be able to invoice and resume billing once the manufactured equipment passes a factory acceptance test which is based on a continuous run time of the equipment and volume of materials processed. The equipment recently met the continuous run time requirement but was not yet able to process the volume required. At contract inception, the variable consideration included in the contract price was not deemed to be constrained. We had anticipated delivering the equipment to OC San during the year ended December 31, 2025. Due to the unexpected delays we have encountered in delivering the equipment, we reassessed the variable consideration at December 31, 2025. The changes in facts and circumstances have resulted in us fully constraining the variable consideration at December 31, 2025. This resulted in the reduction of unbilled accounts receivable and reduction in equipment revenue in the amount of approximately \$1.9 million.

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. GAAP contains other applicable guidance on the accounting for onerous contracts, and those requirements should be used to identify and measure onerous contracts.

The Company's outstanding equipment manufacturing contract on our sold unit is a fixed price contract ("Equipment Sale 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.

Stock-Based Compensation

The Company accounts for stock-based compensation under the provisions of ASC Topic 718 – "Stock Compensation" which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (stock options and common stock purchase warrants). The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatilities are based on historical volatility of peer companies and other factors estimated over the expected term of the stock options. The expected term of options granted is derived using the "simplified method" which computes expected term as the average of the sum of the vesting term plus the contract term. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term.

Overview

374Water Inc. (the "Company", "374Water", "We", or "Our") is a cleantech and environmental services company developing supercritical water oxidation technology ("SCWO") for the destruction of organic waste streams within the municipal, federal, and industrial markets. 374Water offers our proprietary AirSCWO technology, which is designed to 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 is designed to eliminate recalcitrant organic wastes without creating waste byproducts, as well as to simplify existing, complex waste processing and disposal practices. Our AirSCWO technology is designed to effectively convert solid and liquid wastes such as sewage sludge, biosolids, food waste, hazardous and non-hazardous waste, including 'forever chemicals' (e.g., "per-and polyfluoroalkyl substances" or "PFAS") into inert and recoverable resources including water, minerals, and heat energy.

374Water made significant commercial and technological progress throughout the 2025 fiscal year. We continue to make technological breakthroughs in processing solids and slurries, as well as liquid waste streams across three main market sectors – industrial, municipal, and federal. Throughout the year we established our Waste Destruction Services ("WDS") hub at the City of Orlando's Iron Bridge Water Reclamation Facility, deployed a commercial AirSCWO system to Detroit, MI, for a six week Department of Defense ("DoD") Destruction Demonstration of six PFAS-impacted waste streams, deployed our mobile AirSCWO lab to Peterson AFB in Colorado, and tested waste streams from several clients, including major oil and gas companies, multi-national chemical and pharmaceutical companies, the United States DoD and defense contractors, and resource recovery companies, at our laboratory in the Research Triangle, North Carolina.

Highlights from the year underscore the Company's continued effort to increase capacity to address multiple significant markets, and include winning an award for and commencing the destruction of 1,000 gallons of Aqueous Film Forming Foam ("AFFF") from the University of North Carolina at Chapel Hill Collaboratory; completion of WDS field demonstrations of an AS system at Clean Earth's Detroit, MI in partnership with the DoD, led by the Defense Innovation Unit ("DIU") in collaboration with Environmental Security Technology Certification Program ("ESTCP"), to evaluate commercial-scale technology solutions to destroy per- and polyfluoroalkyl ("PFAS") contaminated wastes; a collaboration agreement with Crystal Clean to locate 374Water's AirSCWO technology at one of their RCRA-permitted facilities to destroy various PFAS waste streams; and an agreement with the city of Olathe, KS for the sale of an AirSCWO system and pre-treatment equipment with an associated service agreement for the treatment of PFAS-impacted wastewater and other waste streams.

As we begin 2026, we have already secured additional contracts for Waste Destruction Services, made technological advances to better address the demand and needs of customers and partners across market segments, and continue to capitalize our business to establish 374Water as a leader in developing waste destruction industry and the unique abilities of AirSCWO to unlock tremendous value.

During 2026, we expect to design and scale our AirSCWO systems to handle larger capacities of slurries and liquid wastes; build out our Waste Destruction Services hub at the City of Orlando's Iron Bridge Water Reclamation Facility; begin to receive and destroy significant volumes of PFAS wastes to our WDS hub; deploy our team and technology to Orange County Sanitation District ("OC San") in Fountain Valley, CA; deploy our mobile AirSCWO system to St. Cloud, MN, to demonstrate its effectiveness destroying PFAS-laden biosolids and other PFAS wastes; negotiate additional Treatment, Storage, and Disposal Facility ("TSDF") partnerships to expand our WDS hubs; and grow our manufacturing, operations, and research and development ("R&D") capacity as we lead the industry towards SCWO.

Results of Operations

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

	Year Ended December 31,			
	2025	2024	\$ Change	% Change
Revenues	\$ 215,037	\$ 445,445	\$ (230,408)	-52%
Cost of revenues	(2,566,421)	(1,358,152)	(1,208,269)	89%
Gross deficit	(2,351,384)	(912,707)	(1,438,677)	158%
Operating expenses:				
Research and development	2,524,519	2,143,471	381,048	18%
Compensation and related expenses	8,262,188	4,731,553	3,530,635	75%
Professional fees	2,801,024	2,231,005	570,019	26%
General and administrative	5,207,949	2,784,522	2,423,427	87%
Total operating expenses	18,795,680	11,890,551	6,905,129	58%
Loss from operations	(21,147,064)	(12,803,258)	(8,343,806)	65%
Other income, net	172,012	369,144	(197,132)	-53%
Loss before income taxes	(20,975,052)	(12,434,114)	(8,540,938)	69%
Provision for income taxes	—	—	—	-%
Net loss	\$ (20,975,052)	\$ (12,434,114)	\$ (8,540,938)	69%

Year Ended December 31, 2025, as Compared to the Year Ended December 31, 2024

Our business has been focused on the development and commercialization of 374Water's supercritical water oxidation (SCWO) systems. We generated \$215,037 and \$445,445 in revenue from manufacturing assembly services and from full-scale demonstrations and treatability study services during the years ended December 31, 2025, and 2024, respectively. The approximate \$230,000 decrease in revenues is primarily due to a decrease in equipment revenue of \$1,881,000 offset by an increase in service revenues of approximately \$1,651,000. The increase in service revenue is from the completion of two full-scale demonstrations and a mobile bench-scale demonstration, which generated approximately \$1,331,000 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 an increase in our bench scale treatability studies of \$49,000. The decrease in equipment revenues is due to a change in accounting estimate or reassessment of variable consideration included in our contract with OC San. Due to the unexpected delays we have encountered in delivering the equipment, we reassessed the variable consideration at December 31, 2025. The changes in facts and circumstances have resulted in us fully constraining the variable consideration at December 31, 2025. This resulted in the reduction of unbilled accounts receivable and reduction in equipment revenue in approximately \$1.9 million, resulting in negative equipment revenue of approximately \$1,653,000 compared to approximately \$228,000 of equipment revenue for the year ended December 31, 2024.

Our cost of revenues increased to \$2,566,421 during the year ended December 31, 2025, as compared to \$1,358,152 in the same period of 2024, an increase of approximately \$1,208,000, primarily due to the increase in our service revenues, material and labor costs incurred to complete our sold AirSCWO system, and an increase in our accrued loss provision of \$600,000.

Our research and development expenses increased to \$2,524,519 during the year ended December 31, 2025, as compared to \$2,143,471 in the same period of 2024, an increase of approximately \$381,000, primarily due to the increase in engineering expenses and expenses stemming from our continued efforts to commercialize our systems.

Our compensation and related expenses increased to \$8,262,188 during the year ended December 31, 2025, as compared to \$4,731,553 in the same period of 2024, an increase of approximately \$3,531,000. The increase is primarily due to an increase in stock-based compensation of approximately \$1,823,000. Remaining increase in payroll related expenses of \$1,708,000 is due to a significant increase in operational headcount and our executive team during mid-late 2024 and 2025. We have recently experienced significant changes in our executive team which will likely lead to decreased payroll related expenses.

Our professional fees increased to \$2,801,024 during the year ended December 31, 2025, as compared to \$2,231,005 in the same period of 2024, an increase of approximately \$570,000. The increase is primarily due to an increase in recruiting fees of \$671,000 due to headcount increases in our operations department and the addition of new directors to our Board, offset by a decrease in legal, accounting, auditing and consulting fees of approximately \$101,000.

Our general and administrative expenses increased to \$5,207,949 during the year ended December 31, 2025, as compared to \$2,784,522 in the same period of 2024, an increase of approximately \$2,423,000. This increase is primarily because of an increase in depreciation expense of approximately \$396,000 due to the capitalization of our owned unit in the fourth quarter of 2024, an increase in investor and public relations services of \$483,000, an increase in travel and related expenses of approximately \$607,000 due to our increased headcount and operational deployments, an increase in stock-based compensation to our board of directors and other service providers of \$261,000 and an increase of approximately \$676,000 in general administrative expenses due to our increased headcount and infrastructure.

Our other income decreased to \$172,012 during the year ended December 31, 2025, as compared to \$369,144 in the same period of 2024, a decrease of approximately \$197,000, due to us earning less interest on cash held in interest bearing accounts.

Our net loss increased to \$20,975,052 during the year ended December 31, 2025, as compared to \$12,434,114 in the same period of 2024, an increase of approximately \$8,541,000. This increase in our net loss is primarily due to increased expenses for the reasons described above as well as decreased revenue due to the delay in delivery of our obligations under the OC San contract. Substantial net losses are expected until we are able to generate sufficient cash flows from the sale of our AirSCWO systems, treatability studies and Waste Destruction Services, as to which there can be no assurance.

Liquidity and Capital Resources

In March 2026, we issued three separate convertible notes and received cash proceeds of \$800,000. The convertible notes bear interest at 10%, mature three years from the issue date and are convertible into shares of common stock at a conversion rate of \$5.00. Semi-annual interest payments are required on March 31, and September 30, each year commencing September 30, 2026. The convertible notes include common stock warrant coverage equal to the shares that the issued convertible notes are convertible into. Therefore, a total of 160,000 common stock warrants were issued to the convertible note holders. The warrants are exercisable immediately for a period of three years at an exercise price of \$7.50 per warrant share.

On June 6, 2025, the Company entered into an ATM issuance sales agreement (the "Prior 2025 Sales Agreement") with Lake Street Capital Markets, LLC ("Lake Street") as sales agent, pursuant to which the Company could 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 Sales Agreement replaced the prior sales agreement entered into between the Company and Jefferies LLC dated as of December 21, 2022 (the "2022 Sales Agreement").

On December 23, 2025, the Company entered into a new ATM issuance sales agreement (the "2025 Sales Agreement") with Lake Street as sales agent, pursuant to which the Company could offer and sell, from time to time, shares of the Company's common stock having an aggregate offering price of up to \$50 million. The 2025 Sales Agreement replaces the Prior 2025 Sales Agreement, and sales under the Prior 2025 Sales Agreement have terminated.

Sales of common stock under the 2025 Sales Agreement, if any, will be made at market prices by any method permitted by law deemed to be an 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 year ended December 31, 2025, no shares were sold under the 2025 sales Agreement and a total of 2,279,180 shares of common stock were sold pursuant to the Prior 2025 Sales Agreement offering, resulting in gross proceeds of approximately \$9,313,000 and net proceeds of approximately \$8,909,000 after equity issuance costs of approximately \$404,000 for accounting, legal, commissions and sale agent fees.

During the year ended December 31, 2024, a total of 5,051 shares of common stock were sold pursuant to the 2022 Sales Agreement resulting in gross proceeds of approximately \$63,100, and net issuance costs of \$3,100 after equity issuance costs of \$65,500 for accounting, legal, commissions and fees which exceeded the gross proceeds received under the 2022 Sales Agreement.

As of the date of this Annual Report, the aggregate market value of our outstanding common stock held by non-affiliates, or the public float, was approximately \$39,144,000, which was calculated based on 11,184,116 outstanding shares of the Company's common stock held by non-affiliates at a price of \$3.50 per share, the closing price of our common stock on March 25, 2026, as reported on Nasdaq. Pursuant to General Instruction I.B.6 of Form S-3, or the "baby shelf" rules, in no event will we sell securities registered on our Form S-3 registration statement, including under our at-the-market equity offering, with a value of more than one-third of the aggregate market value of shares of our common stock held by non-affiliates in any 12-month period, so long as the aggregate market value of shares of our common stock held by non-affiliates is less than \$75 million. After giving effect to the approximate \$13,000,000 offering limit imposed by General Instruction I.B.6 of Form S-3 and deducting the shares sold within the preceding 12 months, as of the date of filing this Annual Report, approximately \$3,700,000 shares of common stock remain available at this time for sale under our Form S-3, including through our at-the-market equity offering.

In November 2024, we completed a registered direct offering of 978,350 shares of our common stock and warrants to purchase 1,467,524 shares of our common stock. The warrants have an exercise price of \$11.25 per share and were sold at the rate of one- and one-half warrant for every share of common stock purchased in the public offering. The purchase price for one share of common stock and accompanying 1.5 warrants was \$1.25. The offering resulted in gross proceeds of \$12.2 million, which includes \$0.8 million of placement agent's fees and other expenses connected with the financing round, and resulted in net proceeds of \$11.4 million.

We have financed our operations since inception principally through the sale of debt and equity securities and revenues. As of December 31, 2025, we had working capital of \$1,669,083 compared to working capital of \$11,760,131 as of December 31, 2024. This decrease in working capital is due primarily to the direct offering completed in 2024 resulting in more gross proceeds than raised under the ATM offerings in 2025 plus a decrease in our cash balance to fund operations.

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures, parts and materials to continue developing our AirSCWO systems and for general corporate purposes. Our primary source of liquidity is funds generated by financing activities and from private placements. Our ability to fund our operations, to make planned capital expenditures, and continuing developing our AirSCWO systems at a commercial scale depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

We do not believe that these funds will satisfy our working capital needs for the next 12 months from the report date and we will need to raise additional capital to implement our business plan. There can be no assurance that any additional funds raised will be sufficient to finance our plan of operations and commercialize our systems or that we will be able to raise any necessary additional funds on a commercially reasonable basis or at all.

If the Company is unable to generate significant sales growth in the near term and raise additional capital, there is a risk that the Company could be required to discontinue or significantly reduce the scope of its operations if no other means of financing operations are available. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities or any other adjustment that might be necessary should the Company be unable to continue as a going concern. The Company is evaluating strategies to obtain the required additional funding necessary for future operations and growth.

Cash Flows

The following table presents our cash flows for the periods presented:

	Year Ended December 31,		
	2025	2024	\$ Change
Cash used in operating activities	\$ (14,326,205)	\$ (10,589,735)	\$ (3,736,470)
Cash used in investing activities	(1,898,212)	(653,544)	(1,244,668)
Cash provided by financing activities	8,771,455	11,449,519	(2,678,064)
Net cash increase (decrease)	(7,452,962)	206,240	(7,659,202)

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As of December 31, 2025, cash on hand was \$3,198,682, a decrease of \$7,452,962, or 70%, as compared to \$10,651,644 as of December 31, 2024. During the year ended December 31, 2025, cash used in operations was \$14,326,205, an increase of approximately \$3,736,000 as compared to \$10,589,735 during the year ended December 31, 2024. The increase in cash used in operating activities was primarily due to the increase in our net loss of approximately \$8,541,000, offset by non-cash expenses of \$2,850,000 and operating cash inflows of \$1,954,000 from changes in assets and liabilities.

During the year ended December 31, 2025, cash used by investing activities was \$1,898,212, an increase of approximately \$1,245,000, as compared to cash used by investing activities of \$653,544, during the year ended December 31, 2024. The increase in cash used by investing activities for the year ended December 31, 2025 compared with the corresponding period in 2024 was primarily due to an approximate \$1,343,000 increase in purchases of property and equipment related to our owned Demo System used for waste deconstruction services and equipment-in-progress related to the building of an AS1, offset by a decrease of \$99,000 of intangible asset purchases.

During the year ended December 31, 2025, cash provided by financing activities was \$8,771,455, a decrease of approximately \$2,678,000 compared to the same period in 2024. The decrease in cash provided by financing activities was due to more capital being raised in 2024 via a direct offering of common stock and warrants compared to capital raised by the ATM offerings in 2025.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The consolidated financial statements of the Company and other information required by this Item are set forth herein in a separate section beginning with the Index to the Financial Statements on [page F-1](#).

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of the Company's management, have evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-151 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. 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.

Management's Annual Report on Internal Control Over Financial Reporting

Our management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2025. Our management's evaluation of our internal control over financial reporting was based on the framework in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that as of December 31, 2025, our internal control over financial reporting was not effective due to the lack of consistent and full-time resources in our finance and accounting department resulting in material weaknesses over our control environment and financial reporting. As a result of the identified material weaknesses, we are working to establish a remediation plan which includes hiring additional resources and replacing our former, Chief Financial Officer, who was terminated effective March 2, 2026 and currently replaced by an interim Chief Financing Officer.

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.

No Attestation Report

Because the Company is a smaller reporting company, this annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

Other than as described above, there have been no changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) of the Securities Exchange Act of 1934, as amended, that occurred during 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is set forth under the headings "Directors, Executive Officers and Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's 2026 Proxy Statement to be filed with the U.S. Securities and Exchange Commission ("SEC") within 120 days after December 31, 2025 in connection with the solicitation of proxies for the Company's 2026 annual meeting of shareholders and is incorporated herein by reference.

The Company has adopted an insider trading policy that governs the purchase, sale, and/or other transactions of our securities by our directors, officers and employees. In addition, with regard to the Company's trading in its own securities, it is the Company's policy to comply with the federal securities laws and the applicable exchange listing requirement.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth under the heading "Executive Compensation" and under the subheadings "Board Oversight of Risk Management," "Compensation of Directors," "Director Compensation-2025" and "Compensation Committee Interlocks and Insider Participation" under the heading "Directors, Executive Officers and Corporate Governance" in the Company's 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025 and is incorporated herein by reference.

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

The information required by this Item is set forth under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the Company's 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025, and is incorporated herein by reference.

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

The information required by this Item is set forth under the heading "Review, Approval or Ratification of Transactions with Related Persons" and under the subheading "Board Committees" under the heading "Directors, Executive Officers and Corporate Governance" in the Company's 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is set forth under the subheadings "Fees Paid to Auditors" and "Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services Performed by the Independent Registered Public Accounting Firm" under the proposal "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Company's 2026 Proxy Statement to be filed with the SEC within 120 days after December 31, 2025 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

See Exhibit Index and Financial Statements Index, below.

374Water Inc. and Subsidiaries
Annual Report on Form 10-K
Year Ended December 31, 2025

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
374Water Inc. and subsidiaries
Durham, North Carolina

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of 374Water, Inc. and subsidiaries (collectively, the "Company") as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2025, and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has recurring losses and negative cash flows from operations that raise substantial doubt about their ability to continue as a going concern. Management's evaluations of the events and conditions and management's plans regarding those matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgements. We determined that there were no critical audit matters.

/s/ Cherry Bekaert LLP

We have served as the Company's auditor since 2021.

Raleigh, North Carolina
March 31, 2026

374 Water Inc. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2025 and, 2024

	December 31, 2025	December 31, 2024
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,198,682	\$ 10,651,644
Accounts receivable, net of credit allowance	668,903	269,733
Other accounts receivable	26,577	43,886
Unbilled accounts receivable	-	1,653,007
Inventory, net	1,471,893	1,701,474
Contract assets	91,100	136,651
Prepaid expenses	395,807	431,412
Total Current Assets	5,852,962	14,887,807
Property and equipment, net	3,835,318	2,567,571
Intangible asset, net	943,224	1,016,594
Right-of-use asset, net	571,741	691,014
Other assets	202,103	20,847
Total Long-Term Assets	5,552,386	4,296,026
Total Assets	\$ 11,405,348	\$ 19,183,833
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,250,285	\$ 906,394
Accrued bonuses	80,000	570,000
Accrued contract loss provision	1,600,000	1,000,000
Accrued legal settlement	-	335,000
Unearned revenue	312,905	197,683
Note payable	8,270	-
Secured promissory note	630,000	-
Financing liability	159,342	-
Operating lease liabilities	119,693	101,320
Other liabilities	23,384	17,279
Total Current Liabilities	4,183,879	3,127,676
Unearned revenue, less current portion	30,000	30,000
Note payable, less current portion	34,879	-
Operating lease liabilities, less current portion	431,683	551,376
Total Long-term Liabilities	496,562	581,376
Total Liabilities	4,680,441	3,709,052
Stockholders' Equity		
Preferred Stock: 50,000,000; 1,000,000 Designated as Convertible Series D preferred shares authorized; par value \$0.0001 per share, nil issued and outstanding at December 31, 2025 and 2024, respectively.	-	-
Common stock: 1,000,000,000 common shares authorized, par value \$0.0001 per share, 17,143,771 and 14,130,198 shares outstanding at December 31, 2025 and 2024, respectively.	1,715	1,444(i)
Additional paid-in capital	56,657,319	43,858,484(i)
Accumulated deficit	(49,936,598)	(28,387,618)
Accumulated other income	2,471	2,471
Total Stockholders' Equity	6,724,907	15,474,781
Total Liabilities & Stockholders' Equity	\$ 11,405,348	\$ 19,183,833

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

(i) Adjusted for the effect of a 10:1 reverse stock split that was effective December 26, 2025 (see Note 1).

374 Water Inc. and Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31, 2025 and 2024

	2025	2024
Revenues	\$ 215,037	445,445
Cost of revenues	(2,566,421)	(1,358,152)
Gross Margin	(2,351,384)	(912,707)
Operating Expenses		
Research and development	2,524,519	2,143,471
Compensation and related expenses	8,262,188	4,731,553
Professional fees	2,801,024	2,231,005
General and administrative	5,207,949	2,784,522
Total Operating Expenses	18,795,680	11,890,551
Loss from Operations	(21,147,064)	(12,803,258)
Other Income (Expenses)		
Interest income	194,174	281,117
Interest expense	(41,211)	-
Other income	19,049	88,027
Total Other Income, net	172,012	369,144
Net Loss before Income Taxes	(20,975,052)	(12,434,114)
Provision for Income Taxes	-	-
Net Loss	\$ (20,975,052)	\$ (12,434,114)
Net Loss per Share - Basic and Diluted (ii)	\$ (1.38)	\$ (0.92)
Weighted Average Common Shares Outstanding - Basic and Diluted (ii)	15,231,134	13,449,135

(ii) Adjusted for the effect of a 10:1 reverse stock split that was effective December 26, 2025 (see Note 1).

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

374 Water Inc. and Subsidiaries
Consolidated Changes in Stockholders' Equity
For the Years Ended December 31, 2025 and 2024

	Preferred Stock		Common Stock		Additional paid-in capital	Accumulated Deficit	Other Comprehensive Income	Total Stockholders' Equity
	Number of Shares	Amount	Number of shares	Amount				
Balances, December 31, 2023	-	\$ -	13,266,711	\$ 1,327	\$ 30,696,882	\$ (15,953,504)	\$ 2,471	\$ 14,747,176
Issuance of shares of common stock for services - employees and directors	-	-	30,121	3	383,876	-	-	383,879
Accretion of stock-based compensation - options	-	-	-	-	907,225	-	-	907,225
Accretion of stock-based compensation - restricted stock	-	-	-	-	308,399	-	-	308,399
Stock options issued for legal settlement	-	-	-	-	112,697	-	-	112,697
Stock option exercises - cashless and cash	-	-	149,965	15	59,985	-	-	60,000
Issuance of shares of common stock for cash in ATM , net of issuance costs	-	-	5,051	1	(3,094)	-	-	(3,093)
Issuance of shares of common stock for cash in offering , net of issuance costs	-	-	978,350	98	11,392,514	-	-	11,392,612
Net loss	-	-	-	-	-	(12,434,114)	-	(12,434,114)
Balances, December 31, 2024	-	-	14,430,198	1,444	43,858,484	(28,387,618)	2,471	15,474,781
Issuance of shares of common stock for services	-	-	82,958	8	290,864	-	-	290,872
Accretion of stock-based compensation - options	-	-	-	-	1,834,648	-	-	1,834,648
Accretion of stock-based compensation - restricted stock	-	-	-	-	1,711,998	-	-	1,711,998
Issuance of restricted common stock to executives	-	-	198,154	20	(20)	-	-	-
Stock option exercises - cashless and cash	-	-	131,176	13	23,987	-	-	24,000
Issuance of shares of common stock for cash in ATM, net of issuance costs	-	-	2,279,180	228	8,908,412	-	-	8,908,640
Issuance of shares of common stock for payment of accrued expense	-	-	22,105	2	104,998	-	-	105,000
Deemed dividend from warrant modification	-	-	-	-	573,928	(573,928)	-	-
Warrant repurchase	-	-	-	-	(649,980)	-	-	(649,980)
Net loss	-	-	-	-	-	(20,975,052)	-	(20,975,052)
Balances, December 31, 2025	-	\$ -	17,143,771	\$ 1,715	\$ 56,657,319	\$ (49,936,598)	\$ 2,471	\$ 6,724,907

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

374 Water Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (20,975,052)	\$ (12,434,114)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	752,026	226,039
Non-cash lease expense	119,273	35,450
Issuance of common stock for services	290,872	383,879
Stock-based compensation	3,546,646	1,215,624
Gain on legal settlement	-	(22,303)
Accrued interest added to secured promissory note	30,000	-
Inventory reserve	-	50,000
Changes in operating assets and liabilities:		
Accounts receivable	(399,170)	(204,941)
Other accounts receivable	17,309	(4,137)
Unbilled accounts receivable	1,653,007	(158,454)
Inventory	229,581	(1,294,081)
Contract assets	45,551	(136,651)
Prepaid expenses	301,110	149,673
Other assets	(181,256)	(20,847)
Accounts payable and accrued expenses	448,891	215,721
Accrued bonuses	(490,000)	570,000
Accrued contract loss provision	600,000	500,000
Accrued legal settlement	(335,000)	335,000
Unearned Revenue	115,222	97,683
Other Liabilities	6,105	(19,508)
Operating lease liability	(101,320)	(73,768)
	(14,326,205)	(10,589,735)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,898,212)	(554,942)
Increase in intangible assets	-	(98,602)
Net cash used in investing activities	(1,898,212)	(653,544)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(5,042)	-
Repayments on financing liability	(106,163)	-
Proceeds from secured promissory note	600,000	-
Proceeds from the exercise of options	24,000	60,000
Gross proceeds from the issuance of common stock	9,312,840	12,291,775
Issuance costs related to sales of common stock	(404,200)	(902,256)
Warrant repurchase	(649,980)	-
Net cash provided by financing activities	8,771,455	11,449,519
Net (decrease) increase in cash	(7,452,962)	206,240
Cash and cash equivalents, beginning of year	10,651,644	10,445,404
Cash and cash equivalents, end of year	\$ 3,198,682	\$ 10,651,644
Supplemental cash flow disclosures		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -
Supplemental disclosure operating, investing and financing activities		
Cashless stock option exercises	\$ 11	\$ 100
Equipment purchase in accounts payable	\$ -	\$ 118,376
Initial right-of-use asset and liability	\$ -	\$ 726,464
Reclassification of inventory to property and equipment	\$ -	\$ 1,819,284
Issuance of restricted common stock	\$ 20	\$ -
Equipment financed with a note payable	\$ 48,191	\$ -
Accrued expense settled with shares of common stock	\$ 105,000	\$ -
Prepaid insurance financed	\$ 265,505	\$ -
Deemed dividend on warrant modification	\$ 573,928	\$ -

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

374 Water Inc. and Subsidiaries
For the Years Ended December 31, 2025 and 2024
Notes to Consolidated Financial Statements

Note 1 – Nature of Business and Presentation of Consolidated Financial Statements

Description of the Company

374Water Inc. is a cleantech and environmental services company developing SCWO for the destruction of organic waste streams within the municipal, federal, and industrial markets. 374Water offers our proprietary AirSCWO technology, 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 is designed to eliminate recalcitrant organic wastes without creating waste byproducts, as well as to simplify existing, complex waste processing and disposal practices. Our AirSCWO technology is designed to effectively convert solid and liquid wastes such as sewage sludge, biosolids, food waste, hazardous and non-hazardous waste, including ‘forever chemicals’ (e.g., “per-and polyfluoroalkyl substances” or “PFAS”) into inert and recoverable resources including water, minerals, and heat energy.

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. 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). 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).

As disclosed in Note 13, on January 12, 2026, the Company received written notification from Nasdaq that the Company has regained compliance with the \$1.00 minimum closing bid price requirement for continued listing on the Nasdaq Capital Market pursuant to the Minimum Bid Price Requirement and that the matter is now closed.

At a special meeting of stockholders held on December 15, 2025, the stockholders of 374Water, approved an amendment to the Company’s Amended and Restated Certificate of Incorporation, to, at the discretion of the Company’s Board of Directors, effect a reverse stock split with respect to the Company’s issued and outstanding common stock, at a ratio of 1-for-8 to 1-for-20, with the ratio within such range to be determined at the discretion of the Company’s Board of Directors (or any of its delegated authorized persons) without further approval or authorization of our stockholders.

On December 15, 2025, after the approval from the stockholders, the Company filed a Certificate of Amendment of the Amended and Restated Certificate of Incorporation (the “Certificate of Amendment”) with the Secretary of State of the State of Delaware to effect a 1-for-10 reverse stock split (the “Reverse Stock Split”) of the issued and outstanding shares of the Company’s common stock. The Certificate of Amendment took effect on December 26, 2025. All share and per share amounts have been retrospectively adjusted for the effect of the Reverse Stock Split.

Note 2 – Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements and Principles of Consolidation

The accompanying consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying consolidated financial statements include the accounts and operations of the Company and all adjustments which are necessary for a fair presentation of the results of its operations, financial position, and cash flows. The 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 374Water. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements include the fair value of equity-based compensation, revenue recognition and the evaluation of the collectability of variable consideration and accrued loss provisions on onerous contracts, useful lives of long-lived assets, and the valuation allowance against deferred tax assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company held \$3,198,682 and \$10,651,644 in cash and cash equivalents as of December 31, 2025 and 2024, respectively.

Fair Value Measurements

Accounting Standards Codification (ASC) Topic 820 "Fair Value Measurements" establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 Inputs - Fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The categorization of a financial instrument within the fair value hierarchy is based upon the lowest level of input that is significant to its fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the assets or liabilities.

As of December 31, 2025 and 2024, the Company did not have any assets or liabilities carried at fair value.

The carrying value of the Company's accounts and unbilled receivables, accounts payable, the secured promissory note and other current assets and liabilities approximates fair value due to their short-term nature. The carrying value of the Company's note payable approximates fair value due to the prevailing interest rate.

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. 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. When quantities on hand exceed estimated sales or usage 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 December 31, 2025 and 2024.

Receivables, Net

Accounts Receivable, Net

Accounts receivable due from customers are uncollateralized customer obligations due under normal and customary trade terms. Account receivables are stated at the amount billed to the customer, less an allowance for estimated credit losses.

Unbilled Accounts Receivable

Unbilled accounts receivable consists of costs in excess of billings related to one customer contract for an equipment sale. As discussed below in subheading *Change in Accounting Estimate*, we anticipated delivering the completed equipment to our customer during the year ended December 31, 2025. Due to the delays we have encountered in delivering the equipment, we reassessed variable consideration embedded within the contract at December 31, 2025. The changes in facts and circumstances have resulted in us fully constraining the variable consideration at December 31, 2025. This resulted in the reduction of unbilled accounts receivable and reduction in equipment revenue in the amount of approximately \$1.9 million.

Other Receivables

Other receivables consist of accrued interest income from the cash held in an interest-bearing money market account with a financial institution. We typically receive payment for accrued interest one month in arrears.

Accounts receivable allowance for credit loss

We establish allowances for credit losses on our outstanding accounts receivable, unbilled receivables and other receivables pursuant to ASC 326-20-55-37. The Company monitors, on a quarterly basis, all receivables and provides a credit loss allowance 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, and current market conditions. We have elected to apply the practical expedient provisions eligible to public entities that are included in ASU 2025-05, *Financial Instruments - Credit Losses* (Topic 326) in our December 31, 2025 credit loss assessment. Under ASC 2025-05, entities can assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. Therefore, an entity will no longer need to develop reasonable and supportable forecasts of future economic conditions. The practical expedient applies only to current accounts receivable (due in less than twelve months from the balance sheet).

The activity related to the accounts receivable allowance for credit losses during the years ended December 31, 2025 and 2024 was as follows:

	2025	2024
Allowance for credit losses, beginning balance	\$ 8,058	\$ 2,909
Credit loss provision	-	5,149
Allowance for credit losses, ending balance	<u>\$ 8,058</u>	<u>\$ 8,058</u>

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Property and Equipment, Net

Property and Equipment is recorded at cost. Depreciation is computed using the straight-line method and an estimated useful life of three to five years. Expenses for maintenance and repairs are charged to expenses as incurred.

The following table presents property and equipment as of December 31, 2025 and 2024:

	Estimated (Years)		
	Life	2025	2024
Computers	3	\$ 19,977	\$ 19,977
Equipment	3	531,490	366,400
Equipment - Demo System	5	2,874,932	2,298,666
Vehicles	5	87,300	59,306
Equipment-in-progress		1,177,052	-
Total property and equipment		4,690,751	2,744,349
Less: accumulated depreciation		(855,433)	(176,778)
Total property and equipment, net		\$ 3,835,318	\$ 2,567,571

We completed the manufacturing and fabrication of one of our AirSCWO systems that we will be using for water treatment demonstration purposes ("Demo System"). We have capitalized the material and labor costs incurred to develop this Demo System, which had previously been classified within inventory until the last quarter of 2024. 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 started 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 AirSCWO 1 ("AS1") model that is expected to process approximately 1 wet ton of waste per day. The AS1 is highly mobile and can be deployed quickly to provide on-site waste destruction services. As of December 31, 2025, these manufacturing costs have been classified as equipment in-progress until the AS1 is completed and placed in service which is expected to occur during the 2026 fiscal year.

Depreciation expense for the years ended December 31, 2025 and 2024 was \$678,656 and \$156,002, respectively.

Intangible Assets, Net

Intangible assets are subject to amortization, and any impairment is determined in accordance with ASC 350, *Intangibles - Goodwill and Other*. Intangible assets are stated at historical cost and amortized over their estimated useful lives. The Company uses a straight-line method of amortization, unless a method that better reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up can be reliably determined. At December 31, 2025 and 2024, there was no impairment.

Long-Lived Assets

The Company reviews long-lived assets, including property and equipment and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses an estimate of the undiscounted cash flows over the remaining life of its long-lived assets, or related group of assets where applicable, in measuring whether the assets to be held and used will be realizable. Recoverability of assets held and used is measured by a comparison of the carrying amount to the future undiscounted expected net cash flows to be generated by the asset. At December 31, 2025 and 2024, there were no impairments.

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.

During the years ended December 31, 2025 and 2024, we generated revenues from the following significant service revenue customers:

	2025	2024
Customer A	34.01%	20.84%
Customer B	25.34%	*
Customer C	14.49%	*
Customer D	10.69%	*
	<u>84.53%</u>	<u>20.84%</u>

*Customers B, C and D were not customers during the year ended December 31, 2024.

During the years ended December 31, 2025 and 2024, our equipment revenue was (\$1,653,007) and \$227,956, respectively, and was generated from one customer contract. Further, we also had a change in accounting estimate (see below) during the year ended December 31, 2025, that resulted in a reduction of our equipment revenue of approximately \$1.9 million.

The percentage of accounts receivable due from the major customers compared to our total outstanding accounts receivable at December 31, 2025 and 2024 is as follows:

	2025	2024
Customer A	73.75%	29.67%
Customer B	3.68%	0.00%
Customer C	0.00%	0.00%
Customer D	1.77%	0.00%
	<u>79.20%</u>	<u>29.67%</u>

At December 31, 2025, one other customer, who is not a major customer, had accounts receivable outstanding that exceeded 10% of the total accounts receivable outstanding.

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 providing waste destruction services, including the completion of full-scale demonstrations and treatability studies, and the sale of equipment (AirSCWO units) to customers. In the case of equipment revenues, the Company's performance obligations are satisfied over time as the equipment is being manufactured and are typically long-term fixed price contracts. Revenue is recognized over time by measuring the progress toward complete satisfaction of the performance obligation based on an input method. Equipment sale-related revenues are recognized in the proportion that contract costs incurred bear to total estimated costs to be incurred to complete the equipment contract. The estimated completed percentage is applied to the total transaction price of the fixed price contract. 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 bench-scale 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.

Service revenues related to our full demonstrations, using our owned AS6, may include multiple performance obligations, typically the demonstration itself and a technical report that summarizes the analysis of materials processed. Management estimates are required in allocating the transaction price between the performance obligations. However, other full-scale demonstrations may include one performance obligation, the demonstration itself. Revenues from such contracts are recognized over time as the demonstration is being completed.

Orlando Contract

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 the demonstration period. 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 related to the full-scale demonstration. The system design, site preparation, installation, commissioning and decommissioning represent fulfillment activities versus separate performance obligations. At December 31, 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 based upon the agreed upon performance milestones, which is the point in time that the City of Orlando receives the benefit simultaneously to the Company's performance. We completed our first milestone during the year ended December 31, 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 milestones of the demonstration during the 2026 fiscal year.

We invoice the City of Orlando in accordance with the contract terms. Invoices are due within thirty days of receipt. Any amounts invoiced or paid prior to the completion of our performance obligation are recognized as 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. At December 31, 2025 and 2024, our deferred revenue consists of \$90,666 and \$170,000, for amounts invoiced and collected on this contract that exceed the demonstration revenue earned.

Full-Scale Demonstrations

During the year ended December 31, 2025, we completed two full-scale demonstrations for two unrelated customers. One customer contract included three performance obligations: i) treatability studies, ii) the full-scale demonstration and iii) an analysis and technical report summarizing the results of the full-scale demonstration while the other customer contract included one performance obligation the full-scale demonstration itself.

For the contract with multiple performance obligations, we 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 was estimated after subtracting the sum of the observable SASP allocated to the other performance obligations within the contract as we do not have a history of selling full-scale demonstrations and a technical report separately to our customers.

At December 31, 2025, no performance obligations remain on either of the full-scale demonstration contracts. During the years ended December 31, 2025 and 2024, we recognized approximately \$953,000 and \$25,000, respectively, of services revenues related to these full-scale demonstrations.

During the years ended December 31, 2025 and 2024, we completed bench-scale treatability services revenues of approximately \$645,000 and \$217,000, respectively.

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 December 31, 2025, we have capitalized an aggregate of \$91,100 of costs incurred to date for fulfillment related activities for the Demo Contract with the City of Orlando, which will be expensed once we complete our performance obligations.

Change in Accounting Estimate

Our equipment revenue contract with the Orange County Sanitation District ("OC San") is a fixed price contract that includes billings based on the achievement of deliverables or milestones. We have experienced delays in completing the equipment due to design changes and upgrades preventing us from meeting the next contractual milestone. Due to these delays, we have not been contractually able to bill for certain costs incurred related to the OC San contract. At December 31, 2025, we have incurred costs in excess of billings of approximately \$1.9 million in connection with completing this contract. Pursuant to the contract terms with OC San, we will be able to invoice and resume billing once the manufactured equipment passes a factory acceptance test which is based on a continuous run time of the equipment and volume of materials processed. The equipment recently met the continuous run time requirement but was not yet able to process the volume required. At contract inception, the variable consideration included in the contract price was not deemed to be constrained. We had anticipated delivering the equipment to OC San during the year ended December 31, 2025. Due to the unexpected delays we have encountered in delivering the equipment, we reassessed the variable consideration at December 31, 2025. The changes in facts and circumstances have resulted in us fully constraining the variable consideration at December 31, 2025. This resulted in the reduction of unbilled accounts receivable and reduction in equipment revenue in the amount of approximately \$1.9 million.

See further revenue-related disclosures in Note 6.

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. US GAAP contains other applicable guidance on accounting for onerous contracts, and those requirements should be used to identify and measure onerous contracts.

Our 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.

As of December 31, 2025 and 2024, we evaluated the total costs incurred on this contract to date and the estimated costs we anticipate incurring to complete the contract compared to the fixed-price contract. Based on this analysis as of December 31, 2025 and 2024, we have an accrued contract loss provision of \$1,600,000 and \$1,000,000, respectively, which has been presented on the accompanying consolidated balance sheets and is recorded within cost of revenues on the accompanying consolidated statements of operations. The increased loss on this contract during 2025 and 2024 is due to system design changes and upgrades that required unexpected material and labor costs to complete.

Stock-based Compensation

The Company accounts for stock-based compensation under the provisions of ASC Topic 718 – "Stock Compensation" which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (stock options and common stock purchase warrants). The fair value of each stock option award is estimated on the date of grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatilities are based on a weighting of historical volatilities of peer companies and the Company's own volatility over the expected term of the stock options. The expected term of options are derived using the "simplified method" which computes expected term as the average of the sum of the vesting term plus the contract term. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term.

Leases

The Company accounts for leases under ASC Topic 842, Leases. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the consolidated balance sheets. The Company leases an office and warehouse to conduct business. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less.

Operating lease ROU assets represent the right to use the leased asset for the lease term and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the adoption date in determining the present value of future payments. Operating lease expense is recognized on a straight-line basis over the lease term. During the year ended December 31, 2024, we executed a lease agreement within the scope of Topic 842.

The Company elected to account for non-lease components when incurred and are therefore not included in operating lease assets and liabilities. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate related leases.

Income Tax Policy

The Company accounts for income taxes using the liability method prescribed by ASC 740 - Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

Accounting for Uncertainty in Income Taxes

The Company follows the provisions of ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. There were no uncertain tax positions as of December 31, 2025 and 2024.

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 \$2,524,519 and \$2,143,471 for the years ended December 31, 2025 and 2024, respectively.

Earnings (Loss) Per Share

Earnings (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 years ended December 31, 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 December 31, 2025, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be antidilutive: options for 1,708,637 shares of common stock, 877,524 warrants, and unvested restricted stock awards of 865,296. At December 31, 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 1,584,312 shares of common stock, 1,467,524 warrants, and unvested restricted stock awards of 354,929.

Reclassifications

We have made certain reclassifications to prior period amounts presented on our 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 \$1,046,546 of stock-based compensation expense from general and administrative expenses to compensation and related expenses for the year ended December 31, 2024.

Recent Accounting Pronouncements

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 consolidated financial statements (see Note 11).

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.

In July 2025, the FASB issued ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets* (ASU 2025-5). The ASU 2025-05 relates to estimating credit losses under the calculation of current expected credit losses (CECL) for current accounts receivable and current contract assets arising from revenue transactions accounted for under ASC 606, *Revenue from Contracts with Customers*. For all entities, ASU provides a practical expedient to assume that current conditions as of the balance sheet date will persist through the reasonable and supportable forecast period for eligible assets. Entities will still be required to adjust historical data used in the estimation to reflect current conditions. This policy election is available only if the entity elects the practical expedient. The date selected must be when or before financial statements are available to be issued. Under this accounting policy election, no credit loss would be recorded on balances that have been collected through subsequent receipts. Remaining uncollected amounts would be evaluated for credit losses using the practical expedient. The provisions of ASU 2025-05 are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The Company has elected to apply the practical expedient in its assessment of an allowance for credit losses as of December 31, 2025, which did not have a material impact on these 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. As of December 31, 2025, the Company had working capital and an accumulated deficit of \$1,669,083 and \$49,936,598, respectively. During the year ended December 31, 2025, the Company had a net loss of \$20,975,052 and used cash in operations of \$14,326,205.

These conditions raise substantial doubt regarding our ability to continue as a going concern as the Company will need additional debt or equity financing or a combination of both to continue its operations and meet its financial obligations for twelve months from the date these consolidated financial statements were issued.

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 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. During the years ended December 31, 2025 and 2024, we raised approximately \$8,909,000 and \$0 respectively, of net proceeds under our at-the-market ("ATM") offerings (see Note 8). During the year end December 31, 2025, the costs incurred associated with the ATM offerings exceeded proceeds by approximately \$3,100 (see Note 8). 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 (see Note 8 for additional information).

As of the date of this Annual Report, the aggregate market value of our outstanding common stock held by non-affiliates, or the public float, was approximately \$39,144,000, which was calculated based on 11,184,116 outstanding shares of the Company's common stock held by non-affiliates at a price of \$3.50 per share, the closing price of our common stock on March 25, 2026, as reported on Nasdaq. Pursuant to General Instruction I.B.6 of Form S-3, or the "baby shelf" rules, in no event will we sell securities registered on our Form S-3 registration statement, including under our at-the-market equity offering, with a value of more than one-third of the aggregate market value of shares of our common stock held by non-affiliates in any 12-month period, so long as the aggregate market value of shares of our common stock held by non-affiliates is less than \$75 million. After giving effect to the approximate \$13,000,000 offering limit imposed by General Instruction I.B.6 of Form S-3 and deducting the shares sold within the preceding 12 months, as of the date of filing this Annual Report, approximately \$3,700,000 shares of common stock remain available at this time for sale under our Form S-3, including through our at-the-market equity offering.

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 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

Inventory consists of:

	December 31, 2025	December 31, 2024
Raw materials	\$ 1,521,893	\$ 1,751,474
Less: inventory reserve	(50,000)	(50,000)
	<u>\$ 1,471,893</u>	<u>\$ 1,701,474</u>

At December 31, 2025 and 2024, the Company has a \$50,000 reserve against its inventory for estimated write downs.

Note 5 – Intangible Assets

Intangible assets are comprised of the following as of December 31, 2025 and 2024:

	Estimated (Years) Life	Balance at December 31, 2024	Additions	Amortization	Balance at December 31, 2025
License agreement	17	\$ 839,005	\$ -	\$ (62,924)	\$ 776,081
Patents	20	177,589	-	(10,446)	167,143
Total		<u>\$ 1,016,594</u>	<u>\$ -</u>	<u>\$ (73,370)</u>	<u>\$ 943,224</u>

	Estimated (Years) Life	Balance at December 31, 2023	Additions	Amortization	Balance at December 31, 2024
License agreement	17	\$ 901,929	\$ -	\$ (62,924)	\$ 839,005
Patents	20	86,100	98,602	(7,113)	177,589
Total		<u>\$ 988,029</u>	<u>\$ 98,602</u>	<u>\$ (70,037)</u>	<u>\$ 1,016,594</u>

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Amortization expense for the year ended December 31, 2025 and 2024 was \$73,370 and \$70,037, respectively.

Estimated future amortization expense as of December 31, 2025:

Year Ending December 31,

2026	\$	73,370
2027		73,370
2028		73,370
2029		73,370
2030		73,370
Thereafter		576,374
Total	\$	943,224

Note 6 – Revenue, Unearned Revenue and Unbilled Accounts Receivable

Revenue

The following is a summary of our revenues by type for the years ended December 31, 2025 and 2024:

Name	Year Ended			
	December 31, 2025		December 31, 2024	
Equipment revenue	\$ (1,653,007)	-769%	\$ 227,956	51%
Service revenue	1,868,044	869%	217,489	49%
Total	\$ 215,037	100%	\$ 445,445	100%

Unearned Revenue

The following is a summary of our unearned revenue activity for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Unearned revenue at beginning of year	\$ 227,683	\$ 130,000
Billings deferred	222,239	197,683
Refundable deposit returned	-	(100,000)
Recognition of prior unearned revenue	(107,017)	-
Unearned revenue at end of year	\$ 342,905	\$ 227,683

At December 31, 2025, we anticipate recognizing approximately \$313,000 of unearned revenue in the following fiscal year which has been presented as a current liability at December 31, 2025. The remaining balance of \$30,000 has been classified as a long-term liability as the timing of revenue recognition is unknown.

Unbilled Accounts Receivable

The following is a summary of our unbilled accounts receivable activity during the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Unbilled accounts receivable at beginning of year	\$ 1,653,007	\$ 1,494,553
Services performed but unbilled	254,874	217,666
Services billed	-	(59,212)
Reassessment of variable consideration	(1,907,881)	-
Unbilled accounts receivable at end of year	\$ -	\$ 1,653,007

As discussed in Note 2, we anticipated delivering the AirSCWO equipment to OC San during the year ended December 31, 2025. Due to the delays we have encountered in delivering the equipment, we reassessed the variable consideration at December 31, 2025. The changes in facts and circumstances have resulted in us fully constraining the variable consideration at December 31, 2025. This resulted in the reduction of unbilled accounts receivable and reduction in equipment revenue in the amount of approximately \$1.9 million.

Note 7 – Debt Obligations

Note Payable

During the year ended December 31, 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. At December 31, 2025, the outstanding principal balance was \$43,149.

At December 31, 2025, future principal payments on the note payable for the years ending December 31, will be as follows:

2026	\$	8,270
2027		9,204
2028		10,244
2029		11,401
Thereafter		4,030
	\$	<u>43,149</u>

Secured Promissory Note

On September 30, 2025, the Company executed a \$600,000 short-term secured promissory note (the "Short-Term Note"). The Short-Term Note requires repayment of \$630,000 on the maturity date of January 2, 2026. The Short-Term Note is secured by certain outstanding receivables of the Company. The lender of the Short-Term Note also received a warrant to purchase 10,000 shares of common stock at \$11.25 for a period of four years. We computed the fair value of the warrant using a Black-Scholes option pricing model and the following inputs: stock price \$2.90, expected term of 4 years, volatility 96.00%, risk-free rate of 3.68%, and dividend rate of 0.00%. The value of the warrant upon issuance was not significant. The outstanding principal balance and the accrued interest of \$630,000 has been presented within current liabilities on the accompanying consolidated balance sheets. The Short-Term note was repaid in its entirety upon maturity.

Financing Liability

During the year ended December 31, 2025, we entered into a financing agreement to finance \$265,505 of insurance premiums due on various policies. The financed amount is due in fixed monthly payments of \$19,808 for a period of eleven months and bear interest at 9.85%. The balance of \$159,342 remaining on this financing liability has been presented within current liabilities on the accompanying consolidated balance sheets.

Note 8 – Stockholder' Equity

The Company is authorized to issue 50,000,000 preferred stock shares and 1,000,000,000 common stock shares both with a par value of \$0.0001.

Preferred Stock

On October 30, 2020, the Company designated 1,000,000 shares of preferred stock as Series D Convertible Preferred Stock with a par value of \$0.0001.

As of December 31, 2025 and 2024, there were no shares of preferred stock issued and outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of shareholders, including the directors' election. There is no right to cumulative voting in the election of directors. The holders of common stock are entitled to any dividends that may be declared by the board of directors out of funds legally available for payment of dividends, subject to the prior rights of holders of preferred stock and any contractual restrictions the Company has against the payment of dividends on common stock. In the event of liquidation or dissolution of the Company, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any outstanding shares of preferred stock. Holders of common stock have no pre-emptive rights and have no right to convert their common stock into any other securities. At December 31, 2025, there were 17,143,771 shares of common stock issued and outstanding.

Common Stock Issued for Cash

On June 6, 2025, the Company entered into an at-the-market issuance sales agreement (the "Prior 2025 Sales Agreement") with Lake Street Capital Markets, LLC ("Lake Street") as sales agent, pursuant to which the Company could 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 Prior 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").

On December 23, 2025, the Company entered into a new at-the-market issuance sales agreement (the "2025 Sales Agreement") with Lake Street as sales agent, pursuant to which the Company could offer and sell, from time to time, shares of the Company's common stock having an aggregate offering price of up to \$50 million. The 2025 Sales Agreement replaces the Prior 2025 Sales Agreement, and sales under the Prior 2025 Sales Agreement have terminated.

Sales of common stock under the 2025 Sales Agreement, 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.

As of the date of this Annual Report, the aggregate market value of our outstanding common stock held by non-affiliates, or the public float, was approximately \$39,144,000, which was calculated based on 11,184,116 outstanding shares of the Company's common stock held by non-affiliates at a price of \$3.50 per share, the closing price of our common stock on March 25, 2026, as reported on Nasdaq. Pursuant to General Instruction I.B.6 of Form S-3, or the "baby shelf" rules, in no event will we sell securities registered on our Form S-3 registration statement, including under our at-the-market equity offering, with a value of more than one-third of the aggregate market value of shares of our common stock held by non-affiliates in any 12-month period, so long as the aggregate market value of shares of our common stock held by non-affiliates is less than \$75 million. After giving effect to the approximate \$13,000,000 offering limit imposed by General Instruction I.B.6 of Form S-3 and deducting the shares sold within the preceding 12 months, as of the date of filing this Annual Report, approximately 3,700,000 shares of common stock remain available at this time for sale under our Form S-3, including through our at-the-market equity offering.

During the year ended December 31, 2025, no shares were sold under the 2025 Sales Agreement and a total of 2,279,180 shares of common stock were sold pursuant to the Prior 2025 Sales Agreement offering resulting in gross proceeds of approximately \$9,313,000 and net proceeds of approximately \$8,909,000 after equity issuance costs of approximately \$404,000 for accounting, legal, commissions and sale agent fees.

During the year ended December 31, 2024, a total of 5,051 shares of common stock were sold pursuant to the 2022 Sales Agreement resulting in gross proceeds of approximately \$63,100, and net issuance costs of \$3,100 after equity issuance costs of \$65,500 for accounting, legal, commissions and fees which exceeded the gross proceeds received under the 2022 Sales Agreement.

On November 14, 2024, we entered into a Securities Purchase Agreement with certain investors, pursuant to which the Company agreed to issue and sell (i) an aggregate of 978,350 shares of common stock, and (ii) one and a half warrants to purchase up to an aggregate of 1,467,524 shares of common stock in a registered direct offering (the "Offering"). The purchase price for one share and the accompanying 1.5 warrants was \$11.25. The warrants are immediately exercisable for a period of five years from the date of the Offering at \$11.25, subject to adjustment in the event of any stock dividends and splits, reverse stock split, recapitalization, reorganization, or similar transactions ("Share Combination Event") and include anti-dilution protection provisions in the event subsequent sales or equity-linked financial instruments are issued at a price below the \$11.25. See below for the impact of the Share Combination Event that resulted from the Reverse Stock Split resulting in a reduction in the warrant's exercise price issued in the Offering.

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The aggregate gross proceeds to the Company from the Offering, which closed on November 18, 2024, was approximately \$12,229,000 with net proceeds of approximately \$11,393,000, net of issuance costs of approximately \$836,000 for accounting, legal, commissions and fees. The net proceeds were allocated between the common stock and warrants based on their relative fair values of approximately \$8,118,000 and \$3,275,000 with the net proceeds, respectively, presented in additional paid-in capital within stockholders' equity.

The Company's Board of Directors and executive team participated in the Offering and invested a total of \$696,000 and received shares of common stock totaling 55,680 and the accompanying warrants totaling 83,520.

The fair value of the warrants for purposes of the relative fair value allocation was estimated using a Black-scholes model and the following assumptions: expected term of 5 years, volatility of 24.8%, dividend rate of 0.00%, and risk-free rate of 4.28%.

The Offering was made pursuant to the Company's registration statement on Form S-3 (File No. 333-268942), which was filed with the Securities and Exchange Commission (the "Commission") on December 22, 2022 and declared effective by the Commission on December 30, 2022, and a prospectus supplement dated November 14, 2024 filed by the Company with the Commission.

Common Stock for Services

During the year ended December 31, 2025, we issued an aggregate of 82,985 of fully vested shares of restricted common stock to service providers and directors with an aggregate fair value of \$290,872 based on the market price of our common stock on date of grant which is included in general and administrative expense on the consolidated statements of operations.

During the year ended December 31, 2024, we issued an aggregate of 30,121 of fully vested shares of restricted common stock to service providers and directors with an aggregate fair value of \$383,879 based on the market price of our common stock on date of grant which is included in general and administrative expense on the consolidated statements of operations.

Common Stock for Stock Option Exercises

During the year ended December 31, 2025, we issued an aggregate of 131,176 shares of common stock for cash and cashless stock option exercises that resulted in cash proceeds of \$24,000.

During the year ended December 31, 2024, we issued an aggregate of 149,965 shares of common stock for cash and cashless stock option exercises that resulted in cash proceeds of \$60,000.

Common Stock Issued for Settlement of Accrued Expense

During the year ended December 31, 2025, we issued an aggregate of 22,105 shares of common stock to a service provider for the settlement of \$105,000 accounts payable balance for certain milestones met pursuant to contract terms. The fair value of the shares was estimated to be \$105,000 based on the closing price of the Company's stock at time the milestone was achieved; therefore, no gain or loss was recognized.

Stock-Based Compensation

2021 Plan

The Company has reserved 3,615,000 (increased from 2,400,000 as approved by the shareholders 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. Stock options granted under the 2021 Plan typically have a contractual term of ten years.

Stock-based compensation expense related to the stock options and restricted stock units expected to vest is presented as follows on the consolidated statements of operations:

	Year Ended	
	December 31, 2025	December 31, 2024
Research and development	\$ 239,267	\$ 169,078
Compensation and related expenses	2,869,219	1,046,546
General and administrative expenses	438,160	-
Total expense	<u>\$ 3,546,646</u>	<u>\$ 1,215,624</u>

See below for detailed disclosures of our issued and outstanding stock options and restricted stock units.

Stock Options

Stock option activity for the year ended December 31, 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	1,584,312(i)	\$ 9.44	\$ 3,324,000	5.95
Granted	979,881	4.38		
Exercised	(290,000)	1.20	1,104,400	
Forfeited	(565,556)	12.64		
Options outstanding at December 31, 2025	1,708,637(i)	\$ 6.88	\$ 272,680	7.28
Options exercisable at December 31, 2025	771,492(i)	\$ 8.25	\$ 272,000	4.64

(i) As of December 31, 2025 and 2024, the options outstanding and exercisable include 327,500 and 617,500, respectively, options granted outside of the 2021 Plan.

Intrinsic value is based on the difference between the option exercise price and the quoted market price as of December 31, 2025 or the date of option exercise.

During the year ended December 31, 2025, the options granted were primarily to our interim Chief Executive Officer ("CEO"), 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 \$4.38. Stock options typically vest over a service period of approximately 4 years. During the year ended December 31, 2024, the options granted were primarily to executives, key employees and a legal settlement discussed. The average grant-date fair value of the granted options was \$4.60.

Of the total options outstanding as of December 31, 2025, 146,809 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. During the year ended December 31, 2025, 299,778 performance-based options were forfeited with the separation of our CEO and in-house counsel in October 2025 (see Note 10).

During the years ended December 31, 2025 and 2024, we recognized stock-based compensation of \$1,834,648 and \$907,225, respectively. As of December 31, 2025, total unrecognized compensation expense for service based and performance-based options was \$2,637,204 and \$585,303, respectively. The unrecognized service-based expense will be recognized over a weighted-average period of 1.51 years. The unrecognized expense associated with the performance-based options will be expensed when it becomes probable that the performance obligations will be met.

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:

	December 31, 2025	December 31, 2024
Expected volatility	67.81 - 94.60%	26.20 - 27.39%
Expected term (years)	5.18 - 6.25	6.25 Years
Risk-free rate	3.71 - 4.51%	3.77 - 4.65%
Dividend rate	0%	0%

Restricted Stock Units

During the year ended December 31, 2025, the Company granted an aggregate of 1,193,076 unvested restricted stock units under the 2021 Plan pursuant to employment agreements with our CFO and CTO, our board of directors and other non-executive key employees of the Company. RSUs granted to our CFO, CTO and other executives include both time-based and performance-based vesting. All other granted RSUs vest based over a specified service period that ranges from 1-4 years.

The unvested restricted stock units granted to our CFO and CTO on January 15, 2025 and April 30, 2025, pursuant to employment agreements, consist of an aggregate of 106,622 units with time-based vesting provisions over four years and 106,622 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. At December 31, 2025, total unvested outstanding restricted stock units granted to our executive team with these performance conditions totaled 146,809. During the year ended December 31, 2025, 149,778 and 64,583 performance based and time-based RSUs were forfeited with the separation of our CEO and in-house counsel in October 2025 (see Note 10).

On January 15, 2025, 176,500 unvested RSUs were granted to non-executive key employees. The RSUs vest as follows: 50% on the one-year grant-date anniversary with the remaining vesting ratably over a period of thirty-six months. At December 31, 2025, 169,500 of these RSUs remain outstanding as 7,000 RSUs were forfeited during the year ended December 31, 2025.

On August 28, 2025, an aggregate of 287,500 time-based RSUs and 287,500 performance-based RSUs were granted to our executive team. The time-based RSUs vest over a service period of thirty-six months with a commencement date of March 31, 2025. At December 31, 2025, 694,444 of these time-based RSUs had vested. During the year ended December 31, 2025, 162,500 of the performance-based RSUs and 100,694 time-based RSUs were forfeited with the separation of our CEO and in-house counsel in October 2025 (see Note 10).

The performance-based RSUs have a three-year vesting period contingent on the achievement of milestones tied to the commissioning and operation of five different AirSCWO units to promote the development of the Company's waste destruction services strategy. The 287,500 RSUs represent the vesting target amount; however, each vesting tranche includes a target delivery date. More RSUs can be earned by the executive team for delivery dates met prior to the target date. Conversely, fewer or no RSUs will vest if delays occur and units are commissioned and operating after the tranche target date. The range of RSUs that can vest is 143,750 to 546,250. Each tranche earned requires the approval and certification of the compensation committee. The total RSUs earned will be aggregated and issued after the three-year vesting period. At December 31, 2025, total unvested outstanding restricted stock units granted to our executive team with these performance conditions totaled 125,000. At December 31, 2025, the probability of the performance-based RSUs vesting was not deemed probable; therefore, no compensation expense has been recognized on the performance-based RSUs.

On August 28, 2025, our board of directors was granted 228,332 RSUs that will fully vest on the one-year grant-date anniversary. Effective, December 15, 2025, one of our board of directors resigned from the Company and 61,697 RSUs granted to the director on August 28, 2025 became fully vested. During the year ended December 31, 2025, we recognized stock-based compensation of \$438,160 in connection with these RSU grants to our board of directors which has been classified with general and administrative expenses on the consolidated statements of operations.

During the years ended December 31, 2025 and 2024, 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 \$3.70 to \$6.30 and \$10.30 and \$13.00, respectively.

As of December 31, 2025, we have \$1,419,744 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. As of December 31, 2025, the Company had \$2,227,374 of unrecognized stock-based compensation associated with the time vesting restricted stock units which will be recognized over a weighted-average period of approximately 2.33 years. During the years ended December 31, 2025 and 2024, we recognized an aggregate of \$1,711,998 and \$308,399, respectively, of stock-based compensation associated with the time-based restricted stock units.

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A summary of our outstanding nonvested restricted stock units is as follows:

	Amount	Weighted-Average Grant Date Fair Value
Nonvested, beginning of the year	354,929	\$ 12.30
Granted	1,193,076	4.15
Vested	(198,154)	6.37
Forfeited	(484,555)	7.52
Nonvested, end of the year	<u>865,296</u>	<u>\$ 5.09</u>

Stock Warrants

At December 31, 2025, there were 877,524 common stock warrants outstanding which primarily relate to an Offering completed in November 2024, where investors were offered one and a half warrants for everyone one common share purchased in the Offering at an exercise price of \$11.25 per share.

A summary of warrant activity for the year ended December 31, 2025, is as follows:

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Warrants outstanding at December 31, 2024	1,467,524	\$ 11.25	\$ -	4.88
Granted	10,000	12.50	-	-
Repurchased	(600,000)	11.25	-	-
Warrants outstanding at December 31, 2025	<u>877,524</u>	<u>\$ 2.06*</u>	<u>\$ 90,917</u>	<u>3.88</u>
Warrants exercisable at December 31, 2025	<u>877,524</u>	<u>\$ 2.06*</u>	<u>\$ 90,917</u>	<u>3.88</u>

*The weighted average exercise price reflects the reduction that occurred in December 2025 due to the Share Combination Event (see below).

The 10,000 warrants were granted in connection with a short-term secured promissory note executed during the year ended December 31, 2025 (see Note 7).

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. The 600,000 warrants held by the investor were repurchased by the Company at a price of \$1.08 for total cash consideration of \$649,980. The repurchase amount has been reflected as a reduction of additional-paid in capital on the consolidated statements of stockholders' equity.

In connection with the effective date of the Reverse Stock Split, a Share Combination Event was triggered on the warrants issued in the Offering. Pursuant to the terms of the warrants, if a Share Combination Event occurred the warrant's exercise price would be adjusted to the lowest volume weighted average price for the five trading days immediately following the Share Combination Event. The Share Combination Event resulted in the warrant's exercise price being reduced from \$11.25 (post-split) to \$1.9352. We determined the incremental value received by the warrant holders for the exercise price modification using a Black-scholes model pre and post modification and the following inputs: expected term 3.90 years, volatility 107.10%, risk free rate of 3.62%, dividend rate of 0.00% and exercise price of \$11.25 (pre modification) and \$1.9352 (post modification).

We have reflected the incremental value from this exercise price reduction as a deemed dividend within stockholders' equity which amounted to \$573,928.

Note 9 – 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.

In 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 on 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 years ended December 31, 2025 and 2024, the Company incurred \$0 and \$241,917, respectively, in expenses with Merrell Bros. related to the manufacturing of the AirSCWO systems. At December 31, 2025 and 2024, there are no amounts owed to Merrell Bros. for the manufacturing services provided.

See also Note 8 for related parties that invested in the Offering that occurred in November 2024.

Note 10 – Commitments and Contingencies

Operating Leases

On October 15, 2024, a lease for our new laboratory space located in North Carolina commenced upon substantial completion of all improvements by the landlord. Pursuant to the terms of the lease, the Company reimbursed the landlord approximately \$59,000 of these improvements. The term of the lease began September 1, 2024 and ends in sixty-one months or October 1, 2029 with one five-year extension period. The extension period was not included in our initial present value of the right-of-use asset or operating lease liability as it was not reasonably certain the option would be exercised. Monthly rental payments required under the lease are subject to annual increases and range from \$14,235 - \$16,503 over the initial term of the lease.

Upon the lease commencing on October 15, 2024, the Company recognized an operating right-of-use asset and operating lease liabilities of approximately \$726,000 for the present value of the lease payments required over the term of the lease, including the reimbursement for lessor improvements, using a weighted average incremental borrowing rate of 12%.

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Right-of-use assets are summarized below:

	December 31, 2025	December 31, 2024
Right -of-use assets	\$ 726,464	\$ 726,464
Accumulated amortization	(154,723)	(35,450)
Right -of-use assets, net	<u>\$ 571,741</u>	<u>\$ 691,014</u>

Operating lease liabilities are summarized below:

	December 31, 2025	December 31, 2024
Operating lease liabilities, current	\$ 119,693	\$ 101,320
Operating lease liabilities, less current portion	431,683	551,376
Total operating lease liabilities	<u>\$ 551,376</u>	<u>\$ 652,696</u>

Future payments required on the operating lease liabilities, over a remaining lease term of approximately 3.75 years, are as follows:

Year Ending December 31,	
2026	\$ 177,710
2027	183,041
2028	188,532
2029	144,680
Total	<u>693,963</u>
Less present value discount	(142,587)
Total operating lease liabilities	<u>\$ 551,376</u>

The following table summarizes the supplemental cash flow information for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Operating cash outflows from lease liabilities	<u>\$ 172,534</u>	<u>\$ 101,814</u>

During the year ended December 31, 2025, we incurred rent expense of approximately \$210,000 in connection with this operating lease which is included within general and administrative expenses on the consolidated statement of operations. During the year ended December 31, 2024, we incurred rent expense of approximately \$63,000 in connection with this operating lease which is included within general and administrative expenses on the consolidated statement of operations.

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"). 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. As of December 31, 2025 and 2024, 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 Matters

The Company may be involved in various legal proceedings arising in the ordinary course of business, including, but not limited to commercial disputes. The Company believes that such litigation, claims, and administrative proceedings will not have a material adverse impact on its financial position or its results of operations. The Company records a liability when it considers the loss probable, and the amount can be reasonably estimated. In addition, the below legal proceedings are in process or have been resolved.

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. At December 31, 2024, we established an accrual of \$335,000 for this legal settlement as presented on the consolidated balance sheet. This legal matter was officially settled on April 2, 2025 for the amount accrued. We paid \$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 December 31, 2025, we have remitted all payments required on the settlement.

On March 18, 2026, a stockholder class action complaint was filed with Delaware Court of Chancery. The plaintiff seeks declaratory relief invalidating an exculpation provision contained in the Company's amended and restated certification of incorporation filed with State of Delaware that purports to eliminate or limit the personal liability of the Company's directors and officers beyond what is permitted under Delaware law. We believe this complaint has no merit and are consulting with our attorneys on the matter. At this time, the outcome of the litigation is uncertain.

Employment Agreements

Former CEO

On April 19, 2024, the Company entered into an employment agreement with Christian Gannon (the "Employment Agreement"), for Mr. Gannon to serve as President and Chief Executive Officer ("CEO") of the Company effective April 22, 2024 (the "Start Date"). The Employment Agreement provided for an initial annual salary for Mr. Gannon of \$ 450,000. Mr. Gannon is also eligible to earn an annual fiscal year performance bonus for each whole or partial fiscal year of his employment period with the Company; for the initial year under the Employment Agreement in accordance with certain milestones set forth by the Company, and thereafter as determined by the compensation Committee of the Company and the Board of Directors of the Company. Mr. Gannon was eligible to earn a performance bonus up to 125% of Mr. Gannon's then-current base salary (the "Annual Bonus") if certain milestones were met as defined in the Employment Agreement.

Under the Employment Agreement and subject to the terms of the Company's 2021 Plan, Mr. Gannon was granted up to 225,000 Restricted Stock Units (as defined in the Plan) under the Plan, vesting as follows: (a) 25,000, on the first annual anniversary of the Start Date; (b) 75,000, in equal increments on the last day of every month thereafter over the following 36 months, subject to Mr. Gannon's continued employment with the Company on each vesting date; and (c) 125,000, pursuant to certain performance related milestones set forth by the Company and defined in the Employment Agreement (collectively, the "Gannon Restricted Stock Units"). Additionally, pursuant to the Employment Agreement and the terms of the 2021 Plan, Mr. Gannon was granted 525,000 Options (as defined in the 2021 Plan) under the 2021 Plan vesting as follows: (a) 62,500, on the first annual anniversary of the Start Date; (b) 187,500, in equal installments on the last day of every month thereafter over the following 36 months subject to Mr. Gannon's continued employment with the Company on each vesting date; and (c) 275,000, pursuant to certain performance related milestones set forth by the Company and defined in the Employment Agreement (collectively, the "Gannon Options", and together with the Gannon Restricted Stock Units, the "Gannon Equity Awards"). See Note 8 for further disclosures on the vesting performance related milestones.

If the Employment Agreement is terminated by the Company without "Cause" or by Mr. Gannon for "Good Reason" (each as defined in the Employment Agreement, subject to the Company's right to cure), he will be entitled to termination benefits, pursuant to which the Company will be obligated to (i) pay Mr. Gannon 100% of his then-current annual base salary in 12 equal installments; (ii) any earned but unpaid Annual Bonus; (iii) coverage to Mr. Gannon and his dependents under the Company's then current medical, health, and vision insurance plans for 12 months; and (iv) if such separation occurs on or after the first anniversary of the Start Date, (x) a pro-rated Annual Bonus for the fiscal year in which the employment is terminated equal to the pro-rated Annual Bonus that Mr. Gannon would have received based on actual performance for such fiscal year if Mr. Gannon was employed by the Company, and (y) accelerated vesting with respect to the Gannon Equity Awards as if Mr. Gannon had remained employed by the Company through the first anniversary of the date of such separation. The termination benefits are subject to Mr. Gannon executing a separation and release agreement with the Company, within forty-five days of termination.

The Employment Agreement contains covenants for the benefit of the Company relating to the protection of the Company's confidential information and standard Company indemnification obligations.

Mr. Gannon stepped down from his position as CEO effective October 7, 2025 and has not executed a separation and release agreement. Therefore, at December 31, 2025, we did not accrue for any of the termination benefits discussed above and Mr. Gannon stopped vesting in the Gannon Equity Awards upon the effective date of the separation.

Interim CEO

On October 7, 2025, the Company executed an employment agreement with Stephen Jones, interim CEO and President, for a period of the earlier of twelve months or the placement of a full-time CEO. While interim CEO, Mr. Jones received a \$1 salary and 450,000 non-qualified stock options with an exercise price of \$3.70 and the following vesting conditions: 25% date of grant, 25% 90 days after grant, 25% 180 days after grant, 25% 270 days after grant; or immediate vesting upon the following: (i) if termination of employment for any reason other than Cause (as defined in the 2021 374Water Equity Incentive Plan) (provided, however, this shall not apply in the event of a termination of employment made at the sole election of Mr. Jones); (ii) upon hiring of full-time CEO for 374Water and (iii) Change of Control of 374Water (as defined in the 2021 Equity Incentive Plan). The option immediately vested on February 23, 2026 when the Company hired a full-time CEO (see Note 13).

COO

On May 16, 2024 (the "Meyers Effective Date"), we entered into an employment agreement with Brad Meyers (the "COO Employment Agreement"), for Mr. Meyers to continue to serve as Chief Operating Officer ("COO") of the Company, a position he has held since November 6, 2023. The COO Employment Agreement provides for an initial annual base salary for Mr. Meyers of \$300,000. Mr. Meyers is also eligible to earn an annual fiscal year performance bonus with a target amount equal to 50% of Mr. Meyers' then base-salary (the "Meyers Annual Bonus").

Under the COO Employment Agreement and subject to the terms of the 2021 Plan, Mr. Meyers was granted 23,100 Restricted Stock (as defined in the 2021 Plan) and stock options for 23,100 (collectively, the "Meyers Equity Awards"), vesting as follows: (a) with respect to 11,550 Restricted Stock and 11,550 shares subject to stock options ("Options"), 25% vest on the first anniversary of the Effective Date, and the remaining 75% vest in equal increments on the last day of every month thereafter over the following 36 months, subject to Mr. Meyer's continued employment with the Company on each vesting date; and (b) with respect to the remaining 11,550 Restricted Stock and 11,500 Options, each vest in accordance with a performance based milestone set forth by the Company and defined in the COO Employment Agreement. See Note 8 for further disclosures on the performance-related milestones.

If the COO Employment Agreement is terminated by the Company without "Cause" or by Mr. Meyers for "Good Reason" (each as defined in the COO Employment Agreement, subject to the Company's right to cure), he will be entitled to termination benefits, pursuant to which the Company will be obligated to (i) pay Mr. Meyers six months of his then-current annual base salary in six equal installments; (ii) any earned but unpaid Meyers' Annual Bonus; (iii) coverage to Mr. Meyers and his dependents under the Company's then current medical, health, and vision insurance plans for six months; and (iv) if such separation occurs on the day or after the first year anniversary of employment of the Meyers Effective Date, (x) a pro-rated Annual Bonus for the fiscal year in which the employment is terminated equal to the pro-rated Annual Bonus that Mr. Meyers would have received based on actual performance for such fiscal year if Mr. Meyers was employed by the Company, and (y) accelerated vesting with respect to the Meyers Equity Awards as if Mr. Meyers had remained employed by the Company through the six-month anniversary of the date of such separation. The termination benefits are subject to Mr. Meyers executing a separation and release agreement with the Company, within forty-five days of termination.

The Employment Agreement contains covenants for the benefit of the Company relating to protection of the Company's confidential information and standard Company indemnification obligations.

CFO

On December 16, 2024 (the "Kline Effective Date"), we entered into an employment agreement with Russell Kline (the "CFO Employment Agreement"), for Mr. Kline to serve as Chief Financial Officer ("CFO") of the Company. The CFO Employment Agreement provided for an initial annual base salary of \$300,000. Mr. Kline was also eligible to earn an annual fiscal year performance bonus with a target amount equal to 50% of Mr. Kline's then base-salary (the "Kline Annual Bonus").

Under the CFO Employment Agreement and subject to the terms of the 2021 Plan, Mr. Kline was eligible for a grant of 61,728 Restricted Stock (as defined in the 2021 Plan) and stock options for 61,728 (collectively, the "Kline Equity Awards"), vesting as follows: (a) with respect to 30,864 Restricted Stock and 30,864 shares subject to stock options ("Options"), 25% vested on the first anniversary of the Effective Date, and the remaining 75% were to vest in equal increments on the last day of every month thereafter over the following 36 months, subject to Mr. Kline's continued employment with the Company on each vesting date; and (b) with respect to the remaining 30,864 Restricted Stock and 30,864 Options, each vest in accordance with a performance based milestone set forth by the Company and defined in the CFO Employment Agreement. See Note 8 for further disclosures on the performance-related milestones.

If the CFO Employment Agreement is terminated by the Company without "Cause" or by Mr. Kline for "Good Reason" (each as defined in the CFO Employment Agreement, subject to the Company's right to cure), he will be entitled to termination benefits, pursuant to which the Company will be obligated to (i) pay Mr. Kline six months of his then-current annual base salary in six equal installments; (ii) any earned but unpaid Kline Annual Bonus; (iii) coverage to Mr. Kline and his dependents under the Company's then current medical, health, and vision insurance plans for six months; and (iv) if such separation occurs on the day or after the first year anniversary of employment of the Kline Effective Date, (x) a pro-rated Annual Bonus for the fiscal year in which the employment is terminated equal to the pro-rated Annual Bonus that Mr. Kline would have received based on actual performance for such fiscal year if Mr. Kline was employed by the Company, and (y) accelerated vesting with respect to the Kline Equity Awards as if Mr. Kline had remained employed by the Company through the six-month anniversary of the date of such separation. The termination benefits are subject to Mr. Kline executing a separation and release agreement with the Company within forty-five days of termination.

The Employment Agreement contains covenants for the benefit of the Company relating to protection of the Company's confidential information and standard Company indemnification obligations.

Effective March 2, 2026, Mr. Kline was terminated without Cause from the Company. We have not yet finalized a separation and release agreement with Mr. Kline.

Other Employee Matters

On October 8, 2025, our General Counsel, Peter Mandel, stepped down from his position with the Company. On October 20, 2025, the Company and Mr. Mandel entered into a Separation and Release of Claims Agreement (the "Separation Agreement"). Pursuant to the Separation Agreement, Mr. Mandel will receive certain severance benefits in connection with his stepping down from the General Counsel role and will have a new consulting arrangement with the Company to continue providing strategic consulting services and transition support to the Company for a specified period, and in consideration of such benefits, Mr. Mandel agrees to release all claims against the Company and certain parties affiliated with the Company arising out of or related to Mr. Mandel's employment with the Company by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence, or other matter at any time up to and including October 20, 2025. The Separation Agreement became effective on October 28, 2025. At December 31, 2025, the Company has an accrual of approximately \$89,000 for the severance wages remaining to be paid and an \$80,000 bonus accrual that is owed to Mandel pursuant to the terms of the Separation Agreement. Mandel's consulting agreement and services terminated on February 27, 2026.

Effective March 2, 2026, the Company's Chief Administrative Officer ("CAO") separated from the Company. We have not yet finalized a separation and release agreement with the former CAO. However, the former CAO's employment agreement included separation benefits of up to six months of the then-current annual base salary in six equal installments; coverage to the former CAO and any dependents under the Company's then current medical, health, and vision insurance plans for six months; and accelerated vesting with respect to certain unvested equity awards at the time of separation.

We have yet to enter into separation and release agreements with our former CEO, CFO and CAO. However, the Company could be contractually obligated to remit severance payments and provide for benefits coverage to the CEO for twelve months and CFO and CAO for six months. Further, certain unvested equity awards at time of separation could be subject to acceleration. Any contractual obligations will not be known and settled until separation and release agreements are finalized.

Note 11 – Income Taxes

Effective January 1, 2025, the Company adopted ASU 2023-09, *Income Taxes: Improvements to Income Tax Disclosures*. The amendments in ASU 2023-09 enhance the transparency and decision usefulness of income tax disclosures by requiring, among other things, (i) expanded rate reconciliation disclosures with specified categories presented both in dollar amounts and as a percentage of pretax loss, and (ii) disaggregation of income taxes paid (net of refunds) by federal, state and foreign jurisdictions, including separate disclosure of material jurisdictions.

The disclosures for the year ended December 31, 2024 were prepared in accordance with the income tax disclosure requirements of ASC 740-50 prior to the adoption of ASU 2023-09, and are presented in the format previously required. Accordingly, the 2024 rate reconciliation and related disclosures reflect the previously required categories and disclosure objectives under the prior guidance and are not required to be reformatted under the new standard.

Deferred income taxes are provided based on the provisions of ASC Topic 740, "Accounting for Income Taxes", to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Significant components of the Company's net deferred income taxes are as follows:

	December 31,	
	2025	2024
Deferred tax assets		
Goodwill	\$ 50,732	\$ 96,963
Capitalized Start-Up Costs	9,937	30,851
Other Intangibles	1,236	3,818
Other Accruals	64,835	239,219
Stock Compensation	316,932	532,688
Net Operating Loss	10,264,300	6,112,848
Contribution Carryforward	1,421	1,108
Unearned revenue	29,838	7,634
Research and Development Costs	1,143,409	1,509,504
Reserves and Allowances	881,789	269,265
Gross deferred tax assets	12,764,429	8,803,898
Valuation Allowance	(12,473,032)	(8,386,790)
Net deferred tax assets after valuation allowance	\$ 291,397	\$ 417,107
Deferred tax liabilities:		
Depreciation	(286,361)	(407,355)
Lease liabilities	(5,036)	(9,752)
Total deferred tax liabilities	(291,397)	(417,107)
Net deferred tax asset (liability)	\$ -	\$ -

Pretax loss from continuing operations is disaggregated between U.S. domestic and foreign jurisdictions in accordance with ASU 2023-09 and is presented in the table below for the year ended December 31, 2025.

	December 31,
	2025
Components of pre-tax income:	
U.S. Domestic	\$ (20,975,052)
Foreign	-
Total	\$ (20,975,052)

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The provision for income taxes charged to income for the years ended December 31, 2025 and 2024, consists of the following:

	December 31,	
	2025	2024
Current Expense:		
Federal	\$ -	\$ -
State	-	-
Foreign	-	-
Total Current Tax Expense	-	-
Deferred Expense:		
Federal	-	-
State	-	-
Foreign	-	-
Total Deferred Tax Expense	-	-
Total Tax Expense	\$ -	\$ -

No deferred tax expenses or benefits have been recorded due to a full valuation allowance as of December 31, 2025 and 2024.

The effective income tax rate reconciliation for the year ended December 31, 2025 presented below is in accordance with ASU 2023-09 and includes reconciling items required to be separately disclosed if they meet a quantitative threshold of 5% or more of the amount computed by multiplying pretax loss by the applicable U.S. federal statutory income tax rate. Reconciling items below the disclosure threshold are aggregated within "Other". The Company's effective tax rate for the year ended December 31, 2025 differs from U.S. federal statutory rate primarily due to changes in valuation allowances recorded against deferred tax assets and non-deductible expenses. The Company continues to maintain a full valuation allowance against certain deferred tax assets as realization is more likely than not based on current evidence.

	December 31, 2025	
	Amount	Percent
United States Statutory Tax Rate	\$ (4,404,762)	21.00%
Changes in Valuation Allowance	3,622,750	-17.27%
Stock-based compensation	518,325	-2.47%
Other Adjustments	263,687	-1.26%
Effective Tax Rate	\$ -	-

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A reconciliation of the U.S. statutory federal income tax rate to the effective income tax rate (benefit), prior to the adoption of ASU 2023-09 is as follows for the year ended December 31, 2024:

	December 31, 2024
Federal Income Tax at Statutory Rate	21.00%
Change in State Tax Rate	-0.85%
Change in Valuation Allowance	-25.84%
Permanent Differences	0.73%
State Taxes	4.45%
Other	0.51%
Effective Income Tax Rate	0.00%

The Company has gross net operating loss carryforwards for federal tax purposes totaling approximately \$40.0 million and \$23.1 million at December 31, 2025 and 2024 respectively, which will carry forward indefinitely. The Company has gross net operating loss carryforwards for state tax purposes totaling approximately \$29.7 million and \$18.3 million at December 31, 2025 and 2024 respectively, which will carry forward indefinitely.

NOLs that were acquired with the acquisition of businesses are excluded from the amount of available NOLs to the extent their use is limited by the provisions of Section 382 of the Internal Revenue Code. Under the provisions of the Internal Revenue Code, certain substantial changes in the Company's ownership may result in further limitation on the amount of net operating loss carryforwards which can be utilized in future years.

In evaluating the amount of the valuation allowance against its deferred tax assets as of December 31, 2025 and 2024, the Company considered all available positive and negative evidence and concluded that it is more likely than not that a portion of its deferred tax assets would not be realized. Accordingly, the Company has recorded a valuation allowance against its net deferred tax assets due to the uncertainty surrounding the realization of such assets.

On July 4, 2025, the One Big Beautiful Bill Act (the "OBBBA") was enacted, which extends most expiring TCJA provisions and reforms certain tax rules. The key corporate provision for the Company is the immediate expensing for domestic research and experimental expenditures. The decreased deferred tax asset for capitalized research and experimental expenses and the increased deferred tax asset for net operating losses is related to this new legislation.

The Company had no unrecognized tax benefits as of December 31, 2025 and 2024. The Company does not anticipate a significant change in total unrecognized tax benefits within the next 12 months. Tax years 2022-2024 remain open to examination by the major taxing jurisdictions to which the Company is subject.

Note 12 – 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 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 13 – Subsequent Events

Executive Team Transitions

On February 23, 2026, the Board of Directors appointed Daniel (Danny) Bogar as President and Chief Executive Officer to replace the Company's interim CEO, Stephen Jones, who had been appointed the role on October 8, 2025 upon the separation of our former CEO, Chris Gannon. On March 2, 2026, the Company appointed Adrienne Anderson as its Interim Chief Financial Officer to replace Russell Kline, whose employment as the Company's Chief Financial Officer was terminated effective as of March 2, 2026.

See Note 10 for information on recent employee separations.

Nasdaq Compliance

On January 12, 2026, the Company received written notification from The Nasdaq Stock Market Listing Qualifications Staff indicating that the Company has regained compliance with the \$1.00 minimum closing bid price requirement for continued listing on the Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) and that the matter is now closed.

License Agreement

On January 26, 2026, the Company executed a license agreement with the City of Orlando for use of their space at Iron Bridge Water Reclamation (the "License Agreement"). The License Agreement grants the Company a temporary, revocable, nonexclusive license to use approximately 15,000 square feet of the facility for the following (i) installation and operation of AirSCWO units to process city wastewater sludge, (ii), processing of certain approved third-party materials under a WDS program, subject to approval by the City of Orlando, and maintenance of equipment, manufacturing of AirSCWO units and inventory storage. The initial term of the License Agreement commences February 1, 2026 for five years with two optional five-year renewal terms. The initial monthly licensee fee is \$8,000 for the first two years, with annual increases of 2.5% thereafter. The License Agreement includes provisions for the termination for convenience with 180 days' written notice by either party.

The City of Orlando will also receive a WDS fee for any approved third-party materials that are processed at the facility based on the type of third-party materials processed which will be charged at a per pound or gallon rate depending on the type of material.

Purchase Order

On March 3, 2026, we received a purchase order from a construction company tied to a municipal project in Olathe, Kansas for the manufacturing of an AirSCWO 6 unit. The execution of the purchase order triggered a \$2,300,000 invoice that has been submitted to the customer.

Issuance of Convertible Notes

In March 2026, we issued three separate convertible notes and received cash proceeds of \$800,000. The convertible notes bear interest at 10%, mature three years from the issue date and are convertible into shares of common stock at conversion rate of \$5.00. Semi-annual interest payments are required on March 31, and September 30, each year commencing September 30, 2026. The convertible notes include warrant coverage equal to the shares that the issued convertible notes are convertible into. Therefore, a total of 160,000 common stock warrants were issued to the convertible note holders. The common stock warrants are exercisable immediately for a period of three years at an exercise price of \$7.50 per warrant share.

Common Stock Issuances

On January 7, 2026, we issued 60,000 shares of common stock in a cashless option exercise of 100,000 option shares with \$1 exercise price to our current Chief Executive Officer.

On February 2, 2026, we issued 124,051 shares of common stock in a cashless option exercise of 200,000 option shares with an exercise price of \$1.20.

On January 21, 2026, we issued 38,796 shares of common stock to a former non-employee director who resigned from the board of directors on January 5, 2026. The former non-employee director had previously received a restricted stock unit grant on August 28, 2025 with vesting on the grant date anniversary or August 28, 2026. Upon the non-employee director's resignation, the board approved an acceleration of vesting.

On February 13, 2026, we issued 74,750 shares of common stock to certain employees for vested restricted stock units.

EXHIBIT INDEX

3.1	Amended and Restated Certificate of Incorporation of Vrex Corporation as filed with the Delaware Secretary of State on August 14, 2008 (previously filed on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 19, 2008).
3.2	Certificate of Amendment of Certificate of Incorporation of PowerVerde, Inc. (previously filed on Form 10-K filed with the SEC on March 28, 2025).
3.3	Certificate of Amendment of Certificate of Incorporation of 374Water Inc. (previously filed on Form 8-K filed with the SEC on June 17, 2025).
3.4	Certificate of Amendment of Certificate of Incorporation of 374Water Inc. (previously filed on Form 8-K filed with the SEC on December 15, 2025).
3.5	Amended and Restated Bylaws of 374Water Inc., dated as of June 19, 2024 (previously filed on Form 8-K filed with the SEC on June 20, 2024).
4.1	Description of Registrant’s Securities.*
4.2	Form of Warrant (previously filed on Form 8-K filed with the SEC on November 18, 2024).
10.1	Agreement and Plan of Merger dated as of April 16, 2021 among PowerVerde, Inc., 374Water Inc. and 374 Water Acquisition Corp. (previously filed on Form 8-K filed with the SEC on April 22, 2021).
10.2	Employment Agreement dated as of April 19, 2024 between 374Water Inc. and Christian Gannon (previously filed on Form 8-K filed with the SEC on April 24, 2024).+
10.3	Employment Agreement dated as of December 16, 2024 between 374 Water Inc. and Russell Kline (previously filed on Form 10-K filed with the SEC on March 28, 2025).+
10.4	Employment Agreement dated as of April 16, 2021 between PowerVerde, Inc. and Marc Deshusses, Ph.D. (previously filed on Form 8-K filed with the SEC on April 22, 2021).+
10.5	Employment Agreement dated as of December 16, 2024 between 374 Water Inc. and Brad Meyers (previously filed on Form 10-K filed with the SEC on March 28, 2025).+
10.6	Employment Agreement dated as of August 19 2024 between 374 Water Inc. and Peter Mandel (previously filed on Form 10-K filed with the SEC on March 28, 2025).+
10.7	Separation and Release of Claims Agreement dated as of October 20, 2025 between 374Water Inc. and Peter Mandel (previously filed on Form 8-K filed with the SEC on October 24, 2025).+
10.8	Consulting Agreement dated as of October 9, 2025 between 374Water Inc. and Peter Mandel (previously filed on Form 8-K filed with the SEC on October 24, 2025).+
10.9	Employment Agreement dated as of March 31, 2025 between 374Water Inc. and Rajesh Melkote (previously filed on Form 10-Q filed with the SEC on May 15, 2025).+
10.10	Employment Agreement dated as of October 7, 2025 between 374Water Inc. and Stephen Jones (previously filed on Form 8-K filed with the SEC on October 14, 2025).+
10.11	Letter Agreement, dated as of December 14, 2025, by and between 374Water Inc. and Yaacov (Kobe) Nagar (previously filed on Form 8-K filed with the SEC on December 15, 2025).
10.12	Amendment No. 1 to the Letter Agreement, dated February 7, 2026, by and between 374Water Inc. and Yaacov (Kobe) Nagar (previously filed on Form 8-K filed with the SEC on February 9, 2026).
10.13	At-the-Market Issuance ATM Sales Agreement, dated December 23, 2025, between 374Water Inc. and Lake Street Capital Markets, LLC.*
10.14	License Agreement dated as of April 16, 2021 between 374Water Inc. and Duke University (previously filed on Form 8-K filed with the SEC on April 22, 2021).
10.15	Amendment No. 1 to the License Agreement dated as of April 16, 2021 between 374Water Inc. and Duke University (previously filed on Form 10-Q filed with the SEC on May 15, 2025).
10.16	374Water Inc. 2021 Equity Incentive Plan, as amended and restated (previously filed on Form 10-Q filed with the SEC on August 14, 2024).
10.17	Form of Stock Option Agreement under the 374Water Inc. 2021 Equity Incentive Plan (previously filed on Form 10-K filed with the SEC on March 28, 2024).
10.18	Form of Restricted Stock Units Agreement under the 374Water Inc. Equity Incentive Plan (previously filed on Form 10-K filed with the SEC on March 28, 2024).
10.19	Non-Qualified Stock Option Agreement dated as of October 7, 2025 between 374Water Inc. and Stephen Jones (previously filed on Form 8-K filed with the SEC on October 14, 2025).+
10.20	Form of Non-Qualified Stock Option Agreement between 374Water Inc. and each of Russell Kline, Rajesh Melkote and Brad Meyers (previously filed on Form 8-K filed with the SEC on October 14, 2025).+
19.1	Insider Trading Policy (previously filed on Form 10-K filed with the SEC on March 28, 2025).
21.1	Subsidiaries of the Company.*
23.1	Consent of Cherry Bekaert LLP*
24.1	Power of Attorney (included on signature page).*
31.1	Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. *

32.1	Certification of the Chief Executive Officer under Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification of the Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002. **
97	374Water Inc. Policy for the Recovery of Erroneously Awarded Compensation, effective December 1, 2023. (previously filed on Form 10-K filed with the SEC on March 29, 2024)
101	[The following materials from 374Water Inc.'s Annual Report on Form 10-K for the year ended December 31, 2025 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Balance Sheets, (ii) the Statements of Comprehensive Loss, (iii) Statement of Changes in Shareholders' Equity (Deficiency), (iv) the Statements of Cash Flow, and (iv) Notes to Financial Statements.]
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

+ Indicates a management contract, compensatory plan, or arrangement.

SIGNATURES

In accordance with Section 13 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: March 31, 2026

by: /s/ Daniel Bogar
Daniel Bogar
Chief Executive Officer and Principal Executive Officer

SIGNATURES

In accordance with Section 13 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: March 31, 2026

by: /s/ Adrienne Anderson
Adrienne Anderson
Interim Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Daniel Bogar and Adrienne Anderson, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution for him or her, and in his or her name in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and either of them, his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/Daniel Bogar</u> Daniel Bogar	Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2026
<u>/s/Adrienne Anderson</u> Adrienne Anderson	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2026
<u>/s/Chuck Weiser</u> Chuck Weiser	Director	March 31, 2026
<u>/s/ Marc Deshusses</u> March Deshusses	Director	March 31, 2026
<u>/s/ Stephen McKnight</u> Stephen McKnight	Director	March 31, 2026
<u>/s/ Brad Freels</u> Brad Freels	Director	March 31, 2026
<u>/s/ James Pawloski</u> James Pawloski	Director	March 31, 2026

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES
EXCHANGE ACT OF 1934**

374Water Inc. ("we," "our," "us," or the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our common stock. The following summary of the terms of our common stock is based upon our amended and restated certificate of incorporation and our amended and restated bylaws. This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the applicable provisions of our amended and restated certificate of incorporation and our amended and restated bylaws. We encourage you to read our amended and restated certificate of incorporation, our amended and restated bylaws, and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for more information.

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 1,000,000,000 shares of common stock, par value \$0.0001 per share, and 50,000,000 shares of preferred stock, par value \$0.0001 per share. All of our authorized shares of preferred stock are undesignated.

Common stock

Voting Rights

Except as required by law or matters relating solely to the terms of preferred stock, each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of stockholders. Holders of shares of our common stock have no cumulative voting rights. Except in respect of matters relating to the election and removal of directors on our board of directors and as otherwise provided in our Amended and Restated Certificate of Incorporation or required by law, all matters to be voted on by our stockholders must be approved by a majority of the shares present in person or by proxy at the meeting and entitled to vote on the subject matter. In the case of election of directors, all matters to be voted on by our stockholders must be approved by a plurality of the voting power of the shares present in person or by proxy at the meeting and entitled to vote thereon.

Economic rights

Except as otherwise expressly provided in our amended and restated certificate of incorporation or required by applicable law, all shares of common stock will have the same rights and privileges and rank equally, share ratably, and be identical in all respects for all matters, including those described below.

Dividend Rights

Subject to preferences that may be applicable to any then outstanding preferred stock, holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

Liquidation

In the event of the liquidation, dissolution or winding up of the Company, holders of our common stock are entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then outstanding shares of preferred stock.

Rights and Preferences

Holders of our common stock have no preemptive, conversion, subscription or other rights, and there is no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

Preferred stock

Our board of directors has the authority, without further action by the stockholders, subject to limitations prescribed by Delaware law, to issue up to 50,000,000 shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors can increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of the Company and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

Anti-takeover provisions

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws, which are summarized below, may have the effect of delaying, deferring or discouraging another person from acquiring control of our company. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Certificate of incorporation and bylaws

Because our stockholders do not have cumulative voting rights, stockholders holding a majority of the voting power of our shares of common stock are able to elect all of our directors. Our amended and restated certificate of incorporation and our amended and restated bylaws provide for stockholder actions at a duly called meeting of stockholders. A special meeting of stockholders may be called by a majority of our board of directors, the chair of our board of directors, or our chief executive officer or president. Our amended and restated bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors.

The foregoing provisions will make it more difficult for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of deterring hostile takeovers or delaying changes in our control or management. As a consequence, these provisions may also inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

Section 203 of the Delaware general corporation law

We are subject to Section 203 of the Delaware General Corporation Law, or DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, subject to certain exceptions.

Exchange listing

Our common stock is listed on The Nasdaq Capital Market under the symbol "SCWO."

Transfer agent and registrar

The transfer agent and registrar for our common stock is Issuer Direct Corporation.

Execution Version

AT-THE-MARKET ISSUANCE SALES AGREEMENT

December 23, 2025

LAKE STREET CAPITAL MARKETS, LLC
121 S 8th Street, Suite 1000
Minneapolis, MN 55402

Ladies and Gentlemen:

374Water Inc., a Delaware corporation (the “**Company**”), proposes, subject to the terms and conditions stated herein, to issue and sell from time to time through Lake Street Capital Markets, LLC, as sales agent and/or principal (the “**Agent**”), shares of the Company’s common stock, par value \$0.0001 per share (the “**Common Shares**”), on the terms set forth in this agreement (this “**Agreement**”).

Section 1. DEFINITIONS

(a) Certain Definitions. For purposes of this Agreement, capitalized terms used herein and not otherwise defined shall have the following respective meanings:

“**Affiliate**” of a Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first-mentioned Person. The term “control” (including the terms “controlling,” “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“**Agency Period**” means the period commencing on the date of this Agreement and expiring on the earliest to occur of (x) the date on which the Agent shall have placed the Maximum Program Amount pursuant to this Agreement and (y) the date this Agreement is terminated pursuant to Section 7.

“**Base Prospectus**” as defined in Section 2(a).

“**Code**” means the United States Internal Revenue Code of 1986, as amended, and the regulations and published interpretations thereunder.

“**Commission**” means the United States Securities and Exchange Commission.

“**Debt Repayment Triggering Event**” means any event or condition which gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

“**Default**” as defined in Section 2(s).

“**EDGAR**” means Electronic Data Gathering, Analysis and Retrieval.

“**Environmental Laws**” as defined in Section 2(ee).

“**ERISA**” as defined in Section 2(gg).

“**ERISA Affiliate**” means, with respect to the Company or any of its subsidiaries, any member of any group of organizations described in Sections 414(b), (c), (m) or (o) of the Code of which the Company or such subsidiary is a member.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

“**Existing Instrument**” as defined in Section 2(s).

“**FCPA**” means the United States Foreign Corrupt Practices Act of 1977, as amended.

“**FINRA**” means the Financial Industry Regulatory Authority, Inc.

“**Floor Price**” means the minimum Sales Price set by the Company in the Issuance Notice which the Agent shall not sell Shares during the applicable period set forth in the Issuance Notice, which may be adjusted by the Company at any time during the period set forth in the Issuance Notice by delivering written notice of such change to the Agent.

“**Free Writing Prospectus**” as defined in Section 4(e).

“**GDPR**” means the European Union General Data Protection Regulation.

“**Hazardous Materials**” as defined in Section 2(ee).

“**HIPAA**” means, collectively, the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act.

“**Intellectual Property**” as defined in Section 2(u).

“**Investment Company Act**” means the Investment Company Act of 1940, as amended.

“**Issuance Amount**” means the aggregate Sales Price of the Shares to be sold by the Agent pursuant to any Issuance Notice.

“**Issuance Notice**” means a written notice delivered to the Agent by the Company in accordance with this Agreement in the form attached hereto as Exhibit A that is executed by its Chief Executive Officer, President or Chief Financial Officer.

“**Issuance Notice Date**” means any Trading Day during the Agency Period that an Issuance Notice is delivered pursuant to Section 3(b)(i).

“**Issuance Price**” means the Sales Price less the Selling Commission.

“Interim Prospectus Supplement” as defined in Section 4(a).

“IT System” means, collectively, the Company’s and its subsidiaries’ information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases.

“Material Adverse Change” as defined in Section 2(k).

“Maximum Program Amount” means Common Shares with an aggregate Sales Price of the lesser of (a) the number or dollar amount of Common Shares registered under the effective Registration Statement (defined below) pursuant to which the offering is being made, (b) the number of authorized but unissued Common Shares (less Common Shares issuable upon exercise, conversion or exchange of any outstanding securities of the Company or otherwise reserved from the Company’s authorized capital stock), (c) the number or dollar amount of Common Shares permitted to be sold under Form S-3 (including General Instruction I.B.6 thereof, if and so long as applicable), or (d) the number or dollar amount of Common Shares for which the Company has filed a Prospectus (defined below).

“Money Laundering Laws” as defined in Section 2(mm).

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Original Registration Statement” as defined in Section 2(a).

“PCAOB” means the Public Company Accounting Oversight Board.

“Permits” as defined in Section 2(v).

“Person” means an individual or a corporation, partnership, limited liability company, trust, incorporated or unincorporated association, joint venture, joint stock company, governmental authority or other entity of any kind.

“Personal Data” means (i) a natural person’s name, street address, telephone number, e-mail address, photograph, social security number or tax identification number, driver’s license number, passport number, credit card number, bank information, or customer or account number; (ii) any information which would qualify as “personally identifying information” under the Federal Trade Commission Act, as amended; (iii) “personal data” as defined by GDPR; (iv) any information which would qualify as “protected health information” under HIPAA; and (v) any other piece of information that allows the identification of such natural person, or his or her family, or permits the collection or analysis of any data related to an identified person’s health or sexual orientation.

“Policies” as defined in Section 2(rr).

“Principal Market” means the Nasdaq Capital Market or such other national securities exchange on which the Common Shares, including any Shares, are then listed.

“**Privacy Laws**” as defined in Section 2(rr).

“**Prospectus**” as defined in Section 2(a).

“**Registration Statement**” as defined in Section 2(a).

“**Regulation M**” means Regulation M under the Exchange Act.

“**Representation Date**” as defined in Section 2.

“**Rule 102**” means Rule 102 of Regulation M.

“**Sales Price**” means the actual sale execution price of each Share placed by the Agent pursuant to this Agreement.

“**Sanctions**” as defined in Section 2(nn).

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

“**Selling Commission**” means up to three percent (3.0%) of the gross proceeds of Shares sold pursuant to this Agreement, or as otherwise agreed between the Company and the Agent with respect to any Shares sold pursuant to this Agreement.

“**Settlement Date**” means the first (1st) business day (or sooner if cleared) following each Trading Day during the period set forth in the Issuance Notice on which Shares are sold pursuant to this Agreement, when the Company shall deliver to the Agent the amount of Shares sold on such Trading Day and the Agent shall deliver to the Company the Issuance Price received on such sales.

“**Shares**” shall mean the Company’s Common Shares issued or issuable pursuant to this Agreement.

“**Specified Courts**” as defined in Section 8(g).

“**Time of Sale**” as defined in Section 3(b)(v).

“**Time of Sale Information**” as defined in Section 2(b).

“**Trading Day**” means any day on which the Principal Market is open for trading.

“**Triggering Event Date**” as defined in Section 4(o).

Section 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to, and agrees with, the Agent that as of (1) the date of this Agreement, (2) each Issuance Notice Date, (3) each Settlement Date, (4) each Triggering Event Date, and (5) each Time of Sale (each of the times referenced above is referred to herein as

a “**Representation Date**”), except as may be disclosed in the Prospectus (including any documents incorporated by reference therein and any supplements thereto) on or before a Representation Date:

(a) Registration Statement. The Company has prepared and filed or will file with the Commission a shelf registration statement on Form S-3 (File No. 333-291479) that contains a base prospectus (the “**Base Prospectus**”). Such registration statement registers the issuance and sale by the Company of the Shares under the Securities Act. Except where the context otherwise requires, such registration statement, including any information deemed to be a part thereof pursuant to Rule 430B under the Securities Act, including all financial statements, exhibits and schedules thereto and all documents incorporated or deemed to be incorporated therein by reference pursuant to Item 12 of Form S-3 under the Securities Act as from time to time amended or supplemented, is herein referred to as the “**Registration Statement**,” and the prospectus constituting a part of such registration statement, together with any prospectus supplement filed with the Commission pursuant to Rule 424(b) under the Securities Act relating to a particular issuance of the Shares, including all documents incorporated or deemed to be incorporated therein by reference pursuant to Item 12 of Form S-3 under the Securities Act, in each case, as from time to time amended or supplemented, is referred to herein as the “**Prospectus**,” except that if any revised prospectus is provided to the Agent by the Company for use in connection with the offering of the Shares that is not required to be filed by the Company pursuant to Rule 424(b) under the Securities Act, the term “**Prospectus**” shall refer to such revised prospectus from and after the time it is first provided to the Agent for such use. The Registration Statement at the time it originally became effective is herein called the “**Original Registration Statement**.” As used in this Agreement, the terms “amendment” or “supplement” when applied to the Registration Statement or the Prospectus shall be deemed to include the filing by the Company with the Commission of any document under the Exchange Act after the date hereof that is or is deemed to be incorporated therein by reference.

All references in this Agreement to financial statements and schedules and other information which is “contained,” “included” or “stated” in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is or is deemed to be incorporated by reference in or otherwise deemed under the Securities Act to be a part of or included in the Registration Statement or the Prospectus, as the case may be, as of any specified date; and all references in this Agreement to amendments or supplements to the Registration Statement or the Prospectus shall be deemed to mean and include, without limitation, the filing of any document under the Exchange Act which is or is deemed to be incorporated by reference in or otherwise deemed under the Securities Act to be a part of or included in the Registration Statement or the Prospectus, as the case may be, as of any specified date. The Company’s obligations under this Agreement to furnish, provide, deliver or make available (and all other references of like import) copies of any report or statement shall be deemed satisfied if the same is filed the Commission through the Commission’s EDGAR system.

At the time the Original Registration Statement was or will be declared effective and at the time the Company’s most recent Annual Report on Form 10-K was filed with the Commission, if later, the Company met the then-applicable requirements for use of Form S-3 under the Securities Act. During the Agency Period, each time the Company files an Annual Report on Form 10-K the Company will meet the then-applicable requirements for use of Form S-3 under the Securities Act.

(b) Compliance with Registration Requirements. The Original Registration Statement was declared effective by the Commission on December 23, 2025 and any Rule 462(b) Registration Statement will have been declared effective by the Commission under the Securities Act. The Company has complied to the Commission's satisfaction with all requests of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated or threatened by the Commission.

The Prospectus when filed, as of the date hereof (if filed with the Commission on or prior to the date hereof), and at each Representation Date complied, complies or will comply in all material respects with the Securities Act and, if filed with the Commission through its EDGAR system (except as may be permitted by Regulation S-T under the Securities Act), was identical to the copy thereof delivered to the Agent for use in connection with the issuance and sale of the Shares. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto, at the time it became or becomes effective, upon the effectiveness of any amendment thereto and at each Representation Date, complied, complies and will comply in all material respects with the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. As of the date of this Agreement, the Prospectus and any Free Writing Prospectus (as defined below) considered together (collectively, the "**Time of Sale Information**") did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Prospectus, as amended or supplemented, as of its date and at each Representation Date, did not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the three immediately preceding sentences do not apply to statements in or omissions from the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment thereto, or the Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to the Agent furnished to the Company in writing by the Agent expressly for use therein, it being understood and agreed that the only such information furnished by the Agent to the Company consists of the information described in Section 6 below. There are no contracts or other documents required to be described in the Prospectus or to be filed as exhibits to the Registration Statement which have not been described or filed as required. The Registration Statement and the offer and sale of the Shares as contemplated hereby meet the requirements of Rule 415 under the Securities Act and comply in all material respects with said rule.

(c) Ineligible Issuer Status. The Company is not an "ineligible issuer" in connection with the offering of the Shares pursuant to Rules 164, 405 and 433 under the Securities Act. Any Free Writing Prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act. Each Free Writing Prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of Rule 433 under the Securities Act including timely filing with the Commission or

retention where required and legending, and each such Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the issuance and sale of the Shares did not, does not and will not include any information that conflicted, conflicts with or will conflict with the information contained in the Registration Statement or the Prospectus, including any document incorporated by reference therein. Except for the Free Writing Prospectuses, if any, and electronic road shows, if any, furnished to the Agent before first use, the Company has not prepared, used or referred to, and will not, without the Agent's prior consent, prepare, use or refer to, any Free Writing Prospectus.

(d) Incorporated Documents. The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, at the time they were filed with the Commission and at each Representation Date, complied, complies or will comply in all material respects with the requirements of the Exchange Act, as applicable, and, when read together with the other information in the Prospectus, do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Exchange Act Compliance. The documents incorporated or deemed to be incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the Commission and at each Representation Date, and any Free Writing Prospectus or amendment or supplement thereto complied, complies and will comply in all material respects with the requirements of the Exchange Act, and, when read together with the other information in the Prospectus, at the time the Registration Statement and any amendments thereto become effective and at each Representation Date, as the case may be, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Statistical and Market-Related Data. All statistical, demographic and market-related data included in the Registration Statement or the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate. To the extent required, the Company has obtained the written consent for the use of such data from such sources.

(g) Disclosure Controls and Procedures: Deficiencies in or Changes to Internal Control Over Financial Reporting. The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Exchange Act), which (i) are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared; (ii) have been evaluated by management of the Company for effectiveness as of the end of the Company's most recent fiscal quarter; and (iii) are effective in all material respects to perform the functions for which they were established. Since the end of the Company's most recent audited fiscal year, there have been no significant deficiencies or material weaknesses in the Company's internal control over financial reporting (whether or not remediated) and no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the

Company's internal control over financial reporting. The Company is not aware of any change in its internal control over financial reporting that has occurred during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(h) This Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(i) Authorization of the Shares. The Shares have been duly authorized for issuance and sale pursuant to this Agreement and, when issued and delivered by the Company against payment therefor pursuant to this Agreement, will be validly issued, fully paid and nonassessable, and the issuance and sale of the Shares is not subject to any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase the Shares.

(j) No Applicable Registration or Other Similar Rights. There are no persons with registration or other similar rights to have any equity or debt securities registered for sale under the Registration Statement or included in the offering contemplated by this Agreement, except for such rights as have been duly waived.

(k) No Material Adverse Change. Except as otherwise disclosed in the Registration Statement and the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus: (i) there has been no material adverse change, or any development that could reasonably be expected to result in a material adverse change, in (A) the condition, financial or otherwise, or in the earnings, business, properties, operations, operating results, assets, liabilities or prospects, whether or not arising from transactions in the ordinary course of business, of the Company and its subsidiaries, considered as one entity or (B) the ability of the Company to consummate the transactions contemplated by this Agreement or perform its obligations hereunder (any such change being referred to herein as a "**Material Adverse Change**"); (ii) the Company and its subsidiaries, considered as one entity, have not incurred any material liability or obligation, indirect, direct or contingent, including without limitation any losses or interference with their business from fire, explosion, flood, earthquakes, accident or other calamity, whether or not covered by insurance, or from any strike, labor dispute or court or governmental action, order or decree, that are material, individually or in the aggregate, to the Company and its subsidiaries, considered as one entity, and have not entered into any material transactions not in the ordinary course of business; and (iii) there has not been any material decrease in the capital stock or any material increase in any short-term or long-term indebtedness of the Company or its subsidiaries and there has been no dividend or distribution of any kind declared, paid or made by the Company or, except for dividends paid to the Company or other subsidiaries, by any of the Company's subsidiaries on any class of capital stock, or any repurchase or redemption by the Company or any of its subsidiaries of any class of capital stock.

(l) Independent Accountants. Cherry Bekaert LLP or such other accountant (the "**Accountants**"), which has expressed its opinion with respect to the financial statements (which term as used in this Agreement includes the related notes thereto) filed with the Commission as a part of the Registration Statement and the Prospectus, is (i) an independent registered public accounting firm as required by the Securities Act, the Exchange Act, and the rules of the PCAOB, (ii) in compliance with the applicable requirements relating to the qualification of accountants

under Rule 2-01 of Regulation S-X under the Securities Act and (iii) a registered public accounting firm as defined by the PCAOB whose registration has not been suspended or revoked and who has not requested such registration to be withdrawn.

(m) Financial Statements. The financial statements filed with the Commission as a part of the Registration Statement and the Prospectus present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of the dates indicated and the results of their operations, changes in stockholders' equity and cash flows for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as may be expressly stated in the related notes thereto. The interactive data in eXtensible Business Reporting Language included or incorporated by reference in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission's rules and guidelines applicable thereto. No other financial statements or supporting schedules are required to be included in the Registration Statement or the Prospectus. The financial data set forth in each of the Registration Statement and the Prospectus fairly present the information set forth therein on a basis consistent with that of the audited financial statements contained in the Registration Statement and the Prospectus. To the Company's knowledge, no person who has been suspended or barred from being associated with a registered public accounting firm, or who has failed to comply with any sanction pursuant to Rule 5300 promulgated by the PCAOB, has participated in or otherwise aided the preparation of, or audited, the financial statements, supporting schedules or other financial data filed with the Commission as a part of the Registration Statement and the Prospectus. There are no transactions, arrangements and other relationships between and/or among the Company, and/or, to the knowledge of the Company, any of its affiliates and any unconsolidated entity, including, but not limited to, any structural finance, special purpose or limited purpose entity (each, an "*Off-Balance Sheet Transaction*") that could reasonably be expected to affect materially the Company's liquidity or the availability of or requirements for its capital resources, including those Off Balance Sheet Transactions described in the Commission's Statement about Management's Discussion and Analysis of Financial Conditions and Results of Operations (Release Nos. 33-8056; 34-45321; FR-61), and are required to be described in the Prospectus, which have not been described as required.

(n) Company's Accounting System. The Company and each of its subsidiaries make and keep accurate books and records that are accurate in all material respects and maintain a system of internal accounting controls designed to, and which the Company believes is sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) the interactive data in eXtensible Business Reporting Language included or incorporated by reference in the Registration Statement and the Prospectus fairly presents the information called for in all material respects and is prepared in accordance with the Commission's rules and guidelines applicable thereto.

(o) Incorporation and Good Standing of the Company. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to be so qualified or in good standing or to have such power or authority would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change.

(p) Subsidiaries. Each of the Company's "subsidiaries" (for purposes of this Agreement, as defined in Rule 405 under the Securities Act) has been duly incorporated or organized, as the case may be, and is validly existing as a corporation, partnership or limited liability company, as applicable, in good standing (where such concept is recognized) under the laws of the jurisdiction of its incorporation or organization and has the power and authority (corporate or other) to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus. Each of the Company's subsidiaries is duly qualified as a foreign corporation, partnership or limited liability company, as applicable, to transact business and is in good standing (where such concept is recognized) in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to be so qualified or in good standing or to have such power or authority would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change. All of the issued and outstanding capital stock or other equity or ownership interests of each of the Company's subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable and are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance or adverse claim. None of the outstanding capital stock or equity interest in any subsidiary was issued in violation of preemptive or similar rights of any security holder of such subsidiary. The constitutive or organizational documents of each of the subsidiaries comply in all material respects with the requirements of applicable laws of its jurisdiction of incorporation or organization and are in full force and effect. The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries that are either (i) disclosed in the Registration Statement and the Prospectus or (ii) listed in Exhibit 21.1 to the Company's most recent Annual Report on Form 10-K.

(q) Capitalization and Other Capital Stock Matters. The authorized, issued and outstanding capital stock of the Company is as set forth in the Registration Statement and the Prospectus (other than for subsequent issuances, if any, pursuant to employee benefit plans or upon the exercise of outstanding options or warrants, in each case described in the Registration Statement and the Prospectus). The Common Shares (including the Shares) conform in all material respects to the description thereof contained in the Prospectus. All of the issued and outstanding Common Shares have been duly authorized and validly issued, are fully paid and nonassessable and have been issued in compliance with all applicable federal and state securities laws. None of the outstanding Common Shares were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other

rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any of its subsidiaries other than those described in the Registration Statement and the Prospectus. The descriptions of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Registration Statement and the Prospectus accurately and fairly presents the information required to be shown with respect to such plans, arrangements, options and rights.

(r) Stock Exchange Listing. The Common Shares are registered pursuant to Section 12(b) or 12(g) of the Exchange Act and are listed on the Principal Market, and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Shares under the Exchange Act or delisting the Common Shares from the Principal Market, nor, except as set forth in the Registration Statement and the Prospectus and the documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus has the Company received any notification that the Commission or the Principal Market is contemplating terminating such registration or listing. To the Company's knowledge, it is in compliance with all applicable listing requirements of the Principal Market.

(s) Non-Contravention of Existing Instruments; No Further Authorizations or Approvals Required. Neither the Company nor any of its subsidiaries is in violation of its charter or by laws, partnership agreement or operating agreement or similar organizational documents, as applicable, or is in default (or, with the giving of notice or lapse of time, would be in default) ("**Default**") under any indenture, loan, credit agreement, note, lease, license agreement, contract, franchise or other instrument (including, without limitation, any pledge agreement, security agreement, mortgage or other instrument or agreement evidencing, guaranteeing, securing or relating to indebtedness) to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of their respective properties or assets are subject (each, an "**Existing Instrument**"), except for such Defaults as could not be reasonably expected, individually or in the aggregate, to result in a Material Adverse Change. The Company's execution, delivery and performance of this Agreement, consummation of the transactions contemplated hereby and by the Registration Statement and the Prospectus and the issuance and sale of the Shares (including the use of proceeds from the sale of the Shares as described in the Registration Statement and the Prospectus under the caption "*Use of Proceeds*"): (i) have been duly authorized by all necessary corporate action and will not result in any violation of the provisions of the charter or by laws, partnership agreement or operating agreement or similar organizational documents, as applicable, of the Company or any subsidiary; (ii) will not conflict with or constitute a breach of, or Default or a Debt Repayment Triggering Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, or require the consent of any other party to, any Existing Instrument, except as could not be reasonably expected, individually or in the aggregate, to result in a Material Adverse Change; and (iii) will not result in any violation of any law, administrative regulation or administrative or court decree applicable to the Company or any of its subsidiaries. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental or regulatory authority or agency, is required for the Company's execution, delivery and performance of this Agreement and consummation of the transactions contemplated hereby and by the Registration Statement and the Prospectus, except such as have been obtained or made by the Company and are in full force and effect under the

Securities Act and such as may be required under applicable state securities or blue sky laws or FINRA.

(t) No Material Actions or Proceedings. Except as otherwise disclosed in the Prospectus, there is no action, suit, proceeding, inquiry or investigation brought by or before any legal or governmental entity now pending or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, which could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change. No material labor dispute with the employees of the Company or any of its subsidiaries, or with the employees of any principal supplier, manufacturer, customer or contractor of the Company, exists or, to the knowledge of the Company, is threatened or imminent.

(u) Intellectual Property Rights. Except as otherwise disclosed in the Registration Statement or the Prospectus, the Company and its subsidiaries own, or have obtained valid and enforceable licenses for, the inventions, patent applications, patents, trademarks, trade names, service names, copyrights, trade secrets and other intellectual property described in the Registration Statement and the Prospectus as being owned or licensed by them or which are necessary for the conduct of their respective businesses as currently conducted or as currently proposed to be conducted (collectively, “**Intellectual Property**”) and to the Company’s knowledge, the conduct of their respective businesses currently does not and will not infringe, misappropriate or otherwise conflict in any material respect with any such rights of others. The Intellectual Property of the Company has not been adjudged by a court of competent jurisdiction to be invalid or unenforceable, in whole or in part, and the Company is unaware of any facts which would form a reasonable basis for any such adjudication. To the Company’s knowledge, except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change: (i) there are no third parties who have rights to any Intellectual Property, except for customary reversionary rights of third-party licensors with respect to Intellectual Property that is disclosed in the Registration Statement and the Prospectus as licensed to the Company or one or more of its subsidiaries; and (ii) there is no infringement by third parties of any Intellectual Property owned by or exclusively licensed to the Company or any of its subsidiaries. There is no pending or, to the Company’s knowledge, threatened action, suit, proceeding or claim by others: (A) challenging the Company’s rights in or to any Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding or claim; (B) challenging the validity, enforceability or scope of any Intellectual Property, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding or claim; or (C) asserting that the Company or any of its subsidiaries infringes or otherwise violates, or would, upon the commercialization of any product or service described in the Registration Statement or the Prospectus as under development, infringe or violate, any patent, trademark, trade name, service name, copyright, trade secret or other proprietary rights of others, and the Company is unaware of any facts which would form a reasonable basis for any such action, suit, proceeding or claim. The Company and its subsidiaries have complied in all material respects with the terms of each agreement pursuant to which Intellectual Property has been licensed to the Company or any subsidiary, and all such agreements are in full force and effect. To the Company’s knowledge, there are no material defects in any of the patents or patent applications included in the Intellectual Property. The Company and its subsidiaries have taken all reasonable steps to protect, maintain and safeguard their Intellectual Property, including the execution of appropriate nondisclosure, confidentiality agreements and invention assignment agreements and invention

assignments with their employees, and to the knowledge of the Company, no employee of the Company is in or has been in violation of any term of any employment contract, patent disclosure agreement, invention assignment agreement, non-competition agreement, non-solicitation agreement, nondisclosure agreement, or any restrictive covenant to or with a former employer where the basis of such violation relates to such employee's employment with the Company. The duty of candor and good faith as required by the United States Patent and Trademark Office during the prosecution of the United States patents and patent applications included in the Intellectual Property have been complied with; and in all foreign offices having similar requirements, all such requirements have been complied with in all material respects. None of the Company owned Intellectual Property or technology (including information technology and outsourced arrangements) employed by the Company or its subsidiaries has been obtained or is being used by the Company or its subsidiaries in violation in any material respect of any contractual obligation binding on the Company or its subsidiaries or any of their respective officers, directors or employees or otherwise in violation of the rights of any persons in any material respect. The systems, products and methods described in the Registration Statement and the Prospectus as under development by the Company or any subsidiary fall within the scope of the claims of one or more patents or patent applications owned by, or exclusively licensed to, the Company or any subsidiary.

(v) All Necessary Permits, etc. Except as otherwise disclosed in the Prospectus, the Company and each subsidiary possess such valid and current certificates, authorizations or permits required by state, federal or foreign regulatory agencies or bodies to conduct their respective businesses as currently conducted and as described in the Registration Statement or the Prospectus (collectively, "Permits"), except where the failure to possess the same or so qualify would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change. Neither the Company nor any of its subsidiaries is in violation of, or in default under, any of the Permits or has received any notice of proceedings relating to the revocation or modification of, or non-compliance with the Permits, except for such violations, defaults or proceedings which, if resolved unfavorably, would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Change.

(w) Title to Properties. Except as otherwise disclosed in the Prospectus, the Company and its subsidiaries have good and marketable title to all of the real and personal property and other assets reflected as owned in the financial statements referred to in Section 2(m) above (or elsewhere in the Registration Statement or the Prospectus, in each case free and clear of any security interests, mortgages, liens, encumbrances, equities, adverse claims and other defects, except as would not reasonably be expected, individually or in the aggregate, to materially affect the value of such property or materially interfere with the use thereof. The real property, improvements, equipment and personal property held under lease by the Company or any of its subsidiaries are held under valid and enforceable leases, with such exceptions as are not material and do not materially interfere with the use made or proposed to be made of such real property, improvements, equipment or personal property by the Company or such subsidiary.

(x) Tax Law Compliance. The Company and its subsidiaries have filed all necessary federal, state, local and foreign income and franchise tax returns or have properly requested extensions thereof and have paid all taxes required to be paid by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them except as may be being contested in good faith and by appropriate proceedings and except to the extent that

failure to file or pay could not reasonably be expected to result in a Material Adverse Change. The Company has made adequate charges, accruals and reserves in the applicable financial statements referred to in Section 2(m) above in respect of all federal, state, local and foreign income and franchise taxes for all periods as to which the tax liability of the Company or any of its subsidiaries has not been finally determined.

(y) Company Not an “Investment Company.” The Company is not, and will not be, either after receipt of payment for the Shares or after the application of the proceeds therefrom as described under “Use of Proceeds” in the Registration Statement or the Prospectus, required to register as an “investment company” under the Investment Company Act.

(z) Insurance. Except as otherwise disclosed in the Prospectus, each of the Company and its subsidiaries are insured by recognized, financially sound and reputable institutions with policies in such amounts and with such deductibles and covering such risks as are generally deemed adequate and customary, in the reasonable judgment of the Company’s board of directors and management, for their businesses including, but not limited to, policies covering real and personal property owned or leased by the Company and its subsidiaries against theft, damage, destruction, acts of vandalism and earthquakes and policies covering the Company and its subsidiaries for product liability claims. The Company has no reason to believe that it or any of its subsidiaries will not be able (i) to renew its existing insurance coverage as and when such policies expire or (ii) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that could not be reasonably expected, individually or in the aggregate, to result in a Material Adverse Change. Neither the Company nor any of its subsidiaries has been denied any insurance coverage which it has sought or for which it has applied.

(aa) No Price Stabilization or Manipulation; Compliance with Regulation M. Neither the Company nor any of its subsidiaries has taken, directly or indirectly, any action designed to or that would reasonably be expected to cause or result in stabilization or manipulation of the price of the Common Shares or of any “reference security” (as defined in Rule 100 of Regulation M) with respect to the Common Shares, whether to facilitate the sale or resale of the Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M.

(bb) Related Party Transactions. There are no business relationships or related-party transactions involving the Company or any of its subsidiaries or any other person required to be described in the Registration Statement or the Prospectus which have not been described therein as required.

(cc) FINRA Matters. All of the information provided to the Agent or to counsel for the Agent by the Company, its counsel, its officers and directors and the holders of any securities (debt or equity) or options to acquire any securities of the Company in connection with the offering of the Shares is true, complete, correct and compliant in all material respects with FINRA’s rules and any letters, filings or other supplemental information provided to FINRA pursuant to FINRA Rules is true, complete and correct.

(dd) No Unlawful Contributions or Other Payments. Except as otherwise disclosed in the Prospectus, neither the Company nor any of its subsidiaries nor, to the Company’s knowledge,

any employee or agent of the Company or any subsidiary, has made any contribution or other payment to any official of, or candidate for, any federal, state or foreign office in violation of any law or of the character required to be disclosed in the Registration Statement and the Prospectus.

(ee) Compliance with Environmental Laws. Except as described in the Prospectus and except as could not be expected, individually or in the aggregate, to result in a Material Adverse Change: (i) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, “**Hazardous Materials**”) or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, “**Environmental Laws**”); (ii) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements; (iii) there are no pending or, to the knowledge of the Company, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries; and (iv) to the Company’s knowledge, there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(ff) Periodic Review of Costs of Environmental Compliance. In the ordinary course of its business, the Company conducts a periodic review of the effect of Environmental Laws on the business, operations and properties of the Company and its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). No facts or circumstances have come to the Company’s attention that could result in costs or liabilities that could be expected, individually or in the aggregate, to result in a Material Adverse Change.

(gg) ERISA Compliance. Except as otherwise disclosed in the Prospectus, the Company and its subsidiaries and any “employee benefit plan” (as defined under the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder (collectively, “**ERISA**”)) established or maintained by the Company, its subsidiaries, or to the Company’s knowledge, their ERISA Affiliates are in compliance in all material respects with ERISA. No “reportable event” (as defined under ERISA) has occurred or is reasonably expected to occur with respect to any “employee benefit plan” established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates. No “employee benefit plan” established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates, if such “employee benefit plan” were terminated, would have any “amount of unfunded benefit liabilities” (as defined under ERISA). Neither the Company, its subsidiaries nor any of their

ERISA Affiliates has incurred or reasonably expects to incur any liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any “employee benefit plan” or (ii) Sections 412, 4971, 4975 or 4980B of the Code. Each “employee benefit plan” established or maintained by the Company, its subsidiaries or any of their ERISA Affiliates that is intended to be qualified under Section 401(a) of the Code is so qualified and, to the Company’s knowledge, nothing has occurred, whether by action or failure to act, which would reasonably be expected to cause the loss of such qualification.

(hh) Brokers. Except as otherwise disclosed in the Prospectus, there is no broker, finder or other party that is entitled to receive from the Company any brokerage or finder’s fee or other fee or commission as a result of any transactions contemplated by this Agreement.

(ii) No Outstanding Loans or Other Extensions of Credit. The Company does not have any outstanding extension of credit, in the form of a personal loan, to or for any director or executive officer (or equivalent thereof) of the Company except for such extensions of credit as are expressly permitted by Section 13(k) of the Exchange Act.

(jj) Compliance with Laws. The Company and its subsidiaries have been and are in compliance with all applicable laws, rules and regulations, except where failure to be so in compliance could not be expected, individually or in the aggregate, to result in a Material Adverse Change.

(kk) Dividend Restrictions. Except as disclosed in the Prospectus, no subsidiary of the Company is prohibited or restricted, directly or indirectly, from paying dividends to the Company, or from making any other distribution with respect to such subsidiary’s equity securities or from repaying to the Company or any other subsidiary of the Company any amounts that may from time to time become due under any loans or advances to such subsidiary from the Company or from transferring any property or assets to the Company or to any other subsidiary.

(ll) Anti-Corruption and Anti-Bribery Laws. Neither the Company nor any of its subsidiaries nor any director, officer, or employee of the Company or any of its subsidiaries, nor to the knowledge of the Company, any agent, Affiliate or other person acting on behalf of the Company or any of its subsidiaries has, in the course of its actions for, or on behalf of, the Company or any of its subsidiaries: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) made or taken any act in furtherance of an offer, promise, or authorization of any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or public international organization, or any political party, party official, or candidate for political office; (iii) violated or is in violation of any provision of the FCPA, the UK Bribery Act 2010, or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, authorized, requested, or taken an act in furtherance of any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment or benefit. The Company and its subsidiaries and, to the knowledge of the Company, the Company’s Affiliates have conducted their respective businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(mm) Money Laundering Laws. The operations of the Company and its subsidiaries are, and have been conducted at all times, in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all applicable jurisdictions, the rules and regulations thereunder and any related or similar applicable rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Money Laundering Laws**”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(nn) Sanctions. Neither the Company nor any of its subsidiaries, directors, officers, or employees, nor, to the knowledge of the Company, after due inquiry, any agent, affiliate or other person acting on behalf of the Company or any of its subsidiaries is currently the subject or the target of any U.S. sanctions administered by OFAC or the U.S. Department of State, the United Nations Security Council, the European Union, His Majesty’s Treasury of the United Kingdom, or other relevant sanctions authority (collectively, “**Sanctions**”); nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or the target of Sanctions, including, without limitation, Crimea, Cuba, the so-called Donetsk People’s Republic, Iran, the so-called Luhansk People’s Republic and North Korea; and the Company will not directly or indirectly use the proceeds of this offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, or any joint venture partner or other person or entity, for the purpose of financing the activities of or business with any person, or in any country or territory, that at the time of such financing, is the subject or the target of Sanctions or in any other manner that will result in a violation by any person (including any person participating in the transaction whether as underwriter, advisor, investor or otherwise) of applicable Sanctions. For the past five years, the Company and its subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned Country.

(oo) Sarbanes-Oxley. The Company is in compliance, in all material respects, with all applicable provisions of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder.

(pp) Duties, Transfer Taxes, Etc. No stamp or other issuance or transfer taxes or duties and no capital gains, income, withholding or other taxes are payable by the Agent in the United States or any political subdivision or taxing authority thereof or therein in connection with the execution, delivery or performance of this Agreement by the Company or the sale and delivery by the Company of the Shares.

(qq) Cybersecurity. The Company’s and its subsidiaries’ IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of the Company and its subsidiaries as currently conducted, free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. The Company and its subsidiaries have implemented and maintained commercially reasonable physical, technical and administrative controls, policies, procedures, and safeguards to maintain and protect their material confidential information and the integrity, continuous operation,

redundancy and security of all IT Systems and data, including “Personal Data,” used in connection with their businesses. There have been no material breaches, violations, outages or unauthorized uses of or accesses to same, except for those that have been remedied without material cost or liability or the duty to notify any other person, nor any incidents under internal review or investigations relating to the same. The Company and its subsidiaries are presently in material compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Personal Data and to the protection of such IT Systems and Personal Data from unauthorized use, access, misappropriation or modification.

(rr) Compliance with Data Privacy Laws. The Company and its subsidiaries are, and at all prior times were, in material compliance with all applicable state and federal data privacy and security laws and regulations, including without limitation HIPAA, and the Company and its subsidiaries have taken commercially reasonable actions to prepare to comply with, and since May 25, 2018, have been and currently are in compliance with, the GDPR (EU 2016/679) (collectively, the “Privacy Laws”). To ensure compliance with the Privacy Laws, the Company and its subsidiaries have in place, comply with, and take appropriate steps reasonably designed to ensure compliance in all material respects with their policies and procedures relating to data privacy and security and the collection, storage, use, disclosure, handling, and analysis of Personal Data (the “Policies”). The Company and its subsidiaries have at all times made all disclosures to users or customers required by applicable laws and regulatory rules or requirements, and none of such disclosures made or contained in any Policy have, to the knowledge of the Company, been inaccurate or in violation of any applicable laws and regulatory rules or requirements in any material respect. The Company further certifies that neither it nor any subsidiary: (i) has received notice of any actual or potential liability under or relating to, or actual or potential violation of, any of the Privacy Laws, and has no knowledge of any event or condition that would reasonably be expected to result in any such notice; (ii) is currently conducting or paying for, in whole or in part, any investigation, remediation, or other corrective action pursuant to any Privacy Law; or (iii) is a party to any order, decree, or agreement that imposes any obligation or liability under any Privacy Law.

(ss) Other Underwriting Agreements. The Company is not a party to any agreement with an agent or underwriter for any other “at the market” or continuous equity transaction.

(tt) Sarbanes Oxley Act. The Company is in compliance in all material respects with all applicable provisions of the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder.

(uu) Stabilization. The Company has not, and to its knowledge no one acting on its behalf has, (a) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Shares, (b) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Shares or (c) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (b) and (c), compensation paid to the Agent in connection with the sale of the Shares.

(vv) Agent Exclusivity. Other than the Agent or any of its designees, no person or entity has the right to act as a placement agent, underwriter or as a financial advisor in connection with the sale of the Shares contemplated hereby, and the Company is not a party to any agreement with an agent or underwriter for any other “at the market” offering or continuous equity transaction.

(ww) Stockholder Approvals. To the Company’s knowledge, none of the Company, its Subsidiaries, or any of their respective affiliates, nor any person or entity acting on their behalf (excluding the Agent and any of its other designees, as applicable) has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause the transactions contemplated by this Agreement to require approval of stockholders of the Company under any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of the Principal Market. None of the Company, its Subsidiaries, their affiliates nor any person or entity acting on their behalf will take any action or steps that would cause the offering of any of the Shares to be integrated with other offerings of securities of the Company.

(xx) Pending Proceedings. The Registration Statement is not the subject of a pending proceeding or examination under Section 8(d) or 8(e) of the Securities Act, and the Company is not the subject of a pending proceeding under Section 8A of the Securities Act in connection with the offering of the Shares.

(yy) Immunity. Neither the Company nor any Subsidiary or any of their respective properties or assets has any immunity from the jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution or otherwise) under the laws of the United States or any political subdivisions thereof.

(zz) Foreign Private Issuer Status. The Company is not a “foreign private issuer” as defined in Rule 405 promulgated under the Securities Act.

(aaa) Passive Foreign Investment Company Status. The Company did not qualify as a “passive foreign investment company” within the meaning of Section 1297 of the Code, for its most recently completed taxable year, if any.

(bbb) Forward-Looking Statements. Each “forward-looking statement” (within the meaning of Section 27A of the Securities Act or Section 21E of the Exchange Act) contained in the Registration Statement and the Prospectus has been made or reaffirmed with a reasonable basis and has been disclosed in good faith.

(ccc) [Reserved.]

Any certificate signed by any officer or representative of the Company or any of its subsidiaries and delivered to the Agent or counsel for the Agent in connection with an issuance of Shares shall be deemed a representation and warranty by the Company to the Agent as to the matters covered thereby on the date of such certificate.

The Company acknowledges that the Agent and, for purposes of the opinions to be delivered pursuant to Section 4(o) hereof, counsel to the Company and counsel to the Agent, will

rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

Section 3. ISSUANCE AND SALE OF COMMON SHARES

(a) Sale of Securities. On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company and the Agent agree that the Company may from time to time seek to sell Shares through the Agent, acting as sales agent, or directly to the Agent, acting as principal, as follows, with an aggregate Sales Price of up to the Maximum Program Amount, based on and in accordance with Issuance Notices as the Company may deliver, during the Agency Period.

(b) Mechanics of Issuances.

(i) Issuance Notice. Upon the terms and subject to the conditions set forth herein, on any Trading Day during the Agency Period on which the conditions set forth in Section 5(a) and Section 5(b) shall have been satisfied, the Company may exercise its right to request an issuance of Shares by delivering to the Agent an Issuance Notice; provided, however, that: (A) in no event may the Company deliver an Issuance Notice to the extent that (I) the sum of (x) the aggregate Sales Price of the requested Issuance Amount, plus (y) the aggregate Sales Price of all Shares issued under all previous Issuance Notices effected pursuant to this Agreement, would exceed the Maximum Program Amount; and (B) prior to delivery of any Issuance Notice, the period set forth for any previous Issuance Notice shall have expired or been terminated. An Issuance Notice shall be considered delivered on the Trading Day that it is received by e-mail to the persons set forth in Schedule A hereto and confirmed by the Company by telephone (including a voicemail message to the persons so identified), with the understanding that, with adequate prior written notice to the Company, the Agent, may modify the list of such persons from time to time.

Under no circumstances shall the Company cause or request the offer or sale of any Shares pursuant to this Agreement at a price lower than the minimum price authorized from time to time by the Company's board of directors, a duly authorized committee thereof or a duly authorized executive committee and notified to the Agent in writing. Notwithstanding anything to the contrary contained herein, the parties hereto acknowledge and agree that compliance with the limitations set forth in this Section 3(b) on the number or dollar amount of Shares that may be issued and sold under this Agreement from time to time shall be the sole responsibility of the Company, and that the Agent shall have no obligation in connection with such compliance.

(ii) Agent Efforts. Upon the terms and subject to the conditions set forth in this Agreement, upon the receipt of an Issuance Notice, the Agent will use its commercially reasonable efforts consistent with its normal sales and trading practices to place the Shares with respect to which the Agent has agreed to act as sales agent, subject to, and in accordance with the information specified in, the

Issuance Notice, unless the sale of the Shares described therein has been suspended, cancelled or otherwise terminated in accordance with the terms of this Agreement. For the avoidance of doubt, the parties to this Agreement may modify an Issuance Notice at any time provided they both agree in writing to any such modification.

(iii) Method of Offer and Sale. The Shares may be offered and sold by (A) in negotiated transactions with the consent of the Company or (B) any other method permitted by law deemed to be an “**at the market offering**” as defined in Rule 415(a)(4) under the Securities Act, including block trade transactions, sales made directly on the Principal Market or sales made into any other existing trading market of the Common Shares. Nothing in this Agreement shall be deemed to require either party to agree to the method of offer and sale specified in the preceding sentence, and (except as specified in clause (A) above) the method of placement of any Shares by the Agent shall be at the Agent’s discretion, subject to the Company’s instructions in the Issuance Notice.

(iv) Confirmation to the Company. If acting as sales agent hereunder, the Agent will provide written confirmation to the Company no later than the opening of the Trading Day next following the Trading Day on which it has placed Shares hereunder setting forth the number of shares sold on such Trading Day, the corresponding Sales Price and the Issuance Price payable to the Company in respect thereof.

(v) Settlement. Each issuance of Shares will be settled on the applicable Settlement Date for such issuance of Shares and, subject to the provisions of Section 5, on or before each Settlement Date, the Company will, or will cause its transfer agent to, electronically transfer the Shares being sold by crediting the Agent or its designee’s account at The Depository Trust Company through its Deposit/Withdrawal At Custodian (DWAC) System, or by such other means of delivery as may be mutually agreed upon by the parties hereto and, upon receipt of such Shares, which in all cases shall be freely tradable, transferable, registered shares in good deliverable form, the Agent will deliver, by wire transfer of immediately available funds, the related Issuance Price in same day funds delivered to an account designated by the Company prior to the Settlement Date. The Company may sell Shares to the Agent as principal at a price agreed upon at each relevant time Shares are sold pursuant to this Agreement (each, a “**Time of Sale**”).

(vi) Suspension or Termination of Sales. Consistent with standard market settlement practices, the Company or the Agent may, upon notice to the other party hereto in writing or by telephone (confirmed immediately by verifiable e-mail), suspend any sale of Shares, and the period set forth in an Issuance Notice shall immediately terminate; provided, however, that: (A) such suspension and termination shall not affect or impair either party’s obligations with respect to any Shares placed or sold hereunder prior to the receipt of such notice; (B) if the Company suspends or terminates any sale of Shares after the Agent confirms such sale to the Company, the Company shall still be obligated to comply with Section 3(b)(v) with respect to such Shares; and (C) if the Company defaults in its

obligation to deliver Shares on a Settlement Date, the Company agrees that it will hold the Agent harmless against any loss, claim, damage or expense (including, without limitation, penalties, interest and reasonable legal fees and expenses), as incurred, arising out of or in connection with such default by the Company. The parties hereto acknowledge and agree that, in performing its obligations under this Agreement, the Agent may borrow Common Shares from stock lenders in the event that the Company has not delivered Shares to settle sales as required by subsection (v) above and may use the Shares to settle or close out such borrowings. The Company agrees that no such notice shall be effective against the Agent unless it is made to the persons identified in writing by the Agent pursuant to Section 3(b)(i).

If the Company shall fail at any Settlement Date to sell and deliver the number of Shares which it is obligated to sell hereunder, then the Company shall have five (5) business days to cure such default and deliver such Shares. No action taken pursuant to this Section 3(b)(vi) shall relieve the Company from liability, if any, in respect of such default, and the Company shall (A) hold the Agent or any of its designees harmless against any loss, claim or damage arising from or as a result of such default by the Company and (B) pay the Agent any commission to which it would otherwise be entitled absent such default.

(vii) No Guarantee of Placement, Etc. The Company acknowledges and agrees that: (A) there can be no assurance that the Agent will be successful in placing Shares; (B) the Agent will incur no liability or obligation to the Company or any other Person if it does not sell Shares; and (C) the Agent shall be under no obligation to purchase Shares on a principal basis pursuant to this Agreement, except as otherwise specifically agreed by the Agent and the Company.

(viii) Material Non-Public Information. Notwithstanding any other provision of this Agreement, the Company and the Agent agree that the Company shall not deliver any Issuance Notice to the Agent, and the Agent shall not be obligated to place any Shares, during any period in which the Company is in possession of material non-public information.

(ix) Agent Exclusivity. For purposes of selling the Shares through the Agent, the Company hereby appoints the Agent as exclusive agent of the Company for the purpose of soliciting purchases of the Shares from the Company pursuant to this Agreement and the Agent agrees to use its commercially reasonable efforts to sell the Shares on the terms and subject to the conditions stated herein.

(x) Relationship. Nothing herein contained shall constitute the Agent or any of its designees as an unincorporated association or partner with the Company. Under no circumstances shall any Shares be sold pursuant to this Agreement after the date which is three years after the Registration Statement is first declared effective by the Commission.

(c) Fees. As compensation for services rendered, the Company shall pay to the Agent, on the applicable Settlement Date, the Selling Commission for the applicable Issuance Amount

(including with respect to any suspended or terminated sale pursuant to Section 3(b)(vi)) by the Agent deducting the Selling Commission from the applicable Issuance Amount.

(d) Expenses. The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay or cause to be paid all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation: (i) all expenses incident to the issuance and delivery of the Shares (including all printing and engraving costs); (ii) all fees and expenses of the registrar and transfer agent of the Shares; (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Shares; (iv) all fees and expenses of the Company's legal counsel, independent public or certified public accountants and other advisors; (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Prospectus, any Free Writing Prospectus (as defined below) prepared by or on behalf of, used by, or referred to by the Company, and all amendments and supplements thereto, and this Agreement; (vi) all filing fees, attorneys' fees and expenses incurred by the Company or the Agent in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Shares for offer and sale under the state securities or blue sky laws or the provincial securities laws of Canada, and, if requested by the Agent, preparing and printing a "**Blue Sky Survey**" or memorandum and a "Canadian wrapper", and any supplements thereto, advising the Agent of such qualifications, registrations, determinations and exemptions; (vii) the reasonable fees and disbursements of the Agent's counsel, including the reasonable fees and expenses of legal counsel for the Agent in connection with FINRA review, if any, and approval of the Agent's participation in the offering and distribution of the Shares; (viii) the filing fees incident to FINRA review, if any; and (ix) the fees and expenses associated with listing the Shares on the Principal Market. The fees and disbursements of the Agent's legal counsel pursuant to subsections (vi) and (vii) above shall not exceed: (A) \$12,500 in connection with the initiation of sales hereunder and the filing of the Prospectus for the offering of the Shares; and (B) \$2,500 in connection with each other Triggering Event Date (as defined below) on which the Company is required to provide a certificate pursuant to Section 4(o).

Section 4. ADDITIONAL COVENANTS

The Company covenants and agrees with the Agent as follows, in addition to any other covenants and agreements made elsewhere in this Agreement:

(a) Exchange Act Compliance. During the Agency Period, the Company shall (i) file, on a timely basis, with the Commission all reports and documents required to be filed under Section 13, 14 or 15 of the Exchange Act in the manner and within the time periods required by the Exchange Act; and (ii) either, in the Company's sole discretion: (A) include in its Quarterly Reports on Form 10-Q and its Annual Reports on Form 10-K, a summary detailing, for the relevant reporting period, (1) the number of Shares sold through the Agent pursuant to this Agreement and (2) the net proceeds received by the Company from such sales; or (B) prepare a prospectus supplement containing, or include in such other filing permitted by the Securities Act or Exchange Act (each an "**Interim Prospectus Supplement**"), such summary information and, at least once a quarter and subject to this Section 4, file such Interim Prospectus Supplement pursuant to Rule

424(b) under the Securities Act (and within the time periods required by Rule 424(b) and Rule 430B under the Securities Act)).

(b) Securities Act Compliance. After the date of this Agreement, the Company shall promptly advise the Agent in writing: (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission relating to the Registration Statement or the Prospectus; (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement, any Rule 462(b) Registration Statement or any amendment or supplement to the Prospectus, or any Free Writing Prospectus; (iii) of the time and date that any post-effective amendment to the Registration Statement or any Rule 462(b) Registration Statement becomes effective; and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto, any Rule 462(b) Registration Statement or any amendment or supplement to the Prospectus or of any order preventing or suspending the use of any Free Writing Prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Common Shares from any securities exchange upon which they are listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use commercially reasonable efforts to obtain the lifting of such order as soon as reasonably practicable. Additionally, the Company agrees that it shall comply with the provisions of Rule 424(b) and Rule 433, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) or Rule 433 were received in a timely manner by the Commission.

(c) Amendments and Supplements to the Prospectus and Other Securities Act Matters. If any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus so that the Prospectus does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if in the opinion of the Agent or counsel for the Agent it is otherwise necessary to amend or supplement the Prospectus to comply with applicable law, including the Securities Act, the Company agrees (subject to Section 4(d) and Section 4(f)) to promptly prepare, file with the Commission and furnish at its own expense to the Agent, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law including the Securities Act. Neither the Agent's consent to, or delivery of, any such amendment or supplement shall constitute a waiver of any of the Company's obligations under Section 4(d) and Section 4(f); *provided, however*, that the only remedy the Agent shall have with respect to the failure by the Company to make such filing (other than the Agent's rights under Section 3(d) or Section 6 hereof) shall be to cease making sales under this Agreement until such amendment or supplement is filed; *provided further*, that the failure of the Company to file such amendment or supplement request shall not relieve the Company of any obligation or liability under Section 3(d) or Section 6 hereof, or affect the Agent's right to rely on the representations and warranties made by the Company in this Agreement. Notwithstanding the foregoing, the Company shall not be

required to file such amendment or supplement if there is no pending Issuance Notice and the Company believes that it is in its best interest not to file such amendment or supplement.

(d) Agent's Review of Proposed Amendments and Supplements. Prior to amending or supplementing the Registration Statement (including any registration statement filed under Rule 462(b) under the Securities Act) or the Prospectus (excluding any amendment or supplement through incorporation of any report filed under the Exchange Act), insofar as such proposed amendment relates to the Shares or transactions contemplated hereby, the Company shall furnish to the Agent for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each such proposed amendment or supplement, and the Company shall not file or use any such proposed amendment or supplement without the Agent's prior review, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(e) Use of Free Writing Prospectus. Neither the Company nor the Agent has prepared, used, referred to or distributed, or will prepare, use, refer to or distribute, without the other party's prior written consent, any "written communication" that constitutes a "free writing prospectus" as such terms are defined in Rule 405 under the Securities Act with respect to the offering contemplated by this Agreement (any such free writing prospectus being referred to herein as a "**Free Writing Prospectus**").

(f) Free Writing Prospectuses. The Company shall furnish to the Agent for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of each proposed free writing prospectus or any amendment or supplement thereto to be prepared by or on behalf of, used by, or referred to by the Company, and the Company shall not file, use or refer to any proposed free writing prospectus or any amendment or supplement thereto without the Agent's consent, which consent shall not be unreasonably withheld, conditioned or delayed. The Company shall furnish to the Agent, without charge, as many copies of any free writing prospectus prepared by or on behalf of, or used by the Company, as the Agent may reasonably request. If at any time when a prospectus is required by the Securities Act (including, without limitation, pursuant to Rule 173(d)) to be delivered in connection with sales of the Shares (but in any event if at any time through and including the date of this Agreement) there occurred or occurs an event or development as a result of which any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company conflicted or would conflict with the information contained in the Registration Statement or included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at that subsequent time, not misleading, the Company shall promptly amend or supplement such free writing prospectus to eliminate or correct such conflict or so that the statements in such free writing prospectus as so amended or supplemented will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances prevailing at such subsequent time, not misleading, as the case may be; provided, however, that prior to amending or supplementing any such free writing prospectus, the Company shall furnish to the Agent for review, a reasonable amount of time prior to the proposed time of filing or use thereof, a copy of such proposed amended or supplemented free writing prospectus and the Company shall not file, use or refer to any such amended or supplemented free writing prospectus without the Agent's consent.

(g) Filing of Agent Free Writing Prospectuses. The Company shall not take any action that would result in the Agent or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Agent that the Agent otherwise would not have been required to file thereunder.

(h) Copies of Registration Statement and Prospectus. After the date of this Agreement through the last time that a prospectus is required by the Securities Act (including, without limitation, pursuant to Rule 173(d)) to be delivered in connection with sales of the Shares, the Company agrees to furnish the Agent with copies (which may be electronic copies) of the Registration Statement and each amendment thereto, and with copies of the Prospectus and each amendment or supplement thereto in the form in which it is filed with the Commission pursuant to the Securities Act or Rule 424(b) under the Securities Act, both in such quantities as the Agent may reasonably request from time to time; and, if the delivery of a prospectus is required under the Securities Act or under the blue sky or securities laws of any jurisdiction at any time on or prior to the applicable Settlement Date for any period set forth in an Issuance Notice in connection with the offering or sale of the Shares and if at such time any event has occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it is necessary during such same period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Securities Act or the Exchange Act, to notify the Agent and to request that the Agent suspend offers to sell Shares (and, if so notified, the Agent shall cease such offers as soon as practicable); and if the Company decides to amend or supplement the Registration Statement or the Prospectus as then amended or supplemented, to advise the Agent promptly by telephone (with confirmation in writing) and to prepare and cause to be filed promptly with the Commission an amendment or supplement to the Registration Statement or the Prospectus as then amended or supplemented that will correct such statement or omission or effect such compliance; provided, however, that if during such same period the Agent is required to deliver a prospectus in respect of transactions in the Shares, the Company shall promptly prepare and file with the Commission such an amendment or supplement.

(i) Blue Sky Compliance. The Company shall cooperate with the Agent and counsel for the Agent to qualify or register the Shares for sale under (or obtain exemptions from the application of) the state securities or "blue sky" laws or Canadian provincial securities laws of those jurisdictions designated by the Agent, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Agent promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use commercially reasonable efforts to obtain the withdrawal thereof as soon as practicable.

(j) Earnings Statement. As soon as reasonably practicable, the Company will make generally available to its security holders and to the Agent an earnings statement (which need not be audited) covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 under the Securities Act. If the Company makes any public announcement or release disclosing its results of operations or financial condition for a completed quarterly or annual fiscal period and the Company has not yet filed an Annual Report on Form 10-K or a Quarterly Report on Form 10-Q with respect to such information, as applicable, then, prior to any sale of Shares, the Company shall be obligated to (x) file a prospectus supplement with the Commission under the applicable paragraph of Rule 424(b), which prospectus supplement shall include the applicable financial information or (y) file a Current Report on Form 8-K, which Current Report on Form 8-K shall include the applicable financial information.

(k) Listing; Reservation of Shares. The Company will use commercially reasonable effort to maintain the listing of the Shares on the Principal Market. In addition, the Company will reserve and keep available at all times, free of preemptive rights, Shares for the purpose of enabling the Company to satisfy its obligations under this Agreement.

(l) Transfer Agent. The Company shall engage and maintain, at its expense, a registrar and transfer agent for the Shares.

(m) Due Diligence. During the term of this Agreement, the Company will reasonably cooperate with any reasonable due diligence review conducted by the Agent in connection with the transactions contemplated hereby, including, without limitation, providing information and making available documents and senior corporate officers, during normal business hours and at the Company's principal offices, as the Agent may reasonably request from time to time.

(n) Representations and Warranties. The Company acknowledges that each delivery of an Issuance Notice and each delivery of Shares on a Settlement Date shall be deemed to be: (i) an affirmation to the Agent that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct as of the date of such Issuance Notice or of such Settlement Date, as the case may be, as though made at and as of each such date, except as may be disclosed in the Prospectus (including any documents incorporated by reference therein and any supplements thereto); and (ii) an undertaking that the Company will advise the Agent if any of such representations and warranties will not be true and correct as of the Settlement Date for the Shares relating to such Issuance Notice, as though made at and as of each such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Shares).

(o) Deliverables at Triggering Event Dates: Certificates. The Company agrees that on or prior to the date of the first Issuance Notice and, during the term of this Agreement after the date of the first Issuance Notice, upon:

- (i) the filing of the Prospectus or the amendment or supplement of any Registration Statement or Prospectus (other than a prospectus supplement relating solely to an offering of securities other than the Shares or a prospectus filed pursuant to Section 4(a)(ii)(B)), by

means of a post-effective amendment, sticker or supplement, but not by means of incorporation of documents by reference into the Registration Statement or Prospectus;

(ii) the filing with the Commission of an Annual Report on Form 10-K or a Quarterly Report on Form 10-Q (including any Form 10-K/A or Form 10-Q/A containing amended financial information or a material amendment to the previously filed Annual Report on Form 10-K or Quarterly Report on Form 10-Q), in each case, of the Company; or

(iii) the filing with the Commission of a Current Report on Form 8-K of the Company containing amended financial information (other than information “furnished” pursuant to Item 2.02 or 7.01 of Form 8-K or to provide disclosure pursuant to Item 8.01 of Form 8-K relating to reclassification of certain properties as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144) that is material to the offering of securities of the Company in the Agent’s reasonable discretion;

(any such event, a “**Triggering Event Date**”), the Company shall furnish the Agent (but in the case of clause (C) above only if the Agent reasonably determines that the information contained in such Current Report on Form 8-K of the Company is material) with a certificate as of the Triggering Event Date, in the form and substance reasonably satisfactory to the Agent and its counsel, substantially similar to the form previously provided to the Agent and its counsel, modified, as necessary, to relate to the Registration Statement and the Prospectus, as amended or supplemented: (A) confirming that the representations and warranties of the Company contained in this Agreement are true and correct; (B) confirming that the Company has performed all of its obligations hereunder to be performed on or prior to the date of such certificate and as to the matters set forth in Section 5(a)(iii) hereof; and (C) containing any other certification that the Agent shall reasonably request. The requirement to provide a certificate under this Section 4(o) shall be waived for any Triggering Event Date occurring at a time when no Issuance Notice is pending or a suspension is in effect, which waiver shall continue until the earlier to occur of the date the Company delivers instructions for the sale of Shares hereunder (which for such calendar quarter shall be considered a Triggering Event Date) and the next occurring Triggering Event Date. Notwithstanding the foregoing, if the Company subsequently decides to sell Shares following a Triggering Event Date when a suspension was in effect and did not provide the Agent with a certificate under this Section 4(o), then before the Company delivers the instructions for the sale of Shares or the Agent sells any Shares pursuant to such instructions, the Company shall provide the Agent with a certificate in conformity with this Section 4(o) dated as of the date that the instructions for the sale of Shares are issued.

(p) Legal Opinion. On or prior to the date of the first Issuance Notice and on or prior to each Triggering Event Date with respect to which the Company is obligated to deliver a certificate pursuant to Section 4(o) for which no waiver is applicable and excluding the date of this Agreement, a negative assurances letter and the written legal opinion of Cleary Gottlieb Steen & Hamilton LLP, counsel to the Company, dated the date of delivery, in form and substance reasonably satisfactory to Agent and its counsel, substantially similar to the form previously provided to the Agent and its counsel, modified, as necessary, to relate to the Registration Statement and the Prospectus as then amended or supplemented. In lieu of such opinions for subsequent periodic filings, in the discretion of the Agent, the Company may furnish a reliance letter from such counsel to the Agent, permitting the Agent to rely on a previously delivered

opinion letter, modified as appropriate for any passage of time or Triggering Event Date (except that statements in such prior opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended or supplemented as of such Triggering Event Date).

(q) Comfort Letter. On or prior to the date of the first Issuance Notice and on or prior to each Triggering Event Date with respect to which the Company is obligated to deliver a certificate pursuant to Section 4(o) for which no waiver is applicable and excluding the date of this Agreement, the Company shall cause the Accountants, the independent registered public accounting firm who has audited the financial statements included or incorporated by reference in the Registration Statement, to furnish the Agent a comfort letter, dated the date of delivery, in form and substance reasonably satisfactory to the Agent and its counsel, substantially similar to the form previously provided to the Agent and its counsel; provided, however, that any such comfort letter will only be required on the Triggering Event Date specified to the extent that it contains financial statements filed with the Commission under the Exchange Act and incorporated or deemed to be incorporated by reference into a Prospectus. If requested by the Agent, the Company shall also cause a comfort letter to be furnished to the Agent on the date of occurrence of any material transaction or event requiring the filing of a Current Report on Form 8-K containing material amended financial information of the Company, including the restatement of the Company's financial statements. The Company shall be required to furnish no more than one comfort letter hereunder per each filing of an Annual Report on Form 10-K and, notwithstanding the foregoing, shall not be required to furnish a comfort letter upon filing of or a Quarterly Report on Form 10-Q.

(r) Secretary's Certificate. On or prior to the date of the first Issuance Notice and on or prior to each Triggering Event Date, the Company shall furnish the Agent a certificate executed by the Secretary of the Company, signing in such capacity, dated the date of delivery: (i) certifying that attached thereto are true and complete copies of the resolutions duly adopted by the board of directors of the Company authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, the issuance of the Shares pursuant to this Agreement), which authorization shall be in full force and effect on and as of the date of such certificate; (ii) certifying and attesting to the office, incumbency, due authority and specimen signatures of each Person who executed this Agreement for or on behalf of the Company; and (iii) containing any other certification that the Agent shall reasonably request.

(s) Agent's Own Account; Clients' Account. The Company consents to the Agent trading, in compliance with applicable law, in the Common Shares for the Agent's own account and for the account of its clients at the same time as sales of the Shares occur pursuant to this Agreement.

(t) Investment Limitation. The Company shall not invest, or otherwise use the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company or any of its subsidiaries to register as an investment company under the Investment Company Act.

(u) Market Activities. The Company will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of

the Shares or otherwise, and the Company will, and shall cause each of its Affiliates to, comply with all applicable provisions of Regulation M. If the limitations of Rule 102 do not apply with respect to the Shares or any other reference security pursuant to any exception set forth in Section (d) of Rule 102, then promptly upon notice from the Agent (or, if later, at the time stated in the notice), the Company will, and shall cause each of its Affiliates to, comply with Rule 102 as though such exception were not available but the other provisions of Rule 102 (as interpreted by the Commission) did apply. The Company shall promptly notify the Agent if it no longer meets the requirements set forth in Section (d) of Rule 102.

(v) Notice of Other Sale. Without the written consent of the Agent the Company will not, directly or indirectly, offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any Common Shares or securities convertible into or exchangeable for Common Shares (other than Shares hereunder), warrants or any rights to purchase or acquire Common Shares, or effect a reverse stock split, recapitalization, share consolidation, reclassification or similar transaction affecting the outstanding Common Shares, during the period beginning on the third Trading Day immediately prior to the date on which any Issuance Notice is delivered to the Agent hereunder and ending on the third Trading Day immediately following the Settlement Date with respect to Shares sold pursuant to such Issuance Notice; and will not directly or indirectly enter into any other “at the market” or continuous equity transaction offer to sell, sell, contract to sell, grant any option to sell or otherwise dispose of any Common Shares (other than the Shares offered pursuant to this Agreement) or securities convertible into or exchangeable for Common Shares, warrants or any rights to purchase or acquire, Common Shares prior to the termination of this Agreement; provided, however, that such restrictions will not be required in connection with the Company’s: (i) issuance or sale of Common Shares, options to purchase Common Shares or Common Shares issuable upon the exercise of options or other equity awards pursuant to any employee or director share option, incentive or benefit plan, share purchase or ownership plan, long-term incentive plan, dividend reinvestment plan, inducement award under the rules of the Principal Market or other compensation plan of the Company or its subsidiaries, as in effect on the date of this Agreement; (ii) issuance or sale of Common Shares issuable upon exchange, conversion or redemption of securities or the exercise or vesting of warrants, options or other equity awards outstanding at the date of this Agreement; and (iii) modification of any outstanding options, warrants or any rights to purchase or acquire Common Shares.

Section 5. CONDITIONS TO DELIVERY OF ISSUANCE NOTICES AND TO SETTLEMENT

(a) Conditions Precedent to the Right of the Company to Deliver an Issuance Notice and the Obligation of the Agent to Sell Shares. The right of the Company to deliver an Issuance Notice hereunder is subject to the satisfaction, on the date of delivery of such Issuance Notice, and the obligation of the Agent to use its commercially reasonable efforts to place Shares during the applicable period set forth in the Issuance Notice is subject to the satisfaction, on each Trading Day during the applicable period set forth in the Issuance Notice, of each of the following conditions:

(i) Accuracy of the Company’s Representations and Warranties: Performance by the Company. The Company shall have delivered the certificate required to be delivered pursuant to Section 4(o) on or before the date on which delivery of such certificate is

required pursuant to Section 4(o). The Company shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to such date, including, but not limited to, the covenants contained in Section 4(p), Section 4(q) and Section 4(r).

(ii) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby that prohibits or directly and materially adversely affects any of the transactions contemplated by this Agreement, and no proceeding shall have been commenced that may have the effect of prohibiting or materially adversely affecting any of the transactions contemplated by this Agreement.

(iii) Material Adverse Changes. Except as disclosed in the Prospectus and the Time of Sale Information: (a) in the judgment of the Agent there shall not have occurred any Material Adverse Change; and (b) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any securities of the Company or any of its subsidiaries by any “nationally recognized statistical rating organization” as such term is defined for purposes of Section 3(a)(62) of the Exchange Act.

(iv) No Suspension of Trading in or Delisting of Common Shares; Other Events. The trading of the Common Shares (including without limitation the Shares) shall not have been suspended by the Commission, the Principal Market or FINRA and the Common Shares (including without limitation the Shares) shall have been approved for listing or quotation on and shall not have been delisted from the Principal Market, the New York Stock Exchange or any of their constituent markets. There shall not have occurred (and be continuing in the case of occurrences under clauses (i) and (ii) below) any of the following: (i) trading or quotation in any of the Company’s securities shall have been suspended or limited by the Commission or by the Principal Market or trading in securities generally on the Principal Market shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges by the Commission or the FINRA; (ii) a general banking moratorium shall have been declared by any of federal or New York, authorities; or (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States’ or international political, financial or economic conditions, as in the judgment of the Agent is material and adverse and makes it impracticable to market the Shares in the manner and on the terms described in the Prospectus or to enforce contracts for the sale of securities.

(b) Documents Required to be Delivered on each Issuance Notice Date. The Agent’s obligation to use its commercially reasonable efforts to place Shares hereunder shall additionally be conditioned upon the delivery to the Agent on or before the Issuance Notice Date of a certificate in form and substance reasonably satisfactory to the Agent, executed by the Chief Executive Officer, President or Chief Financial Officer of the Company, to the effect that all conditions to

the delivery of such Issuance Notice shall have been satisfied as at the date of such certificate (which certificate shall not be required if the foregoing representations shall be set forth in the Issuance Notice).

(c) No Misstatement or Material Omission. Agent shall not have advised the Company that the Registration Statement, the Prospectus or the Time of Sale Information, or any amendment or supplement thereto, contains an untrue statement of fact that in the Agent's reasonable opinion is material, or omits to state a fact that in the Agent's reasonable opinion is material and is required to be stated therein or is necessary to make the statements therein not misleading.

Section 6. INDEMNIFICATION AND CONTRIBUTION

(a) Indemnification of the Agent. The Company agrees to indemnify and hold harmless the Agent, its officers and employees, and each person, if any, who controls the Agent within the meaning of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which the Agent or such officer, employee or controlling person may become subject, under the Securities Act, the Exchange Act, other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Shares have been offered or sold or at common law or otherwise (including in settlement of any litigation), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430B under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact contained in any Free Writing Prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading and to reimburse the Agent and each such officer, employee and controlling person for any and all reasonable and documented expenses (including the fees and disbursements of counsel chosen by the Agent) as such expenses are documented and reasonably incurred by the Agent or such officer, employee or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Agent expressly for use in the Registration Statement, any such Free Writing Prospectus or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information furnished by the Agent to the Company consists of the information described in subsection (b) below. The indemnity agreement set forth in this Section 6(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) Indemnification of the Company, its Directors and Officers. The Agent agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning

of the Securities Act or the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or the laws or regulations of foreign jurisdictions where Shares have been offered or sold or at common law or otherwise (including in settlement of any litigation), arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430B under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) any untrue statement or alleged untrue statement of a material fact contained in any Free Writing Prospectus that the Company has used, referred to or filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; but, for each of (i) and (ii) above, only to the extent arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Agent expressly for use in the Registration Statement, any such Free Writing Prospectus or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information furnished by the Agent to the Company consists of the information set forth in the first sentence of the ninth paragraph under the caption "Plan of Distribution" in the Prospectus, and to reimburse the Company and each such director, officer and controlling person for any and all expenses (including the fees and disbursements of one counsel chosen by the Company) as such expenses are reasonably incurred by the Company or such officer, director or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. The indemnity agreement set forth in this Section 6(b) shall be in addition to any liabilities that the Agent may otherwise have.

(c) Notifications and Other Indemnification Procedures. Promptly after receipt by an indemnified party under this Section 6 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 6, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in this Section 6 or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise

participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 6 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless: (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the fees and expenses of more than one separate counsel (together with local counsel), representing the indemnified parties who are parties to such action), which counsel (together with any local counsel) for the indemnified parties shall be selected by the indemnified party (in the case of counsel for the indemnified parties referred to in Section 6(a) and Section 6(b) above); (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action; or (iii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party and shall be paid as they are incurred.

(d) Settlements. The indemnifying party under this Section 6 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by Section 6(c) hereof, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request; and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

(e) Contribution. If the indemnification provided for in this Section 6 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein: (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the Agent, on the other hand, from the offering of the Shares pursuant to this Agreement; or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, on the one hand, and the Agent, on the other hand, in connection with the statements or omissions which resulted in such losses, claims,

damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company, on the one hand, and the Agent, on the other hand, in connection with the offering of the Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total gross proceeds from the offering of the Shares (before deducting expenses) received by the Company bear to the total commissions received by the Agent. The relative fault of the Company, on the one hand, and the Agent, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or the Agent, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 6(c), any reasonable and documented legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in Section 6(c) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 6(e); provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 6(c) for purposes of indemnification.

The Company and the Agent agree that it would not be just and equitable if contribution pursuant to this Section 6(e) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 6(e).

Notwithstanding the provisions of this Section 6(e), the Agent shall not be required to contribute any amount in excess of the Selling Commission received by the Agent in connection with the offering contemplated hereby. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 6(e), each officer and employee of the Agent and each person, if any, who controls the Agent within the meaning of the Securities Act or the Exchange Act shall have the same rights to contribution as the Agent, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

Section 7. TERMINATION & SURVIVAL

(a) Term. Subject to the provisions of this Section 7, the term of this Agreement shall continue from the date of this Agreement until the end of the Agency Period, unless earlier terminated by the parties to this Agreement pursuant to this Section 7.

(b) Termination: Survival Following Termination.

(i) Either party may terminate this Agreement prior to the end of the Agency Period, by giving written notice as required by this Agreement, upon ten (10)

Trading Days' notice to the other party; provided that, (A) if the Company terminates this Agreement after the Agent confirms to the Company any sale of Shares, the Company shall remain obligated to comply with Section 3(b)(v) with respect to such Shares and (B) Section 2, Section 3(d), Section 6, Section 7 and Section 8 shall survive termination of this Agreement. If termination shall occur prior to the Settlement Date for any sale of Shares, such sale shall nevertheless settle in accordance with the terms of this Agreement.

(ii) In addition to the survival provision of Section 7(b)(i), the respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers and of the Agent set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Agent or the Company or any of its or their partners, officers or directors or any controlling person, as the case may be, and, anything herein to the contrary notwithstanding, will survive delivery of and payment for the Shares sold hereunder and any termination of this Agreement.

Section 8. MISCELLANEOUS

(a) Press Releases and Disclosure. The Company may issue a press release describing the material terms of the transactions contemplated hereby as soon as practicable following the date of this Agreement, and may file with the Commission a Current Report on Form 8 K, with this Agreement attached as an exhibit thereto, describing the material terms of the transactions contemplated hereby, and the Company shall consult with the Agent prior to making such disclosures, and the parties hereto shall use all commercially reasonable efforts, acting in good faith, to agree upon a text for such disclosures that is reasonably satisfactory to all parties hereto. No party hereto shall issue thereafter any press release or like public statement (including, without limitation, any disclosure required in reports filed with the Commission pursuant to the Exchange Act) related to this Agreement or any of the transactions contemplated hereby without the prior written approval of the other party hereto, except as may be necessary or appropriate in the reasonable opinion of the party seeking to make disclosure to comply with the requirements of applicable law or stock exchange rules. If any such press release or like public statement is so required (other than disclosure regarding sales of Common Shares pursuant hereto on Current Reports on Form 8-K, Quarterly Reports on Form 10-Q or Annual Reports on Form 10-K), the party making such disclosure shall consult with the other party prior to making such disclosure, and the parties shall use all commercially reasonable efforts, acting in good faith, to agree upon a text for such disclosure that is reasonably satisfactory to all parties hereto.

(b) No Advisory or Fiduciary Relationship. The Company acknowledges and agrees that: (i) the transactions contemplated by this Agreement, including the determination of any fees, are arm's-length commercial transactions between the Company and the Agent; (ii) when acting as a principal under this Agreement, the Agent is and has been acting solely as a principal is not the agent or fiduciary of the Company, or its stockholders, creditors, employees or any other party; (iii) the Agent has not assumed nor will assume an advisory or fiduciary responsibility in favor of the Company with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether the Agent has advised or is currently advising the Company on other matters) and the Agent does not have any obligation to the Company with respect to the

transactions contemplated hereby except the obligations expressly set forth in this Agreement; (iv) the Agent and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company; and (v) the Agent has not provided any legal, accounting, regulatory or tax advice with respect to the transactions contemplated hereby and the Company has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

(c) Research Analyst Independence. The Company acknowledges that the Agent's research analysts and research departments are required to and should be independent from their respective investment banking divisions and are subject to certain regulations and internal policies, and as such the Agent's research analysts may hold views and make statements or investment recommendations and/or publish research reports with respect to the Company or the offering that differ from the views of their respective investment banking divisions. The Company understands that the Agent is a full-service securities firm and as such from time to time, subject to applicable securities laws, may effect transactions for its own account or the account of its customers and hold long or short positions in debt or equity securities of the companies that may be the subject of the transactions contemplated by this Agreement.

(d) Notices. All communications hereunder shall be in writing and shall be mailed, hand delivered, sent via electronic mail (if applicable) or telecopied and confirmed to the parties hereto as follows:

If to the Agent:

Lake Street Capital Markets, LLC
121 S 8th St
Suite 1000
Minneapolis, MN 55402

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

Sullivan & Worcester LLP
1251 Avenue of the Americas
19th Floor
New York, NY 10020
Attention: David E. Danovitch

If to the Company:

374Water Inc.
100 Southcenter Court, Suite 200
Morrisville, NC 27560
Attention: Russell Kline
Email: russell.kline@374water.com

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

Cleary Gottlieb Steen & Hamilton LLP

650 California St
Suite 2400
San Francisco, CA 94108
Attention: David Parish

Any party hereto may change the address for receipt of communications by giving written notice to the others in accordance with this Section 8(d).

(e) Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 6, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term “successors” shall not include any purchaser of the Shares as such from the Agent merely by reason of such purchase.

(f) Partial Unenforceability. The invalidity or unenforceability of any Article, Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Article, Section, paragraph or provision hereof. If any Article, Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

(g) Governing Law Provisions. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in the federal courts of the United States of America located in the Borough of Manhattan in the City of New York or the courts of the State of New York in each case located in the Borough of Manhattan in the City of New York (collectively, the “**Specified Courts**”), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court, as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party’s address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum.

(h) Adjustments for Stock Splits. The parties hereto acknowledge and agree that all share-related numbers contained in this Agreement shall be adjusted to take into account any stock split, stock dividend or similar event effected by the Company with respect to the Shares.

(i) General Provisions. This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and may be delivered by facsimile transmission or by electronic delivery of a portable document format

(PDF) file (including any electronic signature covered by the U.S. federal E-SIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, e.g., www.docuSign.com). This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The Article and Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

[Signature Page Immediately Follows]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

374WATER INC.

By: Stephen Jones
Stephen Jones (Nov 12, 2025 07:43:47 EST)
Name: Stephen Jones
Title: Interim Chief Executive Officer

The foregoing Agreement is hereby confirmed and accepted by the Agent in New York, New York as of the date first above written.

LAKE STREET CAPITAL MARKETS, LLC

By: _____
Name: Mike Townley
Title: Head of Investment Banking

[Signature page to 374Water Inc. Sales Agreement]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Company the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

374WATER INC.

By: _____
Name: Stephen Jones
Title: Interim Chief Executive Officer

The foregoing Agreement is hereby confirmed and accepted by the Agent in New York, New York as of the date first above written.

LAKE STREET CAPITAL MARKETS, LLC

By:  _____
Name: Mark Argento
Title: President

[Signature page to 374Water Inc. Sales Agreement]

EXHIBIT A

ISSUANCE NOTICE

[Date]

Lake Street Capital Markets, LLC
121 S 8th St
Suite 1000
Minneapolis, MN 55402

Attn: [_____]

Reference is made to the Sales Agreement between 374Water Inc. (the “**Company**”) and Lake Street Capital Markets, LLC (the “**Agent**”) dated as of December 23, 2025. The Company confirms that all conditions to the delivery of this Issuance Notice are satisfied as of the date hereof.

Date of Delivery of Issuance Notice (determined pursuant to Section 3(b)(i)):

Issuance Amount (equal to the total Sales Price for such Shares):

\$ _____

Number of days in selling period:

First date of selling period:

Last date of selling period:

Settlement Date(s) if other than standard T+1 settlement:

Floor Price Limitation: \$ ____ per share

Comments: _____

By:

Name:

Title:

Schedule A

Notice Parties

The Company

Stephen Jones (stephen.jones@374water.com)

Russell Kline (russell.kline@374water.com)

The Agent

Paul McNamee, Chief Compliance Officer (paul.mcnamee@lakestreetcm.com)

Jon Miller (jon.miller@lakestreetcm.com)

Jared Schramm (jared.schramm@lakestreetcm.com)

Mitch Truelock (mitch.truelock@lakestreetcm.com)

Alyssa Wallace (alyssa.wallace@lakestreetcm.com)

Form of Officer’s Certificate Pursuant to Section 4(o)

The undersigned, the duly qualified and elected [●] of 374Water Inc., a Delaware corporation (the “**Company**”), does hereby certify in such capacity and on behalf of the Company, pursuant to Section 4(o) of the Sales Agreement, dated December 23, 2025, between the Company and Lake Street Capital Markets, LLC (the “**Sale Agreement**”), that to the knowledge of the undersigned:

(i) The representations and warranties of the Company in Section 2 of the Sale Agreement are true and correct on and as of the date hereof with the same force and effect as if expressly made on and as of the date hereof; provided, however that such representations and warranties are qualified by the disclosure included or incorporated by reference in the Registration Statement and Prospectus (including any documents incorporated by reference therein and any supplements thereto); and

(ii) The Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied pursuant to the Sale Agreement at or prior to the date hereof.

Cleary Gottlieb Steen & Hamilton LLP and Sullivan & Worcester LLP are entitled to rely on this certificate in connection with the respective opinions such firms are rendering pursuant to the Sale Agreement. Capitalized terms used herein without definition shall have the meanings given to such terms in the Sale Agreement.

374WATER INC.

By: _____

Name: _____

Title: _____

Date: [●]



Subsidiaries of the Registrant

Name of Subsidiary	State or Country of Organization
374Water Systems, Inc.	Delaware
374Water Sustainability LTD	Israel

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-268942, 333-291479) and Form S-8 (Nos. 333-291476, 333-282471) of our report dated March 31, 2026 included in this Annual Report on Form 10-K of 374Water Inc. and subsidiaries (collectively, the "Company"), relating to the consolidated balance sheets of the Company as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2025.

/s/ Cherry Bekaert LLP

Raleigh, North Carolina March 31, 2026

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel Bogar, certify that:

1. I have reviewed this Annual Report on Form 10-K of 374Water Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2026

By: /s/ Daniel Bogar
Daniel Bogar
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Adrienne Anderson, certify that:

1. I have reviewed this Annual Report on Form 10-K of 374Water Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2026

By: /s/ Adrienne Anderson
Adrienne Anderson
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE 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 Annual Report of 374Water Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2026

By: /s/ Daniel Bogar
Daniel Bogar
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF 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 Annual Report of 374Water Inc. (the "Company") on Form 10-K for the period ended December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2026

By: /s/ Adrienne Anderson
Adrienne Anderson
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)