REFINITIV

DELTA REPORT

10-Q

CETX - CEMTREX INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	2095
CHANGES	226
DELETIONS	1335
ADDITIONS	534

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

FORM 10-Q

☒**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

For the quarterly period ended December March 31, 20232024

OR

☐**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934**

For the transition period from ___________to ____________
Commission File Number 001-37464

CEMTREX, INC.
(Exact name of registrant as specified in its charter)

Delaware	30-0399914
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
135 Fell Ct. Hauppauge, NY	11788
(Address of principal executive offices)	(Zip Code)

631-756-9116
(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	CETX	Nasdaq Capital Market
Series 1 Preferred Stock	CETXP	Nasdaq Capital Market (Suspended)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
As of February 9, 2024 May 10, 2024, the issuer had 1,055,636 10,652,287 shares of common stock issued and outstanding.

CEMTREX, INC. AND SUBSIDIARIES

INDEX

Part I. Financial Information

Item 1. Financial Statements

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited) March 31, 2024	September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 2,916,120	$ 5,329,910
Restricted cash	1,172,416	1,019,652
Short-term investments	13,853	13,663
Trade receivables, net	11,535,880	9,209,695
Trade receivables, net - related party	1,479,703	1,143,342
Inventory, net	7,397,747	8,739,219
Contract assets, net	1,979,679	1,739,201
Prepaid expenses and other current assets	1,910,415	2,098,359
Total current assets	28,405,813	29,293,041
Property and equipment, net	8,902,051	9,218,701
Right-of-use operating lease assets	2,193,011	2,287,623
Royalties receivable, net - related party	440,049	674,893
Note receivable, net - related party	761,585	761,585
Goodwill	4,381,891	4,381,891
Other	2,161,862	1,836,009
Total Assets	**$ 47,246,262**	**$ 48,453,743**
Liabilities & Stockholders' Equity		
Current liabilities		
Accounts payable	$ 5,741,091	$ 6,196,406
Accounts payable - related party	9,214	68,509
Sales tax payable	37,487	35,829
Revolving line of credit	4,019,234	-
Current maturities of long-term liabilities	914,170	14,507,711
Operating lease liabilities - short-term	792,141	741,487
Deposits from customers	207,708	57,434
Accrued expenses	2,676,079	2,784,390
Contract liabilities	1,899,409	980,319
Deferred revenue	1,404,608	1,583,406
Accrued income taxes	404,288	388,627
Total current liabilities	18,105,429	27,344,118
Long-term liabilities		
Long-term debt	21,553,920	9,929,348
Long-term operating lease liabilities	1,462,545	1,607,202
Other long-term liabilities	317,093	501,354
Deferred Revenue - long-term	654,617	727,928
Total long-term liabilities	23,988,175	12,765,832
Total liabilities	42,093,604	40,109,950
Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock , $0.001 par value, 10,000,000 shares authorized, Series 1, 3,000,000 shares authorized, 2,408,053 shares issued and 2,272,002 shares outstanding as of March 31, 2024 and 2,293,016 shares issued and 2,228,916 shares outstanding as of September 30, 2023 (liquidation value of $10 per share)	2,408	2,293
Series C, 100,000 shares authorized, 50,000 shares issued and outstanding at March 31, 2024 and September 30, 2023	50	50
Common stock, $0.001 par value, 50,000,000 shares authorized, 1,055,636 shares issued and outstanding at March 31, 2024 and 1,045,783 shares issued and outstanding at September 30, 2023	1,056	1,046
Additional paid-in capital	68,936,696	68,881,705
Accumulated deficit	(66,806,600)	(64,125,895)
Treasury stock, 136,051 shares of Series 1 Preferred Stock at March 31, 2024 and 64,100 shares of Series 1 Preferred Stock at September 30, 2023	(217,996)	(148,291)
Accumulated other comprehensive income	2,773,784	3,076,706
Total Cemtrex stockholders' equity	4,689,398	7,687,614
Non-controlling interest	463,260	656,179
Total liabilities and stockholders' equity	**$ 47,246,262**	**$ 48,453,743**

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

Assets	(Unaudited) December 31, 2023	September 30, 2023
Current assets		
Cash and cash equivalents	$ 2,835,216	$ 5,329,910
Restricted cash	1,181,516	1,019,652
Short-term investments	13,307	13,663
Trade receivables, net	9,904,555	9,209,695
Trade receivables, net - related party	1,496,692	1,143,342
Inventory, net	7,938,617	8,739,219
Contract assets, net	1,694,135	1,739,201
Prepaid expenses and other current assets	1,347,298	2,098,359
Total current assets	26,411,336	29,293,041
Property and equipment, net	9,170,376	9,218,701
Right-of-use operating lease assets	2,094,342	2,287,623
Royalties receivable, net- related party	488,174	674,893
Note receivable, net - related party	761,585	761,585
Goodwill	4,381,891	4,381,891
Other	1,990,601	1,836,009
Total Assets	**$ 45,298,305**	**$ 48,453,743**
Liabilities & Stockholders' Equity		
Current liabilities		
Accounts payable	$ 4,124,014	$ 6,196,406
Accounts payable - related party	68,730	68,509
Sales tax payable	10,713	35,829
Revolving line of credit	3,357,324	-
Current maturities of long-term liabilities	15,717,081	14,507,711
Operating lease liabilities - short-term	728,875	741,487
Deposits from customers	83,613	57,434
Accrued expenses	1,842,692	2,784,390
Contract liabilities	988,725	980,319
Deferred revenue	1,562,107	1,583,406
Accrued income taxes	212,249	388,627
Total current liabilities	28,696,123	27,344,118
Long-term liabilities		
Loans payable to bank	1,852,620	1,909,739
Long-term operating lease liabilities	1,426,684	1,607,202
Notes payable	1,600,000	4,679,743
Mortgage payable	3,267,355	3,289,303
Other long-term liabilities	405,624	501,354
Paycheck Protection Program Loans	40,443	50,563
Deferred Revenue - long-term	694,245	727,928
Total long-term liabilities	9,286,971	12,765,832
Total liabilities	37,983,094	40,109,950
Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock , $0.001 par value, 10,000,000 shares authorized, Series 1, 3,000,000 shares authorized, 2,408,053 shares issued and 2,343,953 shares outstanding as of December 31, 2023 and 2,293,016 shares issued and 2,228,916 shares outstanding as of September 30, 2023 (liquidation value of $10 per share)	2,408	2,293
Series C, 100,000 shares authorized, 50,000 shares issued and outstanding at December 31, 2023 and September 30, 2023	50	50
Common stock, $0.001 par value, 50,000,000 shares authorized, 1,055,636 shares issued and outstanding at December 31, 2023 and 1,045,783 shares issued and outstanding at September 30, 2023	1,056	1,046
Additional paid-in capital	68,929,137	68,881,705
Accumulated deficit	(65,333,389)	(64,125,895)
Treasury stock, 64,100 shares of Series 1 Preferred Stock at December 31, 2023 and September 30, 2023	(148,291)	(148,291)
Accumulated other comprehensive income	3,304,470	3,076,706
Total Cemtrex stockholders' equity	6,755,441	7,687,614
Non-controlling interest	559,770	656,179
Total liabilities and stockholders' equity	**$ 45,298,305**	**$ 48,453,743**

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	For the three months ended		For the six months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Revenues	$ 17,159,595	$ 16,073,397	$ 34,037,761	$ 28,043,639
Cost of revenues	10,220,179	8,734,916	20,015,946	15,662,543
Gross profit	6,939,416	7,338,481	14,021,815	12,381,096
Operating expenses				
General and administrative	7,020,157	5,318,267	13,992,123	10,482,605
Research and development	951,400	1,615,341	1,800,205	3,445,054
Total operating expenses	7,971,557	6,933,608	15,792,328	13,927,659
Operating (loss)/income	(1,032,141)	404,873	(1,770,513)	(1,546,563)
Other (expense)/income				
Other income/(expense), net	144,765	376,504	223,176	359,421
Interest expense	(592,804)	(1,335,138)	(1,176,487)	(2,463,372)
Total other (expense)/income, net	(448,039)	(958,634)	(953,311)	(2,103,951)
Net loss before income taxes	(1,480,180)	(553,761)	(2,723,824)	(3,650,514)
Income tax expense	(100,004)	-	(170,755)	-
Loss from Continuing operations	(1,580,184)	(553,761)	(2,894,579)	(3,650,514)
Income/(loss) from discontinued operations, net of tax	10,463	14,232	20,955	(3,225,389)
Net loss	(1,569,721)	(539,529)	(2,873,624)	(6,875,903)
Less (loss)/income in noncontrolling interest	(96,510)	55,265	(192,919)	(3,898)
Net loss attributable to Cemtrex, Inc. stockholders	**$ (1,473,211)**	**$ (594,794)**	**$ (2,680,705)**	**$ (6,872,005)**
(Loss)/income per share - Basic & Diluted				
Continuing Operations	$ (1.46)	$ (0.82)	$ (2.62)	$ (4.70)
Discontinued Operations	$ 0.01	$ 0.02	$ 0.02	$ (4.09)
Weighted Average Number of Shares-Basic & Diluted	1,055,636	815,498	1,051,630	788,265

Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	For the three months ended		For the six months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Other comprehensive loss				
Net loss	$ (1,569,721)	$ (539,529)	$ (2,873,624)	$ (6,875,903)
Foreign currency translation loss	(530,686)	(317,218)	(302,922)	(93,649)
Comprehensive loss	(2,100,407)	(856,747)	(3,176,546)	(6,969,552)
Less comprehensive income/(loss) attributable to noncontrolling interest	96,510	(55,265)	192,919	3,898
Comprehensive loss attributable to Cemtrex, Inc. stockholders	$ (2,196,917)	$ (801,482)	$ (3,369,465)	$ (6,973,450)

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

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	For the three months ended December 31, 2023	For the three months ended December 31, 2022
Revenues	$ 16,878,166	$ 11,970,242
Cost of revenues	9,795,767	6,927,627
Gross profit	7,082,399	5,042,615
Operating expenses		
General and administrative	6,971,966	5,455,833
Research and development	848,805	1,538,218
Total operating expenses	7,820,771	6,994,051
Operating loss	(738,372)	(1,951,436)
Other (expense)/income		
Other income/(expense), net	78,411	(17,083)
Interest expense	(583,683)	(1,128,234)
Total other (expense)/income, net	(505,272)	(1,145,317)
Net loss before income taxes	(1,243,644)	(3,096,753)
Income tax expense	(70,751)	-
Loss from Continuing operations	(1,314,395)	(3,096,753)
Income/(loss) from discontinued operations, net of tax	10,492	(3,239,621)
Net loss	(1,303,903)	(6,336,374)
Less loss in noncontrolling interest	(96,409)	(59,163)
Net loss attributable to Cemtrex, Inc. stockholders	**$ (1,207,494)**	**$ (6,277,211)**
Income/(loss) per share - Basic & Diluted		
Continuing Operations	$ (1.16)	$ (3.99)
Discontinued Operations	$ 0.01	$ (4.25)
Weighted Average Number of Shares-Basic & Diluted	1,047,624	761,571

Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	For the three months ended December 31, 2023	For the three months ended December 31, 2022
Other comprehensive loss		
Net loss	$ (1,303,903)	$ (6,336,374)
Foreign currency translation gain	227,764	223,569
Comprehensive loss	(1,076,139)	(6,112,805)
Less comprehensive income attributable to noncontrolling interest	(96,409)	(59,163)
Comprehensive loss attributable to Cemtrex, Inc. stockholders	$ (979,730)	$ (6,053,642)

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

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity
(Unaudited)

	Preferred Stock Series 1 Par Value $0.001 Number of Shares	Amount	Preferred Stock Series C Par Value $0.001 Number of Shares	Amount	Common Stock Par Value $0.001 Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock, 64,100 shares of Series 1 Preferred Stock	Accumulated other Comprehensive Income	Cemtrex Stockholders' Equity	Non-controlling interest
Balance at September 30, 2023	**2,293,016**	**$ 2,293**	**50,000**	**$ 50**	**1,045,783**	**$ 1,046**	**$ 68,881,705**	**$ (64,125,895)**	**$ (148,291)**	**$ 3,076,706**	**$ 7,687,614**	**$ 656,179**
Foreign currency translation gain										227,764	227,764	
Share-based compensation							7,557				7,557	
Dividends paid in Series 1 preferred shares	115,037	115					(115)				-	
Income/(loss) attributable to noncontrolling interest											-	(96,409)
Shares issued to pay for services					9,853	10	39,990				40,000	
Net loss								(1,207,494)			(1,207,494)	
Balance at December 31, 2023	**2,408,053**	**$ 2,408**	**50,000**	**$ 50**	**1,055,636**	**$ 1,056**	**$ 68,929,137**	**$ (65,333,389)**	**$ (148,291)**	**$ 3,304,470**	**$ 6,755,441**	**$ 559,770**

	Preferred Stock Series 1 Par Value $0.001 Number of Shares	Amount	Preferred Stock Series C Par Value $0.(Number of Shares	A
Balance at September 30, 2023	**2,293,016**	**$ 2,293**	**50,000**	**$**
Dividends paid in Series 1 preferred shares	115,037	115		
Loss attributable to noncontrolling interest				
Balance at December 31, 2023	**2,408,053**	**$ 2,408**	**50,000**	**$**
Foreign currency translation loss				
Share-based compensation				
Purchase of treasury stock				
Loss attributable to noncontrolling interest				
Shares issued to pay for services				
Net loss				
Balance at March 31, 2024	**2,408,053**	**$ 2,408**	**50,000**	**$**

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

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders' Equity (Continued)
(Unaudited)

	Preferred Stock Series 1 Par Value $0.001 Number of Shares	Amount	Preferred Stock Series C Par Value $0.001 Number of Shares	Amount	Common Stock Par Value $0.001 Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock, 64,100 shares of Series 1 Preferred Stock	Accumulated other Comprehensive Income	Cemtrex Stockholders' Equity	Non-controlling interest
Balance at September 30, 2022	**2,079,122**	**$ 2,079**	**50,000**	**$ 50**	**754,711**	**$ 755**	**$ 66,641,696**	**$ (54,929,020)**	**$ (148,291)**	**$ 2,377,525**	**$ 13,944,794**	**$ 692,742**
Balance	**2,079,122**	**$ 2,079**	**50,000**	**$ 50**	**754,711**	**$ 755**	**$ 66,641,696**	**$ (54,929,020)**	**$ (148,291)**	**$ 2,377,525**	**$ 13,944,794**	**$ 692,742**
Foreign currency translation gain										223,569	223,569	
Share-based compensation							39,842				39,842	
Shares issued to pay notes payable					39,016	39	232,106				232,145	
Dividends paid in Series 1 preferred shares	104,341	104					(104)				-	
Income/(loss) attributable to noncontrolling interest											-	(59,163)
Net loss								(6,277,211)			(6,277,211)	
Balance at December 31, 2022	**2,183,463**	**$ 2,183**	**50,000**	**$ 50**	**793,727**	**$ 794**	**$ 66,913,540**	**$ (61,206,231)**	**$ (148,291)**	**$ 2,601,094**	**$ 8,163,139**	**$ 633,579**
Balance	**2,183,463**	**$ 2,183**	**50,000**	**$ 50**	**793,727**	**$ 794**	**$ 66,913,540**	**$ (61,206,231)**	**$ (148,291)**	**$ 2,601,094**	**$ 8,163,139**	**$ 633,579**

	Preferred Stock Series 1 Par Value $0.001 Number of Shares	Amount	Preferred Stock Series C Par Value $0.00 Number of Shares	Am
Balance at September 30, 2022	**2,079,122**	**$ 2,079**	**50,000**	**$**
Dividends paid in Series 1 preferred shares	104,341	104		
Loss attributable to noncontrolling interest				
Balance at December 31, 2022	**2,183,463**	**$ 2,183**	**50,000**	**$**
Balance, value	**2,183,463**	**$ 2,183**	**50,000**	**$**
Foreign currency translation loss				
Share-based compensation				
Additional rounding shares issued for reverse stock split				
Income attributable to noncontrolling interest				
Shares issued to pay for services				
Net loss				
Balance at March 31, 2023	**2,183,463**	**$ 2,183**	**50,000**	**$**
Balance, value	**2,183,463**	**$ 2,183**	**50,000**	**$**

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

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	2023	2022	2024	2023
	For the three months ended December 31,		For the six months ended March 31,	
	2023	2022	2024	2023
Cash Flows from Operating Activities				
Net loss	$ (1,303,903)	$ (6,336,374)	$ (2,873,624)	$ (6,875,903)
Adjustments to reconcile net loss to net cash used by operating activities				
Depreciation and amortization	368,301	530,830	673,190	448,388
Gain on disposal of property and equipment	-	(3,547)	-	64,908
Noncash lease expense	193,281	197,198	389,125	420,411
Bad debt expense	11,964	4,510	35,213	(1,543)
Share-based compensation	7,557	39,842	15,116	66,577
Income tax expense	70,751	-	(96,750)	-
Interest expense paid in equity shares	-	32,145	-	32,145
Accounts payable paid in equity shares	40,000	-	40,000	102,500
Accrued interest on notes payable	327,132	528,100	657,355	1,290,615
Non-cash royalty income	(13,282)	-	(26,564)	-
Gain/(loss) on marketable securities			(190)	58
Amortization of original issue discounts on notes payable	-	441,734	-	883,467
Amortization of loan origination costs	18,133	-	36,267	-
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:				
Trade receivables	(696,824)	(1,541,371)	(2,317,074)	(1,870,729)
Trade receivables - related party	(163,349)	(383,710)	(178,980)	(408,464)
Inventory	800,602	(116,942)	1,341,472	(73,209)
Contract assets	45,066	(260,647)	(240,478)	(12,597)
Prepaid expenses and other current assets	636,906	(410,327)	483,043	(141,562)
Other assets	(54,592)	(146,356)	(225,853)	(185,165)
Accounts payable	(2,072,392)	(327,945)	(455,315)	256,584
Accounts payable - related party	221	(99)	408	(15,765)
Sales tax payable	(25,116)	(2,387)	1,658	90,204
Operating lease liabilities	(193,130)	(132,963)	(388,516)	(356,176)
Deposits from customers	26,179	416,523	150,274	1,618
Accrued expenses	(941,698)	977,328	(108,311)	701,414
Contract liabilities	8,406	1,037,897	919,090	554,966
Deferred revenue	(54,982)	(95,395)	(252,109)	(86,106)
Income taxes payable	(78,574)	(94,848)	(146,422)	(37,698)
Other liabilities	(95,730)	(225,506)	(184,261)	(231,998)
Net cash used by operating activities - continuing operations	(3,139,073)	(5,872,310)	(2,752,236)	(5,383,060)
Net cash provided by operating activities - discontinued operations	-	2,501,426	-	2,488,144
Net cash used by operating activities	**(3,139,073)**	**(3,370,884)**	**(2,752,236)**	**(2,894,916)**
Cash Flows from Investing Activities				
Purchase of property and equipment	(290,666)	(571,658)	(355,308)	(263,732)
Proceeds from sale of property and equipment	-	3,547	-	11,026
Proceeds from sale of marketable securities	356	-		
Investment in MasterpieceVR	(100,000)	-	(100,000)	-
Net cash used by by investing activities - continuing operations	(390,310)	(568,111)		
Net cash provided by investing activities - discontinued operations	-	207,329		

Net cash used by investing activities	**(390,310)**	**(360,782)**	**(455,308)**	**(252,706)**
Cash Flows from Financing Activities				
Proceeds on revolving line of credit	11,655,935	-	19,360,672	-
Payments on revolving line of credit	(8,371,144)	-	(15,413,971)	-
Payments on debt	(2,204,743)	(294,370)	(2,429,743)	(544,370)
Payments on Paycheck Protection Program Loans	(10,120)	-	(20,242)	(10,033)
Proceeds on bank loans	28,331	-	28,331	-
Payments on bank loans	(100,160)	(306,550)	(204,802)	(365,724)
Purchases of treasury stock			(69,705)	
Net cash provided by/(used by) financing activities	**998,099**	**(600,920)**	**1,250,540**	**(920,127)**
Effect of currency translation	198,454	229,243	(304,022)	(126,593)
Net decrease in cash, cash equivalents, and restricted cash	(2,531,284)	(4,332,586)	(1,957,004)	(4,067,749)
Less cash attributed to discontinued operations	-	(714,420)		
Cash, cash equivalents, and restricted cash at beginning of period	6,349,562	12,188,096	6,349,562	11,473,676
Cash, cash equivalents, and restricted cash at end of period	**$ 4,016,732**	**$ 7,370,333**	**$ 4,088,536**	**$ 7,279,334**
Balance Sheet Accounts Included in Cash, Cash Equivalents, and Restricted Cash				
Cash and cash equivalents			$ 2,916,120	$ 6,634,037
Restricted cash			1,172,416	645,297
Total cash, cash equivalents, and restricted cash			**$ 4,088,536**	**$ 7,279,334**

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

7 8

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Continued)
(Unaudited)

Balance Sheet Accounts Included in Cash, Cash Equivalents, and Restricted Cash						
Cash and cash equivalents	$	2,835,216	$	5,768,610		
Restricted cash		1,181,516		1,601,723		
Total cash, cash equivalents, and restricted cash	**$**	**4,016,732**	**$**	**7,370,333**		
Supplemental Disclosure of Cash Flow Information:						
Cash paid during the period for interest	$	238,418	$	126,255	$ 482,865	$ 257,145
Cash paid during the period for income taxes, net of refunds	$	176,378	$	94,848	$ 146,422	$ 37,698
Supplemental Schedule of Non-Cash Investing and Financing Activities						
Shares issued to pay for services	$	40,000	$	-		
Shares issued to pay notes payable	$	-	$	232,145	$ -	$ 232,145
Financing of fixed asset purchase	$	28,331	$	-	$ 28,331	$ -
Investment in right of use asset	$	-	$	76,506	$ 294,513	$ 76,506

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

8 9

NOTE 1 – ORGANIZATION AND PLAN OF OPERATIONS

Cemtrex was incorporated in 1998 in the state of Delaware and has evolved through strategic acquisitions and internal growth into a leading multi-industry company. Unless the context requires otherwise, all references to “we”, “our”, “us”, “Company”, “registrant”, “Cemtrex” or “management” refer to Cemtrex, Inc. and its subsidiaries.

The Company’s reporting segments consist of Security and Industrial Services. Additionally, the Company’s operational structure also reports unallocated corporate expenses.

Security

Cemtrex’s Security segment operates under the brand of its majority owned subsidiary, Vicon Industries, Inc. (“Vicon”), which provides end-to-end security solutions to meet the toughest corporate, industrial, and governmental security challenges. Vicon’s products include browser-based video monitoring systems and analytics-based recognition systems, cameras, servers, and access control systems for every aspect of security and surveillance in industrial and commercial facilities, federal prisons, hospitals, universities, schools, and federal and state government offices. Vicon provides innovative, mission critical security and video surveillance solutions utilizing Artificial Intelligence (AI) based data algorithms.

Industrial Services

Cemtrex’s Industrial Services segment operates under the brand, Advanced Industrial Services (“AIS”), which offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers. AIS installs high precision equipment in a wide variety of industrial markets like automotive, printing & graphics, industrial automation, packaging, and chemicals, among others. AIS is a leading provider of reliability-driven maintenance and contracting solutions for machinery, packaging, printing, chemical, and other manufacturing markets. The focus is on customers seeking to achieve greater asset utilization and reliability to cut costs and increase production from existing assets, including small projects, sustaining capital, turnarounds, maintenance, specialty welding services, and high-quality scaffolding.

Acquisition of Heisey Mechanical

On July 1, 2023, the Company under AIS, completed the acquisition of a leading service contractor and steel fabricator that specializes in industrial and water treatment markets, Heisey Mechanical, Ltd. (“Heisey”) based in Columbia, Pennsylvania for $2,400,000 plus adjustments for the outstanding contract assets and liabilities of $393,291. The real estate of the business was purchased at fair market value on August 30, 2023, for $1,500,000 in a separate transaction.

Heisey provides the water treatment industry with a variety of fabricated vessels and equipment including ASME pressure vessels, heat exchangers, mix tanks, reactors, and other specialized fabricated equipment. Additionally, the contracting team assists with installation and service of fabricated items. The company has over 33,000 square feet of manufacturing floor space in its facility and an experienced staff of fabricators, welders, and field mechanics.

The purchase price allocation presented below is still preliminary but has been developed based on an estimate of fair values of Heisey’s identifiable tangible and intangible assets acquired and liabilities assumed as of July 1, 2023. The final allocation of the purchase price will be determined within one year from the closing date of the Heisey acquisition.

The consideration transferred and preliminary allocation of Heisey's tangible and intangible assets and liabilities, are as follows:

Consideration Transferred:		
Cash	$	393,291
Seller's note		240,000
Financed amount		2,160,000
Total consideration transferred	**$**	**2,793,291**
Purchase Price Allocation:		
Inventory		300,000
Contract assets		667,259
Machinery and equipment		1,625,000
Contract liabilities		(216,469)
Accrued expenses		(57,499)
Goodwill		475,000
Total consideration transferred	**$**	**2,793,291**

The pro forma summary below presents the results of operations as if the Heisey acquisition occurred on October 1, 2022. Proforma adjustments for the three months ended December 31, 2022 March 31, 2023, includes $63,900 of depreciation expense from acquired fixed assets, $33,400 32,460 of interest expense on the debt used in the acquisition. acquisition, and $41,331 of income tax expense. Proforma adjustments for the six months ended March 31, 2023, includes $127,800 of depreciation expense from acquired fixed assets, $65,860 of interest expense on the debt used in the acquisition, and $34,433 of income tax expense. The pro forma summary uses estimates and assumptions based on information available at the time. Management believes the estimates and assumptions to be reasonable; however, actual results may have differed significantly from this pro forma financial information. The pro forma information does not reflect any cost savings, operating synergies or revenue enhancements that might have been achieved from combining the operations. The unaudited pro forma summary is provided for illustrative purposes only and does not purport to represent the Company's actual consolidated results of operations had the acquisition been completed as of the date presented, nor should it be considered indicative of the Company's future consolidated results of operations.

		March 31, 2023	March 31, 2023
	Unaudited	Unaudited	
	for the three months ended December 31, 2022	for the three months ended March 31, 2023	for the six months ended March 31, 2023
Revenues	$ 13,173,838	$ 19,369,100	$ 32,542,938
Net loss	(6,440,203)		
Net gain/(loss)		41,272	(6,392,032)

On August 30, 2023, the Company acquired a mortgage in the amount of $1,200,000 from Fulton Bank to finance the purchase of the properties formerly owned by Heisey Mechanical Ltd. The mortgage carries interest at the Secured Overnight Financing Rate (SOFR) plus 2.8 2.8%% and matures on September 30, 2043.

Nasdaq Notices for Listing Deficiencies

On July 29, 2022, the Company received a notification letter from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that, because the closing bid price for the Company's Series 1 preferred stock Preferred Stock listed on Nasdaq was below $1.00 for 30 consecutive trading days, the Company no longer met the minimum bid price requirement for continued listing on The Nasdaq Capital Market under Nasdaq Marketplace Rule 5550(a)(2), requiring a minimum bid price of $1.00 per share (the "Minimum Bid Price Requirement"). On January 26, 2023, the Company received a notification letter from the Listing Qualifications Department of Nasdaq notifying the Company that, it had been granted an additional 180 days or until July 24, 2023, to regain compliance with the Minimum Bid Price Requirement based on the Company meeting the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on the Capital Market with the exception of the bid price requirement, and the Company's written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary. On September 8, 2023, the Company received a letter from the Nasdaq Hearings Panel ("Panel") informing the Company that the Panel has granted the Company a temporary exception to regain compliance with The Nasdaq Stock Market LLC's ("Nasdaq" or the "Exchange") Listing Rule 5555(a)(1) (the "Bid Price Rule") by no later than January 19, 2024. The Company has announced a special meeting of Series 1 Preferred stock Stock shareholders was scheduled for December 26, 2023, to approve the reverse stock split. On December 26, 2023, the meeting was adjourned to December 29, 2023, due to insufficient votes represented by proxy or virtually in person to constitute a quorum for the transaction of business at the Special Meeting. On December 29, 2023, there were still insufficient votes represented by proxy or virtually in person to constitute a quorum thus the resolution did not pass.

Subsequent to the balance sheet date, On January 5, 2024 and January 12, 2024, the Company has bought back an aggregate of 71,951 shares for $69,705 under the Share Repurchase Program approved on August 22, 2023, that allows the Company to repurchase shares of the Series 1 Preferred Stock through various means, including through privately negotiated transactions and through an open market program. Subsequent to the balance sheet date, these shares were cancelled. The Company's Series 1 Preferred Stock was delisted from the NASDAQ Capital Market on January 22, 2024. The Series 1 Preferred Stock is now quoted on the OTC Markets under the symbol "CETXP". Nasdaq filed a Form 25 on March 21, 2024. The deregistration of the Company's Series 1 Preferred Stock under Section 12(b) of the Exchange Act will be effective for 90 days, or such shorter period as the SEC may determine, after filing of the Form 25.

Going Concern Considerations

The accompanying condensed consolidated financial statements of the Company have been prepared assuming the Company will continue as a going concern and in accordance with generally accepted accounting principles in the United States of America. The going concern basis of presentation assumes that the Company will continue in operation one year after the date these financial statements are issued and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Pursuant to the requirements of the ASC 205, management must evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Company's ability to continue as a going concern for one year from the date these financial statements are issued.

This evaluation does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented or are not within control of the Company as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued.

The Company has incurred substantial losses of $9,196,875 and $13,020,958 for fiscal years 2023 and 2022, respectively, and has losses on continuing operations for the three six months ending December 31, 2023 March 31, 2024, of $1,314,395 2,894,579 and has current liabilities debt obligations over the next year of $28,696,123 18,105,429 and working capital deficit of $2,284,787 10,300,384, that raise substantial doubt with respect to the Company's ability to continue as a going concern.

While our working capital deficit and current debt indicate indicates a substantial doubt regarding the Company's ability to continue as a going concern, the Company has historically, from time to time, satisfied and may continue to satisfy certain short-term liabilities through the issuance of common stock, thus reducing our cash requirement to meet our operating needs. The Company has approximately $2.84 2,916,120 million in cash and cash equivalents as of December 31, 2023 March 31, 2024. Additionally, the Company has (i) secured a line of credit for its Vicon brand to fund operations, which as of December 31, 2023 March 31, 2024, has available capacity of $1,642,676 980,766, (ii) sold unprofitable brands, reducing the cash required to maintain those brands, (iii) continually reevaluate our reevaluated its pricing model on our Vicon brand to improve margins on those products, (iii) entered into an underwriting agreement in connection with underwritten public offering, the aggregate gross proceeds to the Company were approximately $10,035,000, before deducting underwriting discounts and other estimated expenses payable by the Company, and (iv) has effected entered into a Standstill Agreement with Streeterville Capital, LLC ("Streeterville") in which Streeterville agreed not to seek to redeem any portion of its two outstanding notes with the Company for a period of one year expiring on April 30, 2025, in exchange, the Company agreed to pay to Streeterville the greater of $35:1 reverse stock split 4,000,000 on our or fifty percent (50%) of the net proceeds the Company receives from the sale of any of its common stock to remain trading on or preferred stock during the Nasdaq Capital Markets, and improve our ability to potentially raise capital through equity offerings that we may use to satisfy debt. Standstill Period.

In the event additional capital is raised through equity offerings and/or debt is satisfied with equity, it may have a dilutive effect on our existing stockholders. While the Company believes these plans if successful, would be sufficient to meet the capital demands of our current operations for at least the next twelve months, there is no guarantee that we will succeed. Overall, there is no guarantee that cash flow from our existing or future operations and any external capital that we may be able to raise will be sufficient to meet our working capital needs. The As of March 31, 2024, the Company currently does did not have adequate cash or available liquidity/available capacity on our lines of credit to meet our short or long-term needs. Absent an ability to raise additional outside capital and restructure or refinance all or a portion of our debt, With the subsequent public offering, the Company will be unable has the ability to meet its debt obligations as they become due over for the next twelve months beyond the issuance date. months.

The condensed consolidated financial statements do not include any adjustments relating to this uncertainty.

NOTE 2 –INTERIM STATEMENT PRESENTATION

Basis of Presentation and Use of Estimates

The accompanying unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the year ended September 30, 2023, of Cemtrex, Inc.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the Unites States ("US U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X pursuant to the requirements of the U.S. Securities and Exchange Commission (' ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the condensed consolidated financial statements, the disclosure of contingent assets and liabilities in the condensed consolidated financial statements and the accompanying notes, and the reported amounts of revenues, expenses and cash flows during the periods presented. Actual amounts and results could differ from those estimates. The estimates and assumptions the Company makes are based on historical factors, current circumstances and the experience and judgment of the Company's management. The Company evaluates its estimates and assumptions on an ongoing basis.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Significant Accounting Policies

Note 2 of the Notes to Consolidated Financial Statements, included in the annual report on Form 10-K for the year ended September 30, 2023, includes a summary of the significant accounting policies used in the preparation of the condensed consolidated financial statements.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("Update 2016-13"). Update 2016-13 replaced the incurred loss model with an expected loss model, which is referred to as the current expected credit loss ("CECL") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including but not limited to trade receivables. For public business entities, the new standard became effective for annual reporting periods beginning after December 15, 2022, including interim periods within that reporting period. On October 1, 2023, the Company implemented this standard and there has been no material change to the condensed consolidated financial statements.

The following table illustrates the effect of implementation of Update 2016-13 on the condensed consolidated balance sheet:

Assets:	October 1, 2023 As reported under ASC 326	September 30, 2023 Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Trade receivables, net	$ 234,924	$ 234,924	$ -
Contract assets, net	$ 8,696	$ -	$ 8,696
Royalties receivable, net - related party	$ 10,000	$ -	$ 10,000
Note receivable, net - related party	$ 44,761	$ 44,761	$ -

The Company estimates credit losses associated with our accounts receivable portfolio segment using an expected credit loss model, which utilizes an aging schedule methodology based on historical information and adjusted for asset-specific considerations, current economic conditions and reasonable and supportable forecasts.

The Company will utilize the Probability-of-default method for financing receivables and loans. Expected credit losses are determined by multiplying the probability of default (i.e., the probability the asset will default within the given time frame) by the loss given default (the percentage of the asset not expected to be collected because of default). The Company considers sources of repayment associated with a financial asset when determining its credit losses, including collection against the collateral and certain embedded credit enhancements, such as guarantees or insurance. The allowance for credit losses were was immaterial as of December 31, 2023 March 31, 2024.

The following table illustrates the current expected credit losses activity for the six months ended March 31, 2024:

	As of October 1, 2023		For the six months ended March 31, 2024		As of March 31, 2024	
Assets:						
Trade receivables, net	$	234,924	$	(9,111)	$	225,813
Trade receivables, net - related party	$	-	$	-	$	-
Contract assets, net	$	8,696	$	27,660	$	36,356
Royalties receivable, net - related party	$	10,000	$	-	$	10,000
Note receivable, net - related party	$	44,761	$	20,047	$	64,808

Recently Issued Accounting Pronouncements Not Yet Effective

On June 30, 2022, the FASB issued ASU 2022-03 Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"), which (1) clarifies the guidance in ASC 820 on the fair value measurement of an equity security that is subject to a contractual sale restriction and (2) requires specific disclosures related to such an equity security. Under current guidance, stakeholders have observed diversity in practice related to whether contractual sale restrictions should be considered in the measurement of the fair value of equity securities that are subject to such restrictions. On the basis of interpretations of existing guidance and the current illustrative example in ASC 820-10-55-52 of a restriction on the sale of an equity instrument, some entities use a discount for contractual sale restrictions when measuring fair value, while others view the application of such a discount to be inconsistent with the principles of ASC 820. To reduce the diversity in practice and increase the comparability of reported financial information, ASU 2022-03 clarifies this guidance and amends the illustrative example. ASU No. 2022-03 is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of this ASU on our the condensed consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which enhances the disclosures required for operating segments in the Company's annual and interim consolidated financial statements. ASU 2023-07 is effective for the Company for annual reporting for fiscal 2025 and for interim period reporting beginning in fiscal 2026 on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of our pending adoption of ASU 2023-07 on our the condensed consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires public entities to disclose consistent categories and greater disaggregation of information in the rate reconciliation and for income taxes paid. It also includes certain other amendments to improve the effectiveness of income tax disclosures. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is required to adopt this standard prospectively in fiscal year 2026 for the annual reporting period ending September 30, 2026. The Company is currently in the process of evaluating the impact of adoption on its Consolidated Financial Statements. the condensed consolidated financial statements.

The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying condensed consolidated financial statements.

NOTE 3 – DISCONTINUED OPERATIONS

On November 22, 2022, the Company entered into two Asset Purchase Agreements and one Simple Agreement for Future Equity ("SAFE") with the Company's CEO, Saagar Govil, to secure the sale of the subsidiaries Cemtrex Advanced Technologies, Inc, which include the brand SmartDesk, and Cemtrex XR, Inc., which include the brands Cemtrex XR, Virtual Driver Interactive, Bravo Strong, and good tech (formerly Cemtrex Labs), to Mr. Govil.

Due to the on-going losses and risk associated with the SmartDesk business the Company has valued the royalty and SAFE agreement associated with the SmartDesk sale at $0 and considers such consideration to be a gain contingency.

Based on sales projections for Cemtrex XR, Inc., the Company does not believe that it will exceed the sales levels required to exceed the $820,000 royalties due and has not accounted for any additional royalties at this time. In accordance with *ASC 310 – Receivables*, the Company has discounted the royalties due and has recognized $13,282during the three-month periods ended December 31, 2023 March 31, 2024, and 2022, has recognized 2023, and $13,282 26,563, and $4,427 17,709, during the six-month periods ended March 31, 2024, and 2023, respectively, of royalties due and will amortize the remaining amount over the period the royalties are due.

The following table summarizes the loss on the sale recorded during the three months ended December 31, 2022, included in Income/(loss) from discontinued operations, net of tax in the accompanying condensed consolidated statement of Operations: operations:

Purchase Price	$	745,621
Less cash and cash equivalents transferred		(699,423)
Less liabilities assumed		(10,924)
Net purchase price	$	35,274
Assets Sold		
Accounts receivable, net	$	625,638
Inventory, net		980,730
Prepaid expenses and other assets		502,577
Property and equipment, net		837,808
Goodwill		598,392
		3,545,145
Liabilities Transferred		
Accounts payable		370,774
Short-term liabilities		364,775
Long-term liabilities		318,981
		1,054,530
Net assets sold	$	2,490,615
Pretax loss on sale of Cemtrex Advanced Technologies, Inc, and Cemtrex XR, Inc.Companies	$	(2,455,341)

As of December 31, 2023 March 31, 2024, and September 30, 2023, there were no assets or liabilities included within discontinued operations on the Company's Condensed Consolidated Balance Sheets.

During the first quarter of fiscal 2023, Vicon completed the closure of its discontinued operating entity Vicon Systems, Ltd. located in Israel. The Company received funds related to benefit obligations of $96,095, which at the time of operational closure were not guaranteed to be retrievable. The company Company paid $7,010 in consulting fees for assistance in retrieving these funds. The net amount of $89,085 is recognized on the Company's Condensed Consolidated Income Statement of Operations as part of the Loss on Discontinued Operations.

Income/(loss)from discontinued operations, net of tax and the loss on sale of discontinued operations, net of tax, of Cemtrex Advanced Technologies, Inc. and Cemtrex XR, Inc., sold during the first quarter of fiscal year 2023, which are presented in total as discontinued operations, net of tax in the Company's Condensed Consolidated Statements of Operations for the three and six month periods ended December 31, 2023 March 31, 2024 and 2022, 2023, are as follows:

	2023	2022	2024	2023	2024	2023
	For the three months ended December 31,		Three months ended March 31,		Six months ended March 31,	
	2023	2022	2024	2023	2024	2023
Total net sales	$ -	$ 649,061	$ -	$ -	$ -	$ 649,061
Cost of sales	-	228,086	-	-	-	228,086
Operating, selling, general and administrative expenses	-	1,295,572	39	492	39	1,296,064
Other (income)/expenses	-	3,195	-	-	-	3,195
Income (loss) from discontinued operations	-	(877,792)	(39)	(492)	(39)	(878,284)
Amortization of discounted royalties	13,282	4,427	13,282	14,724	26,564	19,151
Loss on sale of discontinued operations	-	(2,455,341)	-	-	-	(2,455,341)
Adjustment of benefit obligation	-	89,085	-	-	-	89,085
Income tax provision	2,790	-	2,780	-	5,570	-
Discontinued operations, net of tax	$ 10,492	$ (3,239,621)	$ 10,463	$ 14,232	$ 20,955	$ (3,225,389)

NOTE 4 – REVENUE

The following table illustrates the approximate disaggregation of the Company's revenue based off timing of revenue recognition for the three and six months ended December 31, 2023 March 31, 2024 and 2022: 2023:

			March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	For the three months ended		For the three months ended		For the six months ended	
	December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Over time	52%	51%	58%	46%	55%	48%
Point-in-time	48%	49%	42%	54%	45%	52%

NOTE 5 – LOSS PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income per common share is computed by dividing net income by the weighted average number of shares of common stock and potentially dilutive outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through contingent share arrangements, stock options and warrants. For the three and six months ended December 31, 2023 March 31, 2024, and 2022, 2023, the following items were excluded from the computation of diluted net loss per common share as their effect is anti-dilutive:

	For the three months ended December 31,	
	2023	2022
Options	28,796	34,579

	For the six months ended March 31,		For the three months ended March 31,	
	2024	2023	2024	2023
Options	28,796	28,796	28,796	28,796

For the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023, loss per share basic and diluted for continuing operations are calculated as follows:

	2023	2022	2024	2023	2024	2023
	For the three months December 31,		For the three months March 31,		For the six months March 31,	
	2023	2022	2024	2023	2024	2023
Loss from Continuing operations	$ (1,314,395)	$ (3,096,753)	$ (1,580,184)	$ (553,761)	$ (2,894,579)	$ (3,650,514)
Less loss in noncontrolling interest	(96,409)	(59,163)				
Less (loss)/gain in noncontrolling interest			(96,510)	55,265	(192,919)	(3,898)
Preferred stock dividends	-	-	52,515	58,720	52,515	58,720
Net loss applicable to common shareholders	(1,217,986)	(3,037,590)	(1,536,189)	(667,746)	(2,754,175)	(3,705,336)
Weighted Average Number of Shares-Basic & Diluted	1,047,624	761,571	1,055,636	815,498	1,051,630	788,265
Loss per share - Basic & Diluted - Continuing Operations	$ (1.16)	$ (3.99)	$ (1.46)	$ (0.82)	$ (2.62)	$ (4.70)

NOTE 6 –SEGMENT INFORMATION

The Company reports and evaluates financial information for two reportable segments: the Security segment and the Industrial Services segment.

The following tables summarize the Company’s reportable segment information and unallocated corporate expenses:

	Security	Industrial Services	Corporate	Consolidated	Security	Industrial Services	Corporate	Consolidated	Security
	Three months ended December 31, 2023				Three months ended December 31, 2022				Three m
	Reportable Segments				Reportable Segments				Reportable Segments / Reportable
	Security	Industrial Services	Corporate	Consolidated	Security	Industrial Services	Corporate	Consolidated	Security
Revenues	$ 9,167,801	$ 7,710,365	$ -	**$ 16,878,166**	$ 7,004,744	$ 4,965,498	$ -	**$ 11,970,242**	$ 8,084,932
Cost of revenues	4,650,854	5,144,913	-	**9,795,767**	3,601,054	3,326,573	-	**6,927,627**	3,971,963
Gross profit	$ 4,516,947	$ 2,565,452	$ -	**$ 7,082,399**	$ 3,403,690	$ 1,638,925	$ -	**$ 5,042,615**	$ 4,112,969
Operating expenses									
General, and administrative	4,327,628	1,529,263	746,774	**6,603,665**	2,749,429	1,188,865	986,709	**4,925,003**	
Sales, general, and administrative									3,833,596
Depreciation and amortization	128,152	240,149	-	**368,301**	331,155	167,521	32,154	**530,830**	71,260
Research and development	848,805	-	-	**848,805**	1,538,218	-	-	**1,538,218**	951,400
Operating (loss)/income	$ (787,638)	$ 796,040	$ (746,774)	**$ (738,372)**	$ (1,215,112)	$ 282,539	$ (1,018,863)	**$ (1,951,436)**	
Operating income/(loss)									$ (743,287)
Other income/(expense)	$ (134,261)	$ (108,144)	$ (262,867)	**$ (505,272)**	$ (112,399)	$ (31,560)	$ (1,001,358)	**$ (1,145,317)**	$ (138,633)

	Six months ended March 31, 2024				**Six months ended March 31, 2023**			
	Reportable Segments				**Reportable Segments**			
	Security	**Industrial Services**	**Corporate**	**Consolidated**	**Security**	**Industrial Services**	**Corporate**	**Consolidated**
Revenues	$ 17,252,733	$ 16,785,028	$ -	**$ 34,037,761**	$ 16,918,642	$ 11,124,997	$ -	**$ 28,043,639**
Cost of revenues	8,622,817	11,393,129	-	**20,015,946**	8,394,871	7,267,672	-	**15,662,543**
Gross profit	$ 8,629,916	$ 5,391,899	$ -	**$ 14,021,815**	$ 8,523,771	$ 3,857,325	$ -	**$ 12,381,096**
Operating expenses								
General, and administrative	8,161,224	3,426,532	1,731,177	**13,318,933**	5,715,088	2,525,178	1,793,951	**10,034,217**
Depreciation and amortization	199,412	473,778	-	**673,190**	71,203	324,906	52,279	**448,388**
Research and development	1,800,205	-	-	**1,800,205**	3,445,054	-	-	**3,445,054**
Operating (loss)/income	$ (1,530,925)	$ 1,491,589	$ (1,731,177)	**$ (1,770,513)**	$ (707,574)	$ 1,007,241	$ (1,846,230)	**$ (1,546,563)**
Other income/(expense)	$ (272,894)	$ (186,433)	$ (493,984)	**$ (953,311)**	$ 224,792	$ (61,426)	$ (2,267,317)	**$ (2,103,951)**

Unallocated corporate expenses mainly relate to payroll and benefits for corporate officers, investor relation expenses, accounting expenses related audit and taxes, legal expenses related to corporate matters, and interest expense on notes payable.

NOTE 7 – RESTRICTED CASH

A subsidiary of the Company participates in a consortium in order to self-insure group care coverage for its employees. The plan is administrated by Benecon Group and the Company makes monthly deposits in a trust account to cover medical claims and any administrative costs associated with the plan. These funds, as required by the plan are restricted in nature and amounted to $1,181,516 1,072,416 at December 31, 2023 March 31, 2024, and $1,019,652 919,652 at September 30, 2023. The Company has $100,000 in restricted cash held in escrow pending final disbursement of expenses related to the Heisey acquisition as of March 31, 2024 and September 30, 2023.

NOTE 8 –FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy is applied to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the guidance for fair value measurements are described below:

Level 1 — Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Our Level 1 assets include cash equivalents, banker's acceptances, trading securities investments and investment funds. The Company measures trading securities investments and investment funds at quoted market prices as they are traded in an active market with sufficient volume and frequency of transactions.

Level 2 — Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified contractual term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include cost method investments. Quantitative information for Level 3 assets and liabilities reviewed at each reporting period includes indicators of significant deterioration in the earnings performance, credit rating, asset quality, business prospects of the investee, and financial indicators of the investee's ability to continue as a going concern.

The Company's fair value assets at December 31, 2023 March 31, 2024, and September 30, 2023, are as follows.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2024
Assets								
Investment in marketable securities (included in short-term investments)	$ 13,307	$ -	$ -	$ 13,307				
Investment in marketable securities (included in short-term investments)					$ 13,853	$ -	$ -	$ 13,853
	$ 13,307	$ -	$ -	$ 13,307				
					$ 13,853	$ -	$ -	$ 13,853

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2023
Assets				
Investment in marketable securities (included in short-term investments)	$ 13,663	$ -	$ -	$ 13,663
	$ 13,663	$ -	$ -	$ 13,663

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2023
Assets				
Investment in marketable securities (included in short-term investments)	$ 13,663	$ -	$ -	$ 13,663
	$ 13,663	$ -	$ -	$ 13,663

NOTE 9 – TRADE RECEIVABLES, NET

Trade receivables, net consist of the following:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Trade receivables	$ 10,141,443	$ 9,444,619	$ 11,761,693	$ 9,444,619

Allowance for credit losses	(236,888)	(234,924)	(225,813)	(234,924)
	$ 9,904,555	$ 9,209,695	$ 11,535,880	$ 9,209,695

Trade receivables include amounts due for shipped products and services rendered.

Allowance for credit losses include estimated losses resulting from the inability of our customers to make the required payments.

NOTE 10 – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Prepaid expenses	$ 386,334	$ 521,310	$ 838,980	$ 521,310
Prepaid inventory	559,075	1,084,051	498,631	1,084,051
Deferred costs	36,002	25,941	83,502	25,941
Loan origination costs	54,400	-	36,267	-
Prepaid income taxes	-	168,555	428,193	168,555
VAT and GST tax receivable	311,487	298,502	24,842	298,502
Prepaid expenses and other current assets total	**$ 1,347,298**	**$ 2,098,359**	**$ 1,910,415**	**$ 2,098,359**

NOTE 11 – INVENTORY, NET

Inventory, net consisted of the following:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Raw materials	$ 857,117	$ 885,398	$ 797,943	$ 885,398
Work in progress	397,017	109,019	304,563	109,019
Finished goods	6,684,483	7,744,802	6,295,241	7,744,802
Inventory, net	7,938,617	8,739,219	7,397,747	8,739,219

The Company maintained an allowance for obsolete inventories of $502,528 502,577 and $618,021 at December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Land	$ 945,279	$ 945,279	$ 945,279	$ 945,279
Building and leasehold improvements	4,370,732	4,362,062	4,372,598	4,362,062
Furniture and office equipment	595,397	579,700	597,198	579,700
Computers and software	1,333,135	1,333,135	1,333,135	1,333,135
Machinery and equipment	12,744,304	12,488,639	12,806,142	12,488,639
	19,988,847	19,708,815	20,054,352	19,708,815
Less: Accumulated depreciation	(10,818,471)	(10,490,114)	(11,152,301)	(10,490,114)
Property and equipment, net	$ 9,170,376	$ 9,218,701	$ 8,902,051	$ 9,218,701

Depreciation expense for the three and six months ended December 31, 2023, March 31, 2024 and 2022, 2023, was $368,301 304,889 and $530,830 673,190, and $209,053 and $448,388, respectively and is recorded in cost of revenues and general and administrative expenses on the Company's Condensed condensed consolidated statements of operations.

NOTE 13 – GOODWILL

Changes in the carrying amount of goodwill, by segment, are as follows:

	Security	Industrial Services	Corporate	Consolidated	Security	Industrial Services	Consolidated
Balance at September 30, 2023	**$ 530,475**	**$ 3,851,416**	**$ -**	**$ 4,381,891**	**$ 530,475**	**$ 3,851,416**	**$ 4,381,891**
Balance at December 31, 2023	**$ 530,475**	**$ 3,851,416**	**$ -**	**$ 4,381,891**			
Balance at March 31, 2024					**$ 530,475**	**$ 3,851,416**	**$ 4,381,891**

As of December 31, 2023 March 31, 2024, and September 30, 2023, accumulated impairment losses of $3,316,000 related to the Security segment have been recorded.

NOTE 14 – OTHER ASSETS

On November 13, 2020, Cemtrex made a $500,000 investment, on January 19, 2022, made an additional $500,000 investment, and on July 18, 2023, and October 5, 2023, made an additional $100,000 investment on each date via a simple agreement for future equity (“SAFE”) in MasterpieceVR. The SAFE provides that the Company will automatically receive shares of the entity based on the conversion rate of future equity rounds up to a valuation cap, as defined. MasterpieceVR is a software company that is developing software for content creation using virtual reality. The investment is recorded at cost and is included in other assets in the accompanying Condensed consolidated balance sheets. No impairment has been recorded for the three and six months ended December 31, 2023 March 31, 2024.

Other assets consisted of the following:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Rental deposits	$ 56,807	$ 198,641	$ 213,770	$ 198,641
Investment in Masterpiece VR	1,200,000	1,100,000	1,200,000	1,100,000
Other deposits	322,976	167,808	305,117	167,808
Demonstration equipment supplied to resellers	410,818	369,560	442,975	369,560
Other assets total	**$ 1,990,601**	**$ 1,836,009**	**$ 2,161,862**	**$ 1,836,009**

NOTE 15 – ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Accrued expenses	$ 477,094	$ 1,473,465	$ 489,603	$ 319,211
Accrued payable on inventory in transit			846,823	1,154,254
Accrued payroll	1,142,896	1,088,223	1,116,951	1,088,223
Accrued warranty	222,702	222,702	222,702	222,702
Accrued expenses total	**$ 1,842,692**	**$ 2,784,390**	**$ 2,676,079**	**$ 2,784,390**

NOTE 16 – DEFERRED REVENUE

The Company’s deferred revenue as of and for the three and six months ended December 31, 2023 March 31, 2024, and 2022, 2023, were as follows:

	For the three months ended		For the three months ended		For the six months ended	
	December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Deferred revenue at beginning of period	$ 2,311,334	$ 1,824,534	$ 2,256,352	$ 1,693,021	$ 2,311,334	$ 1,824,534
Net additions:						
Deferred software revenues	659,970	427,418	487,413	580,752	1,147,383	1,008,169
Recognized as revenue:						
Deferred software revenues	714,952	558,931	(684,540)	(558,775)	(1,399,492)	(1,117,705)
Deferred revenue at end of period	2,256,352	1,693,021	2,059,225	1,714,998	2,059,225	1,714,998
Less: current portion	1,562,107	1,097,740	1,404,608	581,193	1,404,608	581,193
Long-term deferred revenue at end of period	$ 694,245	$ 595,281	$ 654,617	$ 1,133,805	$ 654,617	$ 1,133,805

For the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Company recognized revenue of $608,843 608,808, and $483,296, and $1,043,281 and $506,185 963,674, respectively, that was previously included in the beginning balance of deferred revenues.

NOTE 17 – CONTRACT ASSETS AND LIABILITIES

Project contracts typically provide for a schedule of billings on percentage of completion of specific tasks inherent in the fulfillment of the Company's performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the statements of operations can and usually does differ from amounts that can be billed to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceeds cumulative billings and unbilled receivables to the customer under the contract are reflected as a current asset in the condensed consolidated balance sheets under the caption "Contract assets." Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized are reflected as a current liability in the condensed consolidated balance sheets under the caption "Contract liabilities." Conditional retainage represents the portion of the contract price withheld until the work is substantially complete for assurance of the Company's obligations to complete the job.

The following is a summary of the Company's uncompleted contracts:

	December 31, 2023	December 31, 2022	March 31, 2024	September 30, 2023
Costs incurred on uncompleted contracts	$ 11,900,894	$ 2,779,408	$ 11,582,989	$ 12,523,552
Estimated gross profit	3,020,654	1,145,663	2,816,002	3,085,350
	14,921,548	3,925,071	14,398,991	15,608,902
Applicable billings to date	(14,216,138)	(4,811,777)	(14,318,721)	(14,850,020)
Net billings in excess of costs, Ending balance	**$ 705,410**	**$ (886,706)**	**$ 80,270**	**$ 758,882**

	December 31, 2023	September 30, 2023
Included in the accompanying balance sheet under the following captions		
Contract assets, net		
Costs in excess, net	$ 1,593,142	$ 1,680,071
Conditional retainage, net	100,993	59,130
Total contract assets, net	**$ 1,694,135**	**$ 1,739,201**
Contract liabilities		
Billings in excess	(988,725)	(980,319)
Total contract liabilities	**$ (988,725)**	**$ (980,319)**
	December 31, 2022	September 30, 2022
Included in the accompanying balance sheet under the following captions		
Contract assets, net		
Costs in excess, net	$ 521,172	$ 781,819
Total contract assets, net	**$ 521,172**	**$ 781,819**
Contract liabilities		
Billings in excess	(1,407,878)	(369,890)
Total contract liabilities	**$ (1,407,878)**	**$ (369,890)**

For the three and six months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Company recognized revenue of $791,161 95,759 and $352,847 9,030, and $886,920 and $361,887, respectively, that was previously included in the beginning balance of contract liabilities.

NOTE 18 – RELATED PARTY TRANSACTIONS

On August 31, 2019, the Company entered into an Asset Purchase Agreement for the sale of Griffin Filters, LLC to Ducon Technologies, Inc., which Aron Govil, the Company's Founder, and former CFO, for total consideration of $550,000. On July 31, 2022, the Company negotiated a payment agreement surrounding the sale of Griffin Filters, LLC, and other liabilities due to the Company. totaling $761,585. This agreement is in the form of a secured promissory note earning interest at a rate of 5% per annum and matures on July 31, 2024. As of March 31, 2024, $64,808 of accrued interest has been recorded as an expected credit loss against this note.

As of December 31, 2023 March 31, 2024, and September 30, 2023, there was $3,811 3,798 and $3,806 payable due to Ducon Technologies, Pvt Ltd., which is also owned by Aron Govil, respectively.

As of December 31, 2023 March 31, 2024, and September 30, 2023, there was $638,207 635,956 and $637,208 receivable due from Ducon Technologies, Pvt Ltd., respectively.

On November 22, 2022, the Company entered into two Asset Purchase Agreements and one Simple Agreement for Future Equity (“SAFE”) with the Company’s CEO, Saagar Govil, to secure the sale of the subsidiaries Cemtrex Advanced Technologies, Inc, and Cemtrex XR, Inc., which include the brands SmartDesk, Cemtrex XR, Virtual Driver Interactive, Bravo Strong, and good tech (formerly Cemtrex Labs), to Mr. Govil. Cemtrex XR, Inc. was purchased for $890,000 comprised of $75,000 in cash and 5% royalty of all revenues on the Business to be paid 90 days after the end of each calendar year for the next three years; and should the total sum of royalties due be less than $820,000 at the end of the three-year period, Mr. Govil shall be obligated to pay the difference between $820,000 and the royalties paid. The first Royalty payment is due by March 30, 2024. Cemtrex Advanced Technologies, Inc. was purchased for $10,000 in cash, 5% royalty of all revenues on the Business to be paid 90 days after the end of each calendar year for the next 5 years, and $1,600,000 in SAFE (common equity) at any subsequent fundraising or exit above $5,000,000 with a $10,000,000 cap. Subsequent to the sale of Cemtrex Advanced Technologies, Inc. the business has ceased operations. operations. The company Company has recognized no gain in relation to the 5% royalties.

During the three and six months ended March 31, 2024, the Company wrote off $94,027 in trade receivables, related party and $59,703 in trade payables, related party related to the Cemtrex Advanced Technologies, Inc. successor company, SmartDesk, Inc.

As of December 31, 2023 March 31, 2024, there was $638,485 583,340 in trade receivables due from these companies. the Cemtrex XR successor company, CXR, Inc. Of these receivables $133,778 60,628 are related to costs paid by Cemtrex related to payroll during the transition of employees to the new company and subscription services that are set up on auto pay with a credit card. The remaining $504,707 522,712 is related to services provided by Cemtrex Technologies Pvt. Ltd. in the normal course of business. As of December 31, 2023 March 31, 2024, there were $64,919 5,416 in payables due to these companies. CXR Inc.

As of December 31, 2023 March 31, 2024, there were royalties receivable from the sale of Cemtrex, XR, Inc. of $708,174 700,456, of which $220,000260,407 is considered short-term and is presented on the Company's Condensed Consolidated Balance Sheet under the caption "Trade receivables, net – related party". On April 13, 2024, the Company and CXR, Inc. agreed to structured payments on the first-year royalties with full payment being made by December 31, 2024. The Company has taken a $10,000 allowance for expected credit losses against these royalties.

NOTE 19 – LEASES

The Company is party to contracts where we lease property from others under contracts classified as operating leases. The Company primarily leases office and operating facilities, vehicles, and office equipment. The weighted average remaining term of our operating leases was approximately 2.753.5 years at December 31, 2023 March 31, 2024, and 3years at September 30, 2023. Lease liabilities were $2,155,559 with $728,875 classified as short-term at December 31, 2023, and $2,348,689with $741,487, classified as short-term at September 30, 2023. The weighted average discount rate used to measure lease liabilities was approximately 5.6 6.45% at December 31, 2023 March 31, 2024, and5.66% at September 30, 2023. The Company used the rate implicit in the lease, where known, or its incremental borrowing rate as the rate used to discount the future lease payments. Cash used by operating leases were $193,130, and $132,963 for the three months ended December 31, 2023 and 2022.

The Company has elected not to recognize lease assets and liabilities for leases with a term of 12 months or less.

The Company's corporate segment leases approximately 100 square feet of office space in Brooklyn, NY on a month-to-month lease at a rent of $600 per month. Short-term rent expense was $1,800 3,600 for the three six months ended December 31, 2023 March 31, 2024, and $600 for the six months ended March 31, 2023.

The Company's security segment leases approximately 1,037 square feet of office space in Clovis, CA on a month-to-month lease at a rent of $5,487 per month. Short-term rent expense was $16,461 30,362 for the three six months ended December 31, 2023 March 31, 2024.

A reconciliation of undiscounted cash flows to operating lease liabilities recognized in the condensed consolidated balance sheet at December 31, 2023 March 31, 2024, is set forth below:

Years ending September 30,	Operating Leases	Operating Leases
2024	624,469	461,372
2025	823,816	908,932
2026	621,892	711,262
2027	270,742	315,525
2028 & Thereafter	51,415	
2028		58,085
Undiscounted lease payments	2,392,334	2,455,176
Amount representing interest	(236,775)	(200,490)
Discounted lease payments	$ 2,155,559	$ 2,254,686

Lease costs for the three and six months ended December 31, 2023 March 31, 2024, and 2022 2023 are set forth below:

	2023	2022	2024	2023	2024	2023
	For the three months ended December 31,		For the three months ended March 31,		For the six months ended March 31,	
	2023	2022	2024	2023	2024	2023
Lease costs:						
Operating lease costs	193,432	261,433	195,693	223,213	389,125	484,646
Short-term lease costs	18,261	-	15,701	-	33,962	-
Total lease cost	**$ 211,693**	**$ 261,433**	**$ 211,394**	**$ 223,213**	**$ 423,087**	**$ 484,646**

NOTE 20 – LINES OF CREDIT AND LONG-TERM LIABILITIES

Revolving line of credit

On October 5, 2023, the Company obtained a revolving line of credit in the amount of $5,000,000 from Pathward, N.A.. The interest rate will be a rate which is equal to three percentage points (3%) in excess of that rate shown in the Wall Street Journal as the prime rate (the “Effective Rate”) and matures twenty-four months from the closing date. This loan is secured by the Company’s eligible accounts receivable and eligible finished goods inventory. The Company’s ability to borrow against the line of credit is limited by the value of the eligible assets. As of December 31, 2023, the Company had enough eligible assets to access the full credit line. The Company was in compliance with all loan covenants as of December 31, 2023 March 31, 2024. The funds were used to pay the NIL Funding term loan and will fund operations of the Vicon entity. As of December 31, 2023 March 31, 2024, this loan had a balance of $3,357,324 4,019,234, with $54,400 36,267 of unamortized loan origination fees, which is included in “Prepaid expenses” on the accompanying Condensed Consolidated Balance Sheet. There were $1,642,676 980,766 in available funds as of December 31, 2023 March 31, 2024.

Standstill Agreement

On August 31, 2023, the Company and Streeterville Capital, LLC entered into a standstill agreement for the two notes held by Streeterville Capital, LLC. The terms of this agreement are the earlier of (a) the date that is ninety (90) days from the Effective Date, and (b) the date that the Company completes an equity offering on either Form S-1 or Form S-3 (the “Standstill Period”), Streeterville Capital, LLC will not seek to redeem any portion of the Notes, and (c) the Company agrees to prepay to Lender fifty percent (50% (50%) of the net proceeds received by Borrower in connection with all equity financings until such time as Borrower has raised at least $5,000,000 in aggregate net proceeds.

The following table outlines the Company's secured liabilities:

	Interest Rate	Maturity	December 31, 2023	September 30, 2023
Fulton Bank - $360,000 fund equipment for AIS. The Company was in compliance with loan covenants as of December 31, 2023. This loan is secured by certain assets of the Company.	SOFR plus 2.37% (7.75% as of December 31, 2023 and 7.68% as of September 30, 2023).	1/31/2025	89,125	108,700
Fulton Bank mortgage $2,476,000. The Company was in compliance with loan covenants as of December 31, 2023. This loan is secured by the underlying asset.	SOFR plus 2.62% (8.00% on December 31, 2023 and (7.93% on September 30, 2023).	1/28/2040	2,163,687	2,180,115
Fulton Bank (HEISEY) - $1,200,000 mortgage loan; requires monthly principal and interest payments through August 1, 2043 with a final payment of remaining principal on September 1, 2043; The loan is collateralized by 615 Florence Street and 740 Barber Street and guaranteed by AIS and Cemtrex.	SOFR plus 2.80% per annum (8.18% as of December 31, 2023 and 8.11% as of September 30, 2023).	9/30/2043	1,194,480	1,200,000
Fulton Bank (HEISEY) - $2,160,000. promissory note related to purchase of Heisey; requires 84 monthly principal and interest payments; The note is collateralized by the Heisey assets and guaranteed by the Parent; matures in 2030.	SOFR plus 2.80% per annum (8.18% as of December 31, 2023 and 8.11% as of September 30, 2023).	7/1/2030	2,063,927	2,122,565
Note payable - $5,755,000 - Less original issue discount $750,000 and legal fees $5,000, net cash received $5,000,000 Unamortized original issue discount balance of $0, as of December 31, 2023 and September 30, 2023.	8%	6/30/2024	4,691,520	4,596,589
Note payable - $9,205,000. Less original issue discount $1,200,000 and legal fees $5,000,net cash received $8,000,000. 28,572 shares of common stock valued at $700,400 recognized as additional original issue discount. Unamortized original issue discount balance of $0 as of December 31, 2023 and September 30, 2023.	8%	2/22/2025	11,475,435	11,243,233
Note Payable - $240,000 For the purchase of Heisey Mechanical, Ltd.	6%	7/1/2024	240,000	240,000
Term Loan Agreement with NIL Funding Corporation ("NIL") - $5,600,000 The Company was in compliance with loan covenants as of September 30, 2023.	11.50%	12/31/2024	-	1,979,743
Paycheck Protection Program loan - $121,400 - The issuing bank determined that this loan qualifies for loan forgiveness; however the Company is awaiting final approval from the Small Business Administration.	1%	5/5/2025	80,994	91,114
Software License Agreement - $1,125,000, for the purchase of software source code for use in our Security segment products	N/A	6/3/2024	450,000	675,000
HDFC Bank Auto Loan - $28,331, for the purchase of automobile at India office. Monthly payments of ₹65,179 ($784.89 as translated as of December 31, 2023). Automobile is collateral for this loan.	8.70%	6/5/2027	28,331	-
Total secured liabilities			**$ 22,477,499**	**$ 24,437,059**
Less: Current maturities			(15,717,081)	(14,507,711)
Less: Unamortized original issue discount			-	-
Secured liabilities, Long Term			**$ 6,760,418**	**$ 9,929,348**

	Interest Rate	Maturity	March 31, 2024	September 30, 2023
Fulton Bank - $360,000 fund equipment for AIS. The Company was in compliance with loan covenants as of March 31, 2024. This loan is secured by certain assets of the Company.	SOFR plus 2.37% (7.71% as of March 31, 2024 and 7.68% as of September 30, 2023).	01/31/2025	69,164	108,700
Fulton Bank mortgage $2,476,000. The Company was in compliance with loan covenants as of March 31, 2024. This loan is secured by the underlying asset.	SOFR plus 2.62% (7.96% on March 31, 2024 and (7.93% on September 30, 2023).	01/28/2040	2,146,939	2,180,115
Fulton Bank (HEISEY) - $1,200,000 mortgage loan; requires monthly principal and interest payments through August 1, 2043 with a final payment of remaining principal on September 1, 2043; The loan is collateralized by 615 Florence Street and 740 Barber Street and guaranteed by AIS and Cemtrex.	SOFR plus 2.80% per annum (8.14% as of March 31, 2024 and 8.11% as of September 30, 2023).	09/30/2043	1,188,315	1,200,000

Fulton Bank (HEISEY) - $2,160,000. promissory note related to purchase of Heisey; requires 84 monthly principal and interest payments; The note is collateralized by the Heisey assets and guaranteed by the Parent; matures in 2030.	SOFR plus 2.80% per annum (8.14% as of March 31, 2024 and 8.11% as of September 30, 2023).	07/01/2030	2,004,136	2,122,565
Note payable - $5,755,000 - Less original issue discount $750,000 and legal fees $5,000, net cash received $5,000,000 Unamortized original issue discount balance of $0, as of March 31, 2024 and September 30, 2023.	8%	06/30/2025	4,787,348	4,596,589
Note payable - $9,205,000. Less original issue discount $1,200,000 and legal fees $5,000,net cash received $8,000,000. 28,572 shares of common stock valued at $700,400 recognized as additional original issue discount. Unamortized original issue discount balance of $0 as of March 31, 2024 and September 30, 2023.	8%	02/22/2026	11,709,830	11,243,233
Note Payable - $240,000 For the purchase of Heisey Mechanical, Ltd.	6%	07/01/2024	240,000	240,000
Term Loan Agreement with NIL Funding Corporation (“NIL”) - $5,600,000 The Company was in compliance with loan covenants as of September 30, 2023.	11.50%	12/31/2024	-	1,979,743
Paycheck Protection Program loan - $121,400 - The issuing bank determined that this loan qualifies for loan forgiveness; however the Company is awaiting final approval from the Small Business Administration.	1%	05/05/2025	70,872	91,114
Software License Agreement - $1,125,000, for the purchase of software source code for use in our Security segment products	N/A	06/03/2024	225,000	675,000
HDFC Bank Auto Loan - $28,331, for the purchase of automobile at India office. Monthly payments of ₹65,179 ($784.89 as translated as of March 31, 2024). Automobile is collateral for this loan.	8.70%	06/05/2027	26,486	-
Total debt			**$ 22,468,090**	**$ 24,437,059**
Less: Current maturities			(914,170)	(14,507,711)
Long-term debt			**$ 21,553,920**	**$ 9,929,348**

NOTE 21 – STOCKHOLDERS’ EQUITY

Preferred Stock

The Company is authorized to issue 10,000,000 shares of Preferred Stock, $0.001 par value. As of December 31, 2023, and September 30, 2023, there were 2,458,053 and 2,343,016 shares issued and 2,393,953 and 2,278,916 shares outstanding, respectively.

Series 1 Preferred Stock

The Company’s Series 1 Preferred Stock was suspended from the Nasdaq Capital Market on January 22, 2024. The Series 1 Preferred Stock is now quoted on the OTC Markets under the symbol “CETXP.”

Nasdaq informed the Company that Nasdaq will complete the delisting by filing a Form 25 Notification of Delisting with the SEC following the lapse of applicable appeal periods. The Company does not intend to appeal the Panel’s decision. The Form 25 was filed on March 21, 2024. The deregistration of the Company’s Series 1 Preferred Stock under Section 12(b) of the Exchange Act will be effective for 90 days, or such shorter period as the SEC may determine, after filing of the Form 25.

During the three six months ended December 31, 2023 March 31, 2024, 115,037 shares of Series 1 Preferred Stock were issued to pay dividends to holders of Series 1 Preferred Stock.

During the six months ended March 31, 2024, the Company has bought back 71,951 shares into treasury for $69,705 under the Share Repurchase Program approved on August 22, 2023, that allows the Company to repurchase shares of the Series 1 Preferred Stock through various means, including through privately negotiated transactions and through an open market program.

As of December 31, 2023 March 31, 2024, and September 30, 2023, there were 2,408,053 and 2,293,016 shares of Series 1 Preferred Stock issued and 2,343,953 2,272,002 and 2,228,916 shares of Series 1 Preferred Stock outstanding, respectively.

Series C Preferred Stock

As of December 31, 2023, and September 30, 2023, there were 50,000 shares of Series C Preferred Stock issued and outstanding.

Common Stock

The Company is authorized to issue 50,000,000 shares of common stock, $0.001 par value. As of December 31, 2023, there were 1,055,636 shares issued and outstanding and at September 30, 2023, there were 1,045,783 shares issued and outstanding.

During the three six months ended December 31, 2023 March 31, 2024, 9,853 shares of the Company's common stock have been issued in exchange for services valued at $40,000.

NOTE 22 – SHARE-BASED COMPENSATION

For the three and six months ended December 31, 2023 March 31, 2024, and 2022, 2023, the Company recognized $7,557 7,558 and $39,842 26,735 and $15,116 and $66,577 of share-based compensation expense on its outstanding options, respectively. As of December 31, 2023 March 31, 2024, $55,748 48,189 of unrecognized share-based compensation expense is expected to be recognized over a period of two years. Future compensation amounts will be adjusted for any change in estimated forfeitures.

During the three six months ended December 31, 2023 March 31, 2024, no options were granted, cancelled, or forfeited.

NOTE 23 – COMMITMENTS AND CONTINGENCIES

The Company's Industrial Services segment leases approximately 15,500 square feet of warehouse space in Emigsville, PA from a third party in a three-year lease at a monthly rent of $4,555 expiring on August 31, 2025.

The Company's Security segment leases (i) approximately 6,700 square feet of office and warehouse space in Pune, India from a third party in an five year lease at a monthly rent of $6,453 (INR456,972) expiring on February 28, 2024, (ii) approximately 30,000 square feet of office and warehouse space in Hauppauge, New York from a third party in a seven-year lease at a monthly rent of $28,719 expiring on March 31, 2027, (iii) approximately 9,400 square feet of office and warehouse space in Hampshire, England in a fifteen-year lease with at a monthly rent of $7,329 (£5,771) which expires on March 24, 2031 and contains provisions to terminate in 2026.

From time to time, the Company and its subsidiaries are involved in legal proceedings that are incidental to the operation of our business. The Company continues to defend vigorously against all claims. Although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including assessment of the merits of the particular claim, as well as current accruals and insurance coverage, the Corporation does not expect that such legal proceedings will have a material adverse impact on its condensed consolidated financial statements.

NOTE 24 – SUBSEQUENT EVENTS

Delisting from NASDAQ Capital Market and Repurchase On April 5, 2024, 120,725 shares of Series 1 Preferred Stock

Subsequent were issued to the balance sheet date, the Company has bought back 71,951 shares for $69,705 under the Share Repurchase Program approved on August 22, 2023, that allows the Company pay dividends to repurchase shares holders of Series 1 Preferred Stock. The holders of the Series 1 Preferred Stock through various means, including through privately negotiated transactions and through an open market program. This action proved ineffective are entitled to meet receive dividends at the Minimum Bid Price Requirement. rate of 10% annually, based on the $10.00 per share Preference Amount, payable semiannually.

The Company's On April 8, 2024, the Company issued an aggregate of 1,946 shares of common stock in exchange for services valued at $9,000.

On April 8, 2024, the Company cancelled 71,951 shares of Series 1 Preferred Stock was suspended from that were in Treasury Stock.

On April 13, 2024, the Nasdaq Capital Market on January 22, 2024. The Series 1 Preferred Stock is now quoted Company and CXR, Inc. agreed to structured payments on the OTC Markets under the symbol "CETXP." first-year royalties with full payment being made by December 31, 2024.

Nasdaq informed the Company that Nasdaq will complete the delisting by filing a Form 25 Notification of Delisting with the SEC following the lapse of applicable appeal periods. The Company does not intend to appeal the Panel's decision. After the Form 25 is filed, the delisting will become effective 10 days later. The deregistration of the Company's Series 1 Preferred Stock under Section 12(b) of the Exchange Act will be effective for 90 days, or such shorter period as the SEC may determine, after filing of the Form 25.

Standstill Agreement

Filing of Registration Statement on Form S-1

On January 17, 2024, the Company filed a preliminary Prospectus on Form S-1 to register shares of our common stock and common stock warrants for sale through a placement agent.

On April 30, 2024, the Company entered into a Standstill Agreement (the "Agreement") with Streeterville Capital, LLC ("Streeterville"). Pursuant to the Agreement, Streeterville agreed not to seek to redeem any portion of its two outstanding notes with the Company, dated September 20, 2021 and February 22, 2022, for a period of one year (the "Standstill Period") and Streeterville further agreed to extend the maturity dates on the notes to June 30, 2025 and February 22, 2026, respectively. In exchange, the Company agreed to pay to Streeterville the greater of $4,000,000 or fifty percent (50%) of the net proceeds the Company receives from the sale of any of its common stock or preferred stock during the Standstill Period. Any payments made will be deemed payments under the notes. On May 6, 2024, the Company paid $4,588,897 pursuant to the Agreement.

Underwriting agreement and public offering

On May 1, 2024, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Aegis Capital Corp. (the "Underwriter"), in connection with a firm commitment underwritten public offering (the "Offering") of (i) 554,705 units (the "Common Units"), each consisting of one share of common stock of the Company ("common stock"), a warrant to purchase one share of common stock at an exercise price of $.085 per share or pursuant to an alternative cashless exercise option (described below), which warrant will expire on the two-and-a-half year anniversary of the original issuance date (the "Series A Warrants") and a warrant to purchase one share of common stock at an exercise price of $0.85 per share, which warrant will expire on the five-year anniversary of the original issuance date (the "Series B Warrants" and together with the Series A Warrants, the "Warrants"); and (ii) 11,210,000 pre-funded units (the "Pre-funded Units" and together with the Common Units, the "Units"), each consisting of one pre-funded warrant to purchase one share of common stock (the "Pre-funded Warrants"), a Series A Warrant and a Series B Warrant. The purchase price of each Unit was $0.85, and the purchase price of each Pre-Funded Unit was $0.849 (which is equal to the public offering price per Common Unit to be sold in the Offering minus $0.001). The Pre-Funded Warrants are immediately exercisable and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full.

In addition, the Company granted the Underwriter a 45-day option to purchase additional 1,764,705 shares of common stock and/or Pre-Funded Warrants, representing up to 15% of the number of common stock and Pre-Funded Warrants sold in the Offering, and/or additional 1,764,705 Series A Warrants representing up to 15% of the Series A Warrants sold in the Offering, and/or additional 1,764,705 Series B Warrants representing up to 15% of the Series B Warrants sold in the Offering solely to cover over-allotments, if any.

The Offering closed on May 3, 2024. An aggregate of 11,764,705 Units (which includes 554,705 shares of common stock) and 11,210,000 Pre-Funded Units (which includes 11,210,000 Pre-Funded Warrants) were sold in the Offering. On May 3, 2024, the Underwriter partially exercised its over-allotment option with respect to 1,764,705 Series A Warrants and 1,764,705 Series B Warrants. The aggregate gross proceeds to the Company were approximately $10,035,000, before deducting underwriting discounts and other estimated expenses payable by the Company.

Under the terms of the Underwriting Agreement, the Underwriter received an underwriting discount of 7.0% to the public offering price for the Units. In addition, the Company agreed to (a) pay a non-accountable expense allowance to the Underwriter equal to 0.5% of the gross proceeds received in this Offering and (b) to reimburse the Underwriter for certain out-of-pocket expenses, including, but not limited to, up to $100,000 for reasonable legal fees and disbursements for the Underwriter's counsel.

Right of First Refusal

Subject to certain conditions, the Company has granted the Underwriter the right of first refusal with respect to certain transactions and for the duration described below.

If, for the period beginning on the closing of the Offering and ending fifteen (15) months after the commencement of sales in the offering, the Company or any of its subsidiaries (a) decides to finance or refinance any indebtedness, the Underwriter (or any affiliate designated by the Underwriter) shall have the right to act as sole book-runner, sole manager, sole placement agent or sole agent with respect to such financing or refinancing; or (b) decides to raise funds by means of a public offering (including at-the-market facility) or a private placement or any other capital raising financing of equity, equity-linked or debt securities, the Underwriter (or any affiliate designated by the Underwriter) shall have the right to act as sole book-running manager, sole underwriter or sole placement agent for such financing. If the Underwriter or one of its affiliates decides to accept any such engagement, the agreement governing such engagement will contain, among other things, provisions for customary fees and terms for transactions of similar size and nature, including indemnification, which are appropriate to such a transaction.

Notwithstanding the foregoing, the decision to accept the engagement shall be made by the Underwriter or one of its affiliates, by a written notice to the Company, within ten (10) days of the receipt of the Company's notification of financing needs, including a detailed term sheet. The Underwriter's determination of whether in any case to exercise its right of first refusal will be strictly limited to the terms on such term sheet, and any waiver of such right of first refusal shall apply only to such specific terms. If the Underwriter waives its right of first refusal, any deviation from such terms shall void the waiver and require the Company to seek a new waiver from the right of first refusal.

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

Except for historical information contained in this report, the matters discussed are forward-looking statements that involve risks and uncertainties. When used in this report, words such as "anticipates", "believes", "could", "estimates", "expects", "may", "plans", "potential" and "intends" and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Among the factors that could cause actual results to differ materially are the following: the effect of business and economic conditions; the impact of competitive products and their pricing; unexpected manufacturing or supplier problems; the Company's ability to maintain sufficient credit arrangements; changes in governmental standards by which our environmental control products are evaluated and the risk factors reported from time to time in the Company's SEC reports, including its recent report on Form 10-K. The Company undertakes no obligation to update forward-looking statements as a result of future events or developments.

General Overview

Cemtrex was incorporated in 1998 in the state of Delaware and has evolved through strategic acquisitions and internal growth into a leading multi-industry company. Unless the context requires otherwise, all references to "we", "our", "us", "Company", "registrant", "Cemtrex" or "management" refer to Cemtrex, Inc. and its subsidiaries.

The Company's reporting segments consist of Security and Industrial Services. Additionally, the Company's operational structure also reports unallocated corporate expenses.

Security

Cemtrex's Security segment operates under the brand of its majority owned subsidiary, Vicon Industries, Inc. ("Vicon"), which provides end-to-end security solutions to meet the toughest corporate, industrial, and governmental security challenges. Vicon's products include browser-based video monitoring systems and analytics-based recognition systems, cameras, servers, and access control systems for every aspect of security and surveillance in industrial and commercial facilities, federal prisons, hospitals, universities, schools, and federal and state government offices. Vicon provides innovative, mission critical security and video surveillance solutions utilizing Artificial Intelligence (AI) based data algorithms.

Industrial Services

Cemtrex's Industrial Services segment operates under the brand, Advanced Industrial Services ("AIS"), which offers single-source expertise and services for rigging, millwrighting, in plant maintenance, equipment erection, relocation, and disassembly to diversified customers. AIS installs high precision equipment in a wide variety of industrial markets like automotive, printing & graphics, industrial automation, packaging, and chemicals, among others. AIS is a leading provider of reliability-driven maintenance and contracting solutions for machinery, packaging, printing, chemical, and other manufacturing markets. The focus is on customers seeking to achieve greater asset utilization and reliability to cut costs and increase production from existing assets, including small projects, sustaining capital, turnarounds, maintenance, specialty welding services, and high-quality scaffolding.

Significant Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Although these estimates are based on our knowledge of current events, our actual amounts and results could differ from those estimates. The estimates made are based on historical factors, current circumstances, and the experience and judgment of our management, who continually evaluate the judgments, estimates and assumptions and may employ outside experts to assist in the evaluations.

Certain of our accounting policies are deemed “significant”, as they are both most important to the financial statement presentation and require management’s most difficult, subjective, or complex judgments as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a discussion of our significant accounting policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended September 30, 2023.

Results of Operations – For the three months ended December 31, 2023 March 31, 2024, and 2022 2023

Revenues

Our Security segment revenues for the three months ended December 31, 2023 March 31, 2024, increased decreased by $2,163,057 $1,828,966 or 31% 18% to $9,167,801 $8,084,932 from $7,004,744 $9,913,898 for the three months ended December 31, 2022 March 31, 2023. This decrease is due to the delay of multiple projects for the Security segment’s products and services.

Our Industrial Services segment revenues for the three months ended March 31, 2024, increased by $2,915,164 or 47%, to $9,074,663 from $6,159,499, for the three months ended March 31, 2023. This increase is mainly due to increased demand for the segment’s services and the additional business from the Heisey acquisition completed during the fourth quarter of fiscal year 2023.

Gross Profit

Gross Profit for the three months ended March 31, 2024, was $6,939,416 or 40% of revenues as compared to gross profit of $7,338,481 or 46% of revenues for the three months ended March 31, 2023.

Gross profit in our Security segment was $4,112,969 or 51% of the segment’s revenues for the three months ended March 31, 2024, as compared to gross profit of $5,120,081 or 52% of the segment’s revenues for the period ended March 31, 2023. Gross profit was down due to decreased revenues in the three months ended March 31, 2024, compared to the three months ended March 31, 2023.

Gross profit in our Industrial Services segment was $2,826,447 or 31% of the segment’s revenues for the three months ended March 31, 2024, as compared to gross profit of $2,216,191 or 36% of the segment’s revenues for the period ended March 31, 2023. Gross profit as a percentage of revenues decreased due to lower margins related to Heisey acquisition related projects in the three months ended March 31, 2024, compared to the three months ended March 31, 2023.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2024, increased $1,701,890 or 32% to $7,020,157 from $5,318,267 for the three months ended March 31, 2023. The increase in general and administrative expenses is mainly related to increased sales and marketing activities including payroll, fringe benefits, legal expenses, insurance, travel as well as an increase in insurance, and repairs and maintenance expenses. Legal expenses for the three months ended March 31, 2024, include non-recurring expenses of $360,000.

Research and Development Expenses

Research and Development expenses for the three months ended March 31, 2024, were $951,400 compared to $1,615,341 for the three months ended March 31, 2023, a decrease of $663,941 or 41%. Research and Development expenses are primarily related to the Security Segment’s development of next generation solutions associated with security and surveillance systems software.

Other Income/Expense

Other expense for the three months ended March 31, 2024, was $448,039, as compared to $958,634 for the three months ended March 31, 2023. Other expense for the three months ended March 31, 2024, and 2023, was mainly driven by interest on the Company’s debt. Decreases in interest expense relate to $451,422 in deferral charges and $441,733 of amortization of original issue discounts in the three months ended March 31, 2023, that did not occur in the current period.

Provision for Income Taxes

During the three months ended March 31, 2024 and 2023, the Company had income tax expense from continuing operations of $100,004 and $0, respectively. The provision for income tax is based upon the current income tax from the Company's various U.S. and international subsidiaries that are subject to their respective income tax jurisdictions and the Company's current ability to utilize net loss carryforwards.

Income/(loss) from Discontinued Operations

For the three months ended March 31, 2024 and 2023, the Company had income on discontinued operations, net of tax of $10,463, and $14,232, respectively. This income is mainly related to the recognition of the royalties due from CXR, Inc.

Results of Operations – For the six months ended March 31, 2024, and 2023

Revenues

Our Security segment revenues for the six months ended March 31, 2024, increased by $334,091 or 2% to $17,252,733 from $16,918,642 for the six months ended March 31, 2023. This increase is due to an increased demand for the Security segment's products and services.

Our Industrial Services segment revenues for the three six months ended December 31, 2023 March 31, 2024, increased by $2,744,867 $5,660,031 or 55% 51%, to $7,710,365 $16,785,028 from $4,965,498 $11,124,997 for the three six months ended December 31, 2022 March 31, 2023. This increase is mainly due to increased demand for the segment's services and the additional business from the Heisey acquisition.

Our Corporate segment is acquisition completed during the holding company for the other two segments and did not generate any revenue for the three months ended December 31, 2023 or 2022. fourth quarter of fiscal year 2023.

Gross Profit

Gross Profit for the three six months ended December 31, 2023 March 31, 2024, was $7,082,399 $14,021,815 or 42% 41% of revenues as compared to gross profit of $5,042,615 $12,831,096 or 42% 44% of revenues for the three six months ended December 31, 2022 March 31, 2023.

Gross profit in our Security segment was $4,516,947 $8,629,916 or 49% 50% of the segment's revenues for the three six months ended December 31, 2023 March 31, 2024, as compared to gross profit of $3,403,690 $8,523,771 or 49% 50% of the segment's revenues for the six-month period ended December 31, 2022 March 31, 2023. Gross profit as a percentage of revenues remained constant in the three six months ended December 31, 2023 March 31, 2024, compared to the three six months ended December 31, 2022 March 31, 2023.

Gross profit in our Industrial Services segment was $2,565,452 $5,391,899 or 33% 32% of the segment's revenues for the three six months ended December 31, 2023 March 31, 2024, as compared to gross profit of $1,638,925 $3,855,116 or 33% 35% of the segment's revenues for the six-month period ended December 31, 2022 March 31, 2023. Gross profit as a percentage of revenues remained constant decreased due to lower margins related to Heisey acquisition related projects in the three six months ended December 31, 2023 March 31, 2024, compared to the three six months ended December 31, 2022 March 31, 2023.

General and Administrative Expenses

General and administrative expenses for the three six months ended December 31, 2023 March 31, 2024, increased $1,516,133 $3,509,518 or 28% 33% to $6,971,966 $13,992,123 from $5,455,833 $10,482,605 for the three six months ended December 31, 2022 March 31, 2023. The increase in general and administrative expenses is mainly related to increased payroll, fringe benefits, insurance, office supplies and repairs and maintenance expenses offset by decreased depreciation, professional fees rent, and travel expenses. One-time fees travel. Increases in the current quarter payroll include approximately $155,000 $680,000 in severance and bonus payments. Legal expenses for the six months ended March 31, 2024, include non-recurring expenses of $360,000.

Research and Development Expenses

Research and Development expenses for the three six months ended December 31, 2023 March 31, 2024, were $848,805 $1,800,205 compared to $1,538,218 $3,445,054 for the three six months ended December 31, 2022 March 31, 2023, a decrease of $689,413 $1,644,849 or 45% 48%. Research and Development expenses are primarily related to the Security Segment's development of next generation solutions associated with security and surveillance systems software.

Other Income/Expense

Other expense for the three six months ended December 31, 2023 March 31, 2024, was $505,272, $953,311, as compared to $1,145,317 $2,103,951 for the three six months ended December 31, 2022 March 31, 2023. Other expense for the three six months ended December 31, 2023 March 31, 2024, and 2022, 2023, was mainly driven by interest on the Company's debt. Decreases in interest expense relate to $221,831 $673,253 in deferral charges and $441,733 $841,800 of amortization of original issue discounts in the three six months ended December 31, 2022 March 31, 2023, that did not occur in the current period.

Provision for Income Taxes

During the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, the Company had income tax expense from continuing operations of $70,751 $170,755 and $0. The provision for income tax is based upon the current income tax from the Company's various U.S. and international subsidiaries that are subject to their respective income tax jurisdictions and the Company's current ability to utilize net loss carryforwards.

Income/(loss) from Discontinued Operations

For the three six months ended December 31, 2023 March 31, 2024, the Company had income on discontinued operations, net of tax of $10,492. $20,955. This income is mainly related to the recognition of the royalties due from CXR, Inc. Losses on discontinued operations for the three six months ended December 31, 2022 March 31, 2023, were $3,239,621 $3,225,389 attributable to the operations and sale of the Cemtrex brands discussed in Note 3 to the financial statements included herein.

Effects of Inflation

The Company's business and operations have been affected by inflation during the periods for which financial information is presented. In response, the Company has instituted price increases and initiated cost-saving measures to mitigate the effects of inflation on operations.

Liquidity and Capital Resources

Working capital deficit was $2,284,787 $10,300,384 at December 31, 2023 March 31, 2024, compared to working capital of $1,948,923 at September 30, 2023. This includes cash and equivalents and restricted cash of $4,016,732 $4,088,536 at December 31, 2023 March 31, 2024, and $6,349,562 at September 30, 2022 September 30, 2023. The decrease increase in working capital was primarily due to the Company's payment entry into a standstill agreement on two notes extending the maturity date and holding redemptions for a period of accounts payable and accrued expenses. one year.

Cash used by operating activities for continuing operations for the three six months ended December 31, 2023 March 31, 2024, and 2022 2023 was $3,139,073 $2,752,236 and $5,872,310, $5,383,060, respectively. Cash provided by operating activities for discontinued operations for the three six months ended December 31, 2022 March 31, 2023, was $2,501,426. $2,488,144. Our negative operating cash flow was mainly the result of our net loss combined with operating changes in trade receivables.

Trade receivables increased by $694,860 $2,326,185 or 8% 25% to $9,904,555 $11,535,880 at December 31, 2023 March 31, 2024, from $9,209,695 at September 30, 2023. The increase in trade receivables is attributable to increased sales in the Security Industrial Services segment.

Cash used by investing activities for continuing operations for the three six months ended December 31, 2023 March 31, 2024, was $390,310 $455,308 compared to $568,111 $252,706 used for the three six months ended December 31, 2022. Cash provided by investing activities for discontinued operations was $207,329 for the three months ended December 31, 2022 March 31, 2023. Investing activities for the three six months ended December 31, 2023 March 31, 2024, were driven by the Company's purchase of property and equipment and investment in Masterpiece VR. Investing activities for the six months ended March 31, 2023, were driven by the Company's purchase of property and equipment.

Cash provided by financing activities for the three six months ended December 31, 2023 March 31, 2024, was $998,099 $1,250,540 compared to using cash of $600,920 $920,127 for the three six months ended December 31, 2022 March 31, 2023. Financing activities were primarily driven by proceeds and payments on the Company's revolving line of credit and payments on its secured debt. Financing activities for the three six months ended December 31, 2022 March 31, 2023, were primarily driven by payments on the Company's debt.

While our working capital deficit and current debt indicate indicates a substantial doubt regarding the Company's ability to continue as a going concern, the Company has historically, from time to time, satisfied and may continue to satisfy certain short-term liabilities through the issuance of common stock, thus reducing our cash requirement to meet our operating needs. The Company has approximately $2.84 million $2,916,120 in cash and cash equivalents as of December 31, 2023 March 31, 2024. Additionally, the Company has (i) secured a line of credit for its Vicon brand to fund operations, which as of December 31, 2023 March 31, 2024, has available capacity of $1,642,676, $980,766, (ii) sold unprofitable brands, reducing the cash required to maintain those brands, (iii) continually reevaluate our reevaluated its pricing model on our Vicon brand to improve margins on those products, (iii) entered into an underwriting agreement in connection with underwritten public offering, the aggregate gross proceeds to the Company were approximately $10,035,000, before deducting underwriting discounts and other estimated expenses payable by the Company, and (iv) has effected entered into a 35:1 reverse stock split Standstill Agreement with Streeterville Capital, LLC ("Streeterville") in which Streeterville agreed not to seek to redeem any portion of its two outstanding notes with the Company for a period of one year expiring on our April 30, 2025, in exchange, the Company agreed to pay to Streeterville the greater of $4,000,000 or fifty percent (50%) of the net proceeds the Company receives from the sale of any of its common stock to remain trading on or preferred stock during the Nasdaq Capital Markets, and improve our ability to potentially raise capital through equity offerings that we may use to satisfy debt. Standstill Period.

In the event additional capital is raised through equity offerings and/or debt is satisfied with equity, it may have a dilutive effect on our existing stockholders. While the Company believes these plans if successful, would be sufficient to meet the capital demands of our current operations for at least the next twelve months, there is no guarantee that we will succeed. Overall, there is no guarantee that cash flow from our existing or future operations and any external capital that we may be able to raise will be sufficient to meet our working capital needs. The Company currently does not have adequate cash or available liquidity/available capacity on our lines of credit to meet our short or long-term needs. Absent an ability to raise additional outside capital and restructure or refinance all or a portion of our debt, the Company will be unable to meet its obligations as they become due over the next twelve months beyond the issuance date.

Each segment of the Company's operations has positioned itself for growth and the Company's long-term objectives include, increasing marketing and sales for the Company's products and services in each segment, increasing the Company's presence through collaboration partnerships in each segment and through strategic acquisitions of complementary businesses for each segment. These long-term objectives will require sufficient cash to complete, and the Company expects to fund these objectives with cash on hand, issuance of debt, and from proceeds from the sale of the Company's securities, which may not be sufficient to fully implement our growth initiatives.

The condensed consolidated financial statements do not include any adjustments relating to this uncertainty.

Item 4. Controls and Procedures
Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures reporting as promulgated under the Exchange Act is defined as controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our CEO and our CFO have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023 March 31, 2024. Based on their evaluation, our management has concluded that as of December 31, 2023 March 31, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that occurred during the three six months ended December 31, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Part II Other Information

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors

See Risk Factors included in our Annual Report on Form 10-K filed with the SEC on December 28, 2023.

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

During the three six months ended December 31, 2023 March 31, 2024, 9,853 shares of the Company's common stock have been issued in exchange for services valued at $40,000. Subsequent to the reporting period, on April 8, 2024, the Company issued an aggregate of 1,946 shares of common stock in exchange for services valued at $9,000.

Such shares were issued pursuant to the exemption contained under Section 4(a)(2) of the Securities Act of 1933, as amended, and/or Regulation D promulgated thereunder.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Filed or Furnished Filing Date	Herewith
10.1* 2.1	Stock Purchase Agreement, dated December 15, 2015	Form 8-K/A	09/26/2016	
3.1	Credit and Security Agreement and Promissory Note, dated October 5, 2023 Certificate of Incorporation filed with the State of Delaware.	Form 10-12G	05/22/2008	
21.1* 3.2	Bylaws	Form 10-12G	05/22/2008	
3.3	Subsidiaries Amendment to Certificate of the Registrant Incorporation	Form 10-12G	05/22/2008	
31.1* 3.4	Amendment to Certificate of Incorporation	Form 10-12G	05/22/2008	
3.5	Amendment to Certificate of Incorporation	Form 10-12G	05/22/2008	
3.6	Amendment to Certificate of Incorporation	Form 10-12G	05/22/2008	
3.7	Amendment to Certificate of Incorporation	Form 8-K	08/22/2016	
3.8	Certificate of Designation of the Series A Preferred Shares	Form 8-K	09/10/2009	
3.9	Certificate of Designation of the Series 1 Preferred Shares	Form 8-K	01/24/2017	
3.10	Amendment to Certificate of Incorporation	Form 8-K	09/08/2017	
3.11	Certificate of Correction to the Certificate of Amendment	Form 8-K	06/12/2019	
3.12	Amended Certificate of Designation of the Series 1 Preferred Shares	Form 8-K	04/01/2020	
3.13	Amendment to Certificate of Incorporation	Form 10-K	01/05/2021	
3.14	Certificate of Correction to the Certificate of Amendment	Form 10-Q	05/28/2021	
3.15	Amendment to Certificate of Incorporation	Form 8-K	01/20/2023	
4.1	Form of Subscription Rights Certificate	Form S-1	08/29/2016	
4.2	Form of Series 1 Preferred Stock Certificate	Form S-1/A	11/23/2016	
4.3	Form of Series 1 Warrant	Form S-1/A	12/07/2016	
4.4	Form of Common Stock Purchase Warrant	Form 8-K	03/22/2019	
4.5	Form of Prefunded Warrant	Form S-1/A	04/30/2024	
4.6	Form of Series A Common Stock Purchase Warrant	Form S-1/A	04/30/2024	
4.7	Form of Series B Common Stock Purchase Warrant	Form S-1/A	04/30/2024	
5.1	Opinion of the Doney Law Firm	Form S-1/A	04/30/2024	
10.1	Amendment of the Term Loan Agreement between Vicon and NIL Funding, dated March 3, 2023	Form 10-Q	05/11/2023	
10.2	Amendment to Loan Documents Between Advanced Industrial Services, Inc. and Fulton Bank, N.A.	Form 10-Q	05/11/2023	
10.3	Amendment to Promissory Note Between Cemtrex, Inc. and Streeterville Capital, LL	Form 10-Q	05/11/2023	
10.4	Securities Purchase Agreement dated June 1, 2020	Form 8-K	06/04/2020	
10.5	Securities Purchase Agreement dated June 9, 2020	Form 8-K	06/12/2020	
10.6	Settlement Agreement and Release between Cemtrex, Inc. and Aron Govil dated February 26, 2021	Form 8-K	02/26/2021	
10.7	Securities Purchase Agreement dated February 22, 2022	Form 10-Q	05/16/2022	
10.8	Amendment of the Term Loan Agreement between Vicon and NIL Funding, dated March 30, 2022	Form 10-Q	05/16/2022	
10.9	Asset Purchase agreement between Cemtrex, Inc. and Saagar Govil, dated November 22, 2022	Form 8-K	11/29/2022	
10.1	Asset Purchase agreement between Cemtrex, Inc. and Saagar Govil, dated November 22, 2022	Form 8-K	11/29/2022	
10.11	Simple Agreement for Future Equity (SAFE) between Cemtrex, Inc. and Saagar Govil, dated November 18, 2022	Form 8-K	11/29/2022	
10.12	2020 Equity Compensation Plan	Form S-8	08/17/2020	
10.13	Asset Purchase Agreement, dated as of June 7, 2023	Form 8-K	12/06/2023	
10.14	Form of Lock-Up Agreement	Form S-1/A	04/30/2024	
10.15	Form of Underwriting Agreement	Form S-1/A	04/30/2024	
31.1	Certification of Chief Executive Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*			X	
31.2	Certification of Interim Chief Financial Officer and Principal Financial Officer as required by Rule 13a-14 or 15d-14 of the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1*			X	
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 0f of 2002.			
32.2*			X	
32.2	Certification of Interim Chief Financial Officer and Principal Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 0f of 2002.			
101.INS*			X	
99.1	Order pursuant to Section 8A of the Securities Act – dated September 30, 2022.	Form 8-K	10/04/2022	
101.INS	Inline XBRL Instance Document			
101.SCH*			X	
101.SCH	Inline XBRL Taxonomy Extension Schema			
101.CAL*			X	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase			
101.DEF*			X	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase			
101.LAB*			X	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase			
101.PRE*			X	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase			
104*			X	
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			X

* Filed herewith

30	34

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		Cemtrex, Inc.
Dated: February 13, 2024	May 14, 2024 By:	*/s/ Saagar Govil* .
		Saagar Govil Chief Executive Officer
Dated: February 13, 2024	May 14, 2024	*/s/ Paul J. Wyckoff* .
		Paul J. Wyckoff Interim Chief Financial Officer and Principal Financial Officer

EXHIBIT 10.1

CREDIT AND SECURITY AGREEMENT

PATHWARD, NATIONAL ASSOCIATION (together with its successors and assigns, "Lender") and Vicon Industries, Inc., a New York corporation ("Vicon"; and together with each other person that joins this Agreement as a Borrower (each a "Borrower" and collectively the "Borrowers") into this Credit and Security Agreement (as the same may be amended, restated, supplemented or otherwise modified, the "Agreement") on October 5, 2023 (the "Closing Date"). For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Borrowers and Lender agree as follows:

ARTICLE 1 DEFINITIONS

1.1 **Accounting Terms**. Except as otherwise provided in this Agreement, all accounting and financial terms used in the Loan Documents are interpreted, all accounting determinations must be made, and all financial statements delivered in connection with the Loan Documents must be prepared in accordance with GAAP as in effect from time to time. If at any time any change in GAAP would, in either case, affect the computation of any financial ratio or financial requirement set forth in any Loan Document, and either Borrowers or Lender so requests, Lender and Borrowers shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof.

1.2 **General Terms**. Terms not otherwise defined herein shall have the meanings given to them in Annex 1 hereto.

1.3 **General Construction**. When computing time periods from a specified date to a later specified date, "from" means "from and including" and "to" and "until" each mean "to but excluding". In the Loan Documents: (a) unless otherwise specified herein, "discretion" when not capitalized means a determination made by Lender in its sole and absolute discretion; (b) wherever appropriate in the context, terms used in the Loan Documents in the singular also include the plural and vice versa; (c) any reference to any Loan Document or any other document, agreement, instrument, report, certificate, or other similar deliverable means that the Loan Document or other deliverable is satisfactory in form and substance to Lender in its discretion; (d) the words "include," "includes," and "including" are treated as being followed by "without limitation"; and (e) captions used in the Loan Documents are for convenience only and are not taken into account in interpreting the document.

ARTICLE 2 LOANS, PAYMENTS

2.1 **Revolving Loans**.

(a) Subject to the terms and conditions in this Agreement and the Revolving Loan Schedule, Lender may make Advances to Borrower, from time to time and at its discretion, in an aggregate amount not to exceed at any one time outstanding the Maximum Borrowing Amount. The Revolving Loans are evidenced by the Revolving Note. Revolving Loans may be borrowed, repaid, and reborrowed in accordance with the Loan Documents.

(b) Lender will endeavor to provide the requested funds by the end of the same Business Day so long as Lender receives the request for the Advance, together with the complete package of information required hereunder for such request, by 10:30 a.m. Eastern Time on the day such request is made. If any principal, interest, fees, Expenses, or other obligations under the Loan Documents or any other agreement with Lender become due, Lender may at its discretion and without further consent of the Borrower, treat that as a request by Borrowers for a Revolving Loan to pay the applicable obligation.

(c) The Revolving Loan Outstanding may not at any time exceed the Maximum Borrowing Amount (and if it does for any reason Borrowers shall immediately and without demand pay the excess to Lender).

(d) Lender may in its discretion (i) reduce any of the percentages set forth in the Advance Formula, (ii) establish, increase, and reduce Reserves, and (iii) reduce one or more of the elements used to compute the Advance Formula.

(e) Each Advance request made by the Borrower is a representation and warranty that, as of the date of such request, (i) each representation and warranty made by each Loan Party in any Loan Document is true, correct and complete in all material respects, and (ii) no Event of Default exists or would exist after giving effect to the requested Advances or Loans.

2.2 **Loan Repayment**.

(a) The Loans are due and payable on the Revolving Loan Termination Date.

(b) Each time an Advance is made, the Obligations will be increased by the amount of the Advance. One business day after checks, ACH or wire transfers or other credit instruments are deposited in the Lockbox Account, Lender will credit the Loan Account with the net amount actually received, whereupon interest will no longer be charged on such amount. The date the Borrower will receive credit on funds for purposes of determining Availability is set forth in the Revolving Loan Schedule.

(c) Lender does not have to credit the Loan Account for any payment item that is not satisfactory to Lender in its reasonable discretion. All credits are provisional and are subject to verification and final settlement. Lender may charge the Loan Account for any payment item that is returned unpaid or otherwise not collected.

(d) The Loan Parties must make all payments in full under the Loan Documents to Lender (without any deduction whatsoever, including any setoff, recoupment, or counterclaim), at the payment office that Lender specifies in writing to Borrowers, not later than 11:59 a.m. Eastern time, on the respective due date.

2.3 **Statements**. Lender will maintain a loan account with respect to the Revolving Loan in accordance with its customary procedures in Borrowers' name (the "Loan Account") in which it will record, among other things, the date and amount of each Advance and the date and amount of each payment. Lender's failure to record this information does not affect Lender's rights, create any liability, or release any Loan Party from any liability.

2.4 **Additional Payments**. Any Expenses incurred and taxes paid by Lender may be charged to the Loan Account as a Loan and added to the Obligations (or, at Lender's option, must be paid by Borrowers to Lender immediately on demand).

2.5 **Use of Proceeds**. Borrowers shall use the Advances only (i) to pay off the existing Indebtedness of the Borrowers to NIL Funding Corp. and (ii) for working capital needs. Borrowers shall (a) not directly or indirectly apply any part of the proceeds of any Loan to the purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), (b) not use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any Person in violation of any applicable law, and (c) use the proceeds solely for business purposes and not for personal, family, or household purposes.

ARTICLE 3 FEES

3.1 **Fees**. Borrower shall pay Lender all the fees outlined in this Agreement including those listed on the Revolving Loan Schedule. Fees are computed on the basis of a year of 360 days for the actual number of days elapsed. If any payment is due on a day that is not a Business Day, the due date is extended to the next Business Day.

3.2 **Maximum Revolving Loan Amount**. The term "Maximum Revolving Loan Amount" as referenced in this Agreement (including in the Revolving Loan Schedule) means $ 5,000,000.

ARTICLE 4 COLLATERAL

4.1 **Security Interest; Perfection; Preservation**. To secure the prompt payment and performance of the Obligations now or in the future owed by Borrower to Lender, Borrower grants to Lender (and each of its Affiliates) a continuing Lien on, security interest in, pledge of, and assignment of all of the personal property in which any Borrower has any interest, whether now existing or hereafter acquired, wherever located, including all: (a) Accounts, (b) Inventory, (c) Equipment, (d) furniture and Fixtures, (e) General Intangibles, Payment Intangibles, and Intellectual Property, (f) Investment Property, (g) Deposit Accounts and monies credited by or due from any financial institution or other depository, (h) Chattel Paper, Instruments, and Documents, (i) Goods, (j) Commercial Tort Claims, (k) Letter-of-Credit Rights, (l) Contract Rights, (m) Books and records, computer software, computer programs, and supporting obligations relating to any of the foregoing, and (n) Proceeds of any of the foregoing in whatever form (collectively the "Collateral"); provided, however, that the Collateral shall not in any event secure payment or performance of any loan incurred by a Borrower under 15 U.S.C. 636(a)(36) (as added to the Small Business Act by Section 1102 of the CARES Act). All capitalized terms used in this section which are not otherwise defined in this Agreement have the meanings assigned to them in the UCC. The Collateral also includes all monies on deposit with Lender, or on deposit in the Lockbox Account.

Borrower must immediately take all actions that Lender requests to (x) maintain the validity, perfection, enforceability, and priority of Lender's Lien on the Collateral, (y) preserve and protect the Collateral or (z) to enable Lender to protect, exercise, or enforce its rights under the Loan Documents and the Collateral, including, but not limited to, the execution (if required) and delivery of security agreements, Waivers, control agreements, contracts and any other documents required hereunder. Borrower authorizes Lender to file against it, at Borrower's expense, financing, continuation and/or amendments statements and all other appropriate documentation for Lender to perfect and maintain its security interest in the Collateral.

4.2 **Protective Advances**. When a Default or Event of Default exists, Lender may from time to time in its discretion (and without Loan Party's consent) make Revolving Loans for Borrower's account that Lender in its discretion believes are necessary or desirable: (1) to preserve or protect any Collateral; or (2) to enhance the likelihood of the repayment of the Obligations.

4.3 **Risk of Loss**. At all times with respect to all Collateral, Borrower shall bear the full risk of any loss.

4.4 **Defending Lender's Interests**. Until (a) the Obligations are irrevocably paid in full and (b) the Loan Documents are terminated by Lender in writing, Lender's interests in the Collateral shall continue in full force and effect. When an Event of Default exists, in addition to all other rights and remedies in this Agreement or by applicable law: (1) Lender may take possession of all or any part of the Collateral; (2) Borrower must, and Lender may, at its option, instruct all suppliers, carriers, forwarders, or others receiving or holding cash, checks, Inventory, documents, or instruments in which Lender holds a Lien to deliver them to Lender and subject them to Lender's order; (3) each Loan Party grants to Lender an irrevocable, assignable, non-exclusive license (exercisable without royalty payments or other compensation) to use, assign, license, or sublicense any present or future Intellectual Property (including in the license or sublicense access to all media in which any of the licensed items may be recorded or stored and to all related computer programs); (4) each Loan Party grants to Lender an irrevocable, assignable, non-exclusive license and lease or sublease to use, assign, license, or sublicense any leased or owned Real Property (exercisable without paying any royalty, rent, or other compensation); (5) each Loan Party Borrower authorizes Lender to pay, purchase, contest, or compromise any Lien that in Lender's discretion appears to conflict with or impair Lender's Liens; and (6) Lender may at any time take any other steps that Lender in its discretion believes are necessary or desirable to protect and preserve the Collateral. All of Lender's Expenses incurred in accordance with the preceding sentence will be charged to the Loan Account and added to the Obligations.

4.5 **Financial Disclosure**. Borrower irrevocably authorizes and directs its accountants and auditors to promptly upon Lender's request, to deliver to Lender copies of Borrower's financial statements, trial balances, and all other accounting records in the accountant's or auditor's possession, and to disclose to Lender any information they may have concerning each Borrower.

4.6 **Accounts**.

(a) Remittances. Borrower must immediately notify all of its Account Debtors and any other person or party that is liable to it (collectively a "Debtor") to remit all payments due Borrower to the Lockbox Account. The remit to address on all documents related to the accounts must be the Lockbox Account. At Lender's request, all such documents, including invoices, purchase orders, or contracts must be marked by Borrowers to show assignment to Lender, and each Borrower must notify each of its Account Debtors by mail, in a form approved by Lender, that the Account has been assigned to Lender and that all payments on the Account must be made payable to such Borrower or Lender, at Lender's discretion, to the Lockbox Account or such other address provided by Lender in writing. Lender may at any time and from time to time, and at its discretion, notify any Debtor or third-party payee to make payments payable directly to Lender or to notify Debtor of the assignment to Lender. All of Lender's expenses for notifications will be paid by Borrowers.

If a Borrower receives any funds from a Debtor, or if a Borrower receives any proceeds of insurance, tax refunds or any and all other funds of any kind, such Borrower shall hold such funds in trust for Lender, shall not mix such funds received with any other funds, and shall immediately deposit such funds in the Lockbox Account in the form received. Lender will have sole ownership, possession and control over the Lockbox Account and all deposits in the Lockbox Account. No Borrower has any right to the Lockbox Account or any deposits in the Lockbox Account. Lender has no duty as to collection or protection of funds in the Lockbox Account as long as it is not grossly negligent or commits actual fraud. All expenses plus any applicable administration and servicing fees of the Lockbox Account will be paid by Borrowers.

(b) Adjustments. Without Lender's prior written consent, no Borrower may (1) compromise or adjust any Account (or extend the time for its payment) or (2) accept any returns of merchandise or grant any discounts, allowances, or credits, except in the ordinary course of such Borrower's business consistent with such Borrower's past practices and that have been disclosed to Lender in writing.

(c) No Liability. Lender does not have any liability for any error or omission or delay of any kind occurring in the settlement, collection, or payment of any of the Collateral or any instrument received in payment of Collateral, or for any damage resulting therefrom. Lender may accept the return of the goods represented by any of the Accounts (without notice to or consent by any Borrower), all without discharging or in any way affecting any Borrower's liability.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants that:

5.1 **Authority**. It has the full power, authority, and legal right to enter into the Loan Documents and to perform its obligations under the Loan Documents. Each Borrower's execution, delivery, and performance of the Loan Documents has been approved by all necessary legal and organizational Persons. The individual(s) executing the Loan Documents on behalf of Borrower has or have been properly and duly authorized. All obligations under each Loan Document it executes are legal, valid, and binding obligations enforceable against it in accordance with their terms.

5.2 **Formation; Qualification; Subsidiaries**. Each Borrower (a) is duly organized and existing in good standing in the state of its jurisdiction; (b) is duly qualified and authorized to conduct business in any state in which the nature and extent of its business requires qualification and (c) has no Subsidiaries or other Affiliates except for as identified in the Revolving Loan Schedule. Each Borrower's organizational identification number, state of organization, and states where it is qualified to do business are as identified in the Revolving Loan Schedule.

5.3 **Collateral.** Each Borrower is the owner of all of the Collateral, is listed as the owner of all titled Collateral, and there are no other liens or claims against the Collateral, except for the Permitted Liens. All of the Collateral is personal property and none of the Collateral will be permanently affixed to real estate.

5.4 **No Governmental Approval; No Conflict**. The transactions contemplated by this Agreement and the other Loan Documents do not (a) require any consent or approval of, registration or filing with, or any other action by, any Governmental Body (except for those that have been obtained); (b) violate any law, government rule, regulation, order, judgment or award applicable to any Loan Party or the Collateral; (c) violate or create a default under any indenture, agreement, or other instrument binding on any Loan Party or any of their respective assets; (d) violate any provision of any Loan Party's organizational documents; or (e) create any Lien on any asset of any Loan Party (except Liens created under the Loan Documents).

5.5 **Tax Returns**. Each Loan Party (a) has timely filed and will timely file all federal, state, and local tax returns, and all other reports required by law to be filed, and (b) has timely paid all taxes, assessments, fees, and other governmental charges. No tax liens have been filed against any asset of any Loan Party and no claims are being asserted for any taxes.

5.6 **Financial Information**.

(a) The financial information furnished by the Loan Parties to Lender has been prepared in accordance with GAAP, consistently applied, all financial statements present fairly in all material respects the Loan Parties' financial condition at such date and the results of their operations for the applicable period, and any projections of the business operations of each Loan Party that have been give or will be given to Lender will be based upon such Loan Party's reasonable assumptions and estimates.

(b) Since July 31, 2023, there has been no event, development or other change in circumstances that has had or could reasonably expected to have a Material Adverse Effect in the business, operations, condition, property or prospects (financial or otherwise) of the Loan Parties, taken as a whole.

5.7 **Name; Tradenames**. During the last five years no Loan Party (a) has been known by any other name or has sold Inventory under any other name; (b) has been the surviving entity of a merger or consolidation or has acquired a material portion of the assets of any Person; or (c) has used any fictitious name, d/b/a, tradename or tradestyle (collectively, the "Tradenames"), except as set forth in the Revolving Loan Schedule.

5.8 **Borrower Locations.** The Revolving Loan Schedule sets forth (a) where each jurisdiction of organization and chief executive office is located; (b) of all places of business of Borrowers; (c) where any Equipment and Inventory of Borrowers are located; and (d) where Borrower keeps the other Collateral and its books and records related thereto.

5.9 **Licenses and Permits**. Each Loan Party has complied with and has all applicable licenses or permits to conduct its business required by applicable federal, state, and local laws.

5.10 **Solvency; No Litigation; No Violation**

(a) After giving effect to the transactions contemplated by the Loan Documents and the Subordinated Debt, each Borrower is and will continue to be solvent, able to pay its debts as they mature, and have sufficient capital to carry on its business and all businesses in which it is about to engage.

(b) Except as set forth in the Revolving Loan Schedule, (1) no Borrower or other Loan Party has any pending or threatened litigation, investigation, arbitration, actions, or proceedings (including commercial tort claims in which Borrower is the plaintiff or moving party) against such Borrower or other Loan Party; and (2) no Borrower or any other Loan Party has violated any statute, regulation or ordinance, or any order of any court, Governmental Body, in each case that could reasonably be expected to have a Material Adverse Effect.

5.11 **No Default**. No Loan Party is in default under any Indebtedness or under a contract that could reasonably be expected to have a Material Adverse Effect.

5.12 **No Labor Disputes**. No Borrower is involved in or aware of any labor dispute.

5.13 **Disclosure**. No representation or warranty made by any Loan Party in any Loan Document or in any financial statement, report, certificate, or other document furnished to Lender by any Loan Party is untrue or misleading in any respect (through omission or otherwise). Each Loan Party has disclosed to Lender in writing each fact and circumstance that could reasonably be expected to have a Material Adverse Effect.

5.14 **Anti-Terrorism**. No Loan Party or any of its Affiliates or any of their respective agents is any of the following (each a "Blocked person"): (1) a person that is listed in the annex to, or is subject to, Executive Order No. 13224; (2) a person that is owned or controlled by, or acting for or on behalf of, any person, that is listed in the annex to, or is subject to, Executive Order No. 13224; (3) a person with whom Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (4) a person that commits, threatens, or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224; (5) a person that is named as a "specially designated national" on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control; or (6) a person who is affiliated or associated with any of the foregoing persons.

(b) No Loan Party or any of its agents acting or benefiting in any capacity in connection with the transactions under the Loan Documents (1) conducts any business or engages in making or receiving any funds, goods, or services to or for the benefit of any Blocked person or (2) deals in (or otherwise engages in) any transaction relating to any property or interests in property blocked under Executive Order No. 13224.

(c) Neither the extension of the Loans made pursuant to this Agreement nor the use of the proceeds thereof will violate any Anti-Terrorism Law.

5.15 **Delivery of Subordinated Debt Documents**. Lender has received complete copies of the Subordinated Debt Documents and related documents (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any) and all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof. None of such documents and agreements has been amended or supplemented, nor have any of the provisions thereof been waived, except pursuant to a written agreement or instrument which has been delivered to Lender.

5.16 **ERISA Matters**. Except as disclosed to Lender in writing prior to the date hereof, neither any Borrower nor any ERISA Affiliate (a) maintains or has maintained any Pension Plan, (b) contributes or has contributed to any Multiemployer Plan or (c) provides or has provided post-retirement medical or insurance benefits with respect to employees or former employees (other than benefits required under Section 601 of ERISA, Section 4980B of the Code or applicable state Law).

Refer to the Revolving Loan Schedule for any additional Representations and Warranties.

ARTICLE 6 AFFIRMATIVE COVENANTS

Until all Obligations are irrevocably paid and performed in full and the Loan Documents are terminated, each Borrower shall:

6.1 **Conducting Business; Maintaining Existence; and Assets**. Continuously conduct and operate its business according to good business practice, keep its existence in full force and effect, file all reports and pay all franchise and other taxes and license fees, and do all other acts and things that are necessary or desirable to maintain its rights, licenses, leases, powers, and franchises.

6.2 **Compliance with Laws**. Comply with all applicable laws, acts, rules, orders, regulations, or ordinances of any Governmental Body, except to the extent that failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.3 **Reserved**.

6.4 **Indebtedness; Payment of Obligations**. Pay, when due, all Indebtedness and its other obligations of whatever nature, including without limitation all taxes, assessments, and other governmental charges, claims for labor, supplies, rent, or other obligations (except where the amount or validity thereof is being disputed in good faith and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrowers) and not otherwise default under any Indebtedness or its other obligations.

6.5 **Deposit Accounts**. Except for the accounts listed on the Revolving Loan Schedule, maintain all deposit accounts with Lender.

6.6 **Insurance**. Maintain, at its own cost and expense, (a) insurance against all risks of physical loss of or damage to all properties and assets in which any Borrower has an interest in such amounts as Lender may require in its Discretion and maintain business interruption insurance as is customary for companies engaged in businesses similar to each Borrower, and (b) commercial general liability insurance (including blanket contractual liability coverage and products liability coverage) for personal and bodily injury and property damage in such amounts as Lender may require in its Discretion. All such insurance shall be in form (including all endorsements required by Lender), in amounts and with carriers satisfactory to Lender. All insurance policies shall name Lender, and its successors and assigns, as "Lender Loss Payee" (under all property insurance policies) and as "Additional Insured" (under all liability insurance policies) and shall require that the insurer provide at least thirty (30) days prior written notice to Lender before a cancellation of or a material change to an insurance policy. Each Borrower must furnish Lender with evidence of insurance satisfactory in form and substance to Lender. If any Borrower does not obtain, maintain, or renew any insurance required by the Loan Documents, Lender may obtain and pay for it.

Beneficial Ownership Certificate. Provide to Lender: (a) a new Beneficial Ownership Certificate when the individual(s) identified as a Beneficial Owner have changed; and (b) any other information and documentation that Lender may request from time to time related to Lender's compliance with applicable laws (including the USA PATRIOT Act and other "know your customer" and anti-money laundering rules and regulations).

6.8 **Collateral Maintenance and Warranties.** Maintain the Collateral in good operating condition and repair (reasonable wear and tear excepted), in accordance with industry standards, and must make all necessary replacements and repairs so that its value and operating efficiency are maintained and preserved.

6.9 **Environmental Matters.** Ensure that no Hazardous Substances are on any Real Property (except as permitted by applicable law or appropriate Governmental Bodies), notify Lender all claims, complaints, notices or inquiries relating to compliance with Environmental Laws, which, if adversely determined, could reasonably be expected to have a Material Adverse Effect, cure and have dismissed with prejudice any material actions and proceedings relating to its compliance with Environmental Laws.

6.10 **Notices**. Notify Lender in writing:

(a) Immediately if any of the following occur: (i) any Default or Event of Default; (ii) any event or circumstance that could reasonably be expected to cause any financial statement, projection, Borrowing Base Certificate (if applicable) or other information or report furnished to Lender to be untrue or misleading; (iii) a transfer of the ownership of any Equity Interest in any Borrower; (iv) any Borrower knows or has reason to believe that any Account Debtor disputes any Account, whether or not such dispute is deemed valid by any Borrower; (v) any litigation, suit, administrative proceeding, or other proceeding affecting any Loan Party or the Collateral (whether or not the claim is covered by insurance) in which the amount of damages claimed exceeds $10,000 (individually or in the aggregate); (vi) any matter materially affecting the Collateral or if any Account Debtor asserts any claims or setoffs against Accounts, (vii) any Loan Party or any Collateral violates or is alleged to have violated any Governmental Body's laws, statutes, regulations, or ordinances, (viii) any representation or warranty made hereunder would be materially untrue or misleading if remade; and (ix) any other development that has or could reasonably be expected to have a Material Adverse Effect.

(b) At least 15 days prior to any Loan Party opening any new place of business, closing any existing place of business, or changing its legal name, entity type, or jurisdiction of organization, incorporation, or formation.

6.11 **Field Examinations.** Borrowers shall permit Lender to at any time examine, audit, check, inspect, and make abstracts and copies of Borrower's books, records, assets and liabilities audits, correspondence, and all other materials related to the Collateral. Lender has no obligation to provide any Loan Party with the results of the examination or copies of any reports. Borrowers shall reimburse Lender for the costs to perform three (3) field examinations per year that will be performed by Lender's inspector, whether an officer of Lender or an independent party with all expenses, including all out of pocket expenses, including, but not limited to, transportation, hotel, parking, and meals paid by Borrowers.

6.12 **Financial Statements**.

(a) Furnish Lender within 120 days after the end of each of the Borrowers' fiscal years, the Borrowers' reviewed financial statements on a consolidated and consolidating basis (including statements of income, stockholders' equity, and cash flow from the beginning of the current fiscal year to the end of the current fiscal year) and the balance sheet as at the end of the fiscal year, all reported on without qualification by an independent certified public accounting firm selected by the Borrowers; and

(b) Furnish Lender within 30 days after the end of each month, the Borrowers' unaudited balance sheet on a consolidated and consolidating basis and the Borrowers' unaudited statements of income, stockholders' equity, and cash flow on a consolidated and consolidating basis, certified by a Responsible Representative of Borrower, reflecting the results of operations from the beginning of the month to the end of the month (and for the month), setting forth in each case in comparative form the figures from the projected annual operating budget delivered under Section 6.13(a) for the current fiscal year.

6.13 **Certificates; Reports; Other Financial Information**. Furnish to Lender, in form and substance satisfactory to Lender in its discretion:Furnish Lender no later than thirty (30) days prior to the end of each fiscal year of the Borrowers (beginning with the first fiscal year after the Closing Date) the Borrowers' month-by-month projected operating budget and cash flows on a consolidated and consolidating basis for the following fiscal year (including for each month an income statement, a cash flow statement, and a balance sheet and Availability projection);

(b) (i) no later than 15 days after the end of each month, a detailed accounts receivable aging report including all invoices aged by invoice date (reconciled to the general ledger and the Borrowing Base Certificate, if applicable), (ii) no later than 15 days after the end of each month, a detailed accounts payable aging report including all accounts payable aged by invoice date (reconciled to the general ledger), (c) no later than 15 days after the end of each month, an Inventory certification report listing Inventory by category and location as of month end, and (d) upon request, a payroll and tax payment report;

(c) Prior to any request for an Advance, upon request by Lender, and at such intervals as Lender may require in its Discretion: (i) assignment schedules; (ii) copies of Account Debtor invoices; (iii) evidence of shipment and delivery of Goods; and (iv) such further schedules, documents, certificates, reports and information as Lender may require(including, without limitation, trial balances, test verifications, credit memos, sales and cash receipt journals, purchase orders, evidence of delivery, proof of shipment, and timesheets), in each case satisfactory to Lender in its Discretion and certified as true and correct in all material respects by a Responsible Representative of Borrowers. Lender may contact any Persons who hold or are obligated on any part of the Collateral, such as Account Debtors, to notify them of Lender's Lien and to confirm and verify Accounts by any manner and through any medium it chooses;

(d) [Reserved].

(e) [Reserved].

(f) If requested, current annual tax returns of each Loan Party prior to April 15 of each calendar year or, if an extension is filed, at the earlier of (a) filing, or (b) the extension deadline;

(g) If requested, weekly payroll summaries and evidence of tax payments of Borrowers together with copies of bank statements from which the funds are impounded;

(h) If requested, detailed customer lists of each Borrower showing the customer's name, address, e-mail address, phone number and any other information Lender reasonably requests; and

(i) promptly upon request, such other financial information as Lender may from time to time request in its Discretion.

6.14 **Supplemental Instruments; Further Assurances**. From time to time at Borrower's expense, execute and deliver, or cause to be executed and delivered, to Lender all other documents and take or cause to be taken such further actions are required by law or that that Lender may request in its Discretion to carry out the terms and conditions of the Loan Documents and to ensure the perfection and priority of Lender's Liens (including cooperating with Lender in obtaining control of any Collateral in the possession of third Persons).

Refer to the Revolving Loan Schedule for any additional Affirmative Covenants.

ARTICLE 7 NEGATIVE COVENANTS

Until all Obligations are irrevocably paid and performed in full and the Loan Documents are terminated, no Borrower may:

7.1 **Mergers; Consolidations; Asset Sales**.

(a) Merge, consolidate, divide, or otherwise reorganize with or into any Person or acquire all or a material portion of any Person's assets or Equity Interests.

(b) Sell, pledge, lease, transfer, or otherwise dispose of any of its properties or assets (except Inventory sold in the ordinary course of Borrowers' business).

7.2 **Liens**. Create, assign, transfer, or allow to exist any Lien on any of its property, except for Permitted Liens.

7.3 **Investments**. Purchase or acquire assets, obligations or Equity Interests of, or any other interest in, any Person in excess of $100,000 in the aggregate of all such investments made during the term of this Agreement, without the prior written consent of Lender.

7.4 **Loans**. Make advances, loans, or credit extensions to any Person, (including any Affiliate, Subsidiary, officer, shareholder, member, partner, director, or employee), except for commercial trade credit in connection with Inventory sales in the ordinary course of its business and consistent with practices that existed on the Closing Date and that have been disclosed to Lender in writing.

7.5 **Distributions and Management Fees**.

(a) Declare or pay any dividend or make any other distribution with regard to its Equity Interests or redeem, purchase, or otherwise acquire directly or indirectly any of its Equity Interests, provided that if a Borrower is taxed as an S Corporation or other "pass-through" entity, such Borrower may, so long as no Default or Event of Default exists or would result therefrom, distribute profits to its equity holders in the maximum amount necessary to enable such holders to pay personal, state and federal taxes directly attributable to the profits earned by such Borrower for such year.

(b) Enter into or issue, as applicable, any subscriptions, options, warrants, calls, rights, or other agreements or commitments of any kind relating to any Equity Interests of any Borrower.

(c) Pay any management, advisory, consulting, or other similar fees to any Person, other than management fees payable to Cemtrex, Inc. pursuant a certain management agreement, in an aggregate amount not to exceed $20,000 per month or $240,000 per year.

7.6 **Indebtedness**. Create, incur, assume, or allow to exist any Indebtedness, loan or guaranty or assume any obligation or liability, whether as borrower, guarantor, surety, indemnitor or otherwise except:

(a) Indebtedness existing on the Closing Date;

(b) Indebtedness to Lender;

(c) unsecured Indebtedness in an aggregate principal amount not to exceed $20,000; and

(d) The Subordinated Debt provided that it is at all times subject to a Subordination Agreement.

7.7 **Business**. Change in any material respect the nature of the business that it engaged in on the Closing Date.

7.8 **Affiliate Transactions**. Directly or indirectly, purchase, acquire, or lease any property from, or sell, transfer, or lease any property to, or otherwise deal with, any Affiliate, except transactions on an arm's length basis and on terms no less favorable than terms that could be obtained from a Person who is not an Affiliate.

7.9 **Subsidiaries; Partnerships**. Form any Subsidiary, or enter into any partnership, joint venture, or similar agreement with any third party without the prior written consent of Lender.

7.10 **Fiscal Year and Accounting Changes**. Change its fiscal year-end from December 31 or make any material change (1) in accounting treatment and reporting practices (except as required by GAAP) or (2) in tax reporting treatment (except as required or permitted by law).

7.11 **Amending Charter Documents**. Amend, modify, or waive any term or provision of its charter, certificate, or articles of incorporation or organization, by-laws, partnership agreement, operating agreement, and other similar organizational or governing documents, without obtaining prior written permission from Lender, which will not be unreasonably withheld.

7.12 **Anti-Terrorism Laws**. At any time: (1) Directly or through its Affiliates or agents, conduct any business or engage in any transaction or deal with any Blocked Person, including making or receiving any funds, goods, or services to or for the benefit of any Blocked Person; (2) directly or through its Affiliates or agents, deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked under Executive Order No. 13224; (3) directly or through its Affiliates or agents, engage in or conspire to engage in any transaction that evades or avoids (or whose purpose is to evade or avoid), or attempts to violate, any of the prohibitions in Executive Order No. 13224, the USA Patriot Act, or any other Anti-Terrorism Law; or (4) not deliver to Lender any certification or other evidence requested by Lender in its sole judgment confirming each Borrower's compliance with this Section 7.12.**Subordinated Debt; Modification of Subordinated Debt Documents**. Except as expressly allowed by the Subordination Agreements, at any time, directly or indirectly, pay, prepay, repurchase, redeem, retire or otherwise acquire, or make any payment on account of any Subordinated Debt. Amend, modify, or waive any term or provision of any Subordinated Debt Document.

7.14 **Amending Leases**. Amend, modify, or waive any term or provision of any lease of real property (except amendments, modifications, and waivers consented to in writing by Lender in its Discretion).

7.15 **ERISA**. Except as disclosed to Lender in writing prior to the date hereof, neither any Borrower nor any ERISA Affiliate will (a) adopt, create, assume or become a party to any Pension Plan, (b) incur any obligation to contribute to any Multiemployer Plan, (c) incur any obligation to provide post-retirement medical or insurance benefits with respect to employees or former employees (other than benefits required by law) or (d) amend any Plan in a manner that would materially increase its funding obligations.

7.16 **Redirection of Funds**. Notify any Account Debtor to make payment to any account other than the Lockbox Account or request an Account Debtor to withhold or stop any payment otherwise directed by Lender.

ARTICLE 8 CONDITIONS PRECEDENT AND POST-CLOSING DELIVERABLES

Refer to the Revolving Loan Schedule for any Conditions Precedent and Post-Closing Deliverables.

ARTICLE 9 EVENTS OF DEFAULT

Any of the following events is an "Event of Default":

9.1 **Payment**. Any Loan Party does not pay any Obligation when due (whether at maturity, by demand, by acceleration, or otherwise).

9.2 **Misrepresentation**. Any representation or warranty made or treated as having been made by any Loan Party in any Loan Document, any related agreement, or in any certificate, document, or financial or other statement furnished to Lender is misleading in any respect on the date when made or treated as having been made.

Covenant Breaches. Any Borrower does not perform, keep, or observe any term, provision, condition, or covenant in any Loan Document or in any other agreement with Lender.

9.4 **Judgments**. Any judgment or judgments are rendered or judgment liens are filed against any Borrower (or any of its property) for an aggregate amount exceeding $20,000 that, within 15 days, are not to Lender's satisfaction satisfied, stayed, discharged of record, or bonded.

9.5 **Insolvency**. Any Borrower: (1) is not Solvent (2) makes a general assignment for the benefit of creditors or to a liquidation agent; (3) files on its behalf or consents to an Insolvency Proceeding; (4) has an Insolvency Proceeding filed or instituted against it that is not dismissed within 30 days after it is filed or instituted; (5) applies to a court for the appointment of a receiver, trustee, or custodian for any of its assets; (6) has a receiver, trustee, or custodian appointed for any of its assets (with or without its consent); or (7) commences a self-liquidation of its assets.

9.6 **Material Adverse Effect**. A Material Adverse Effect occurs.

9.7 **Lender's Lien Priority**. For any reason any Lien created under any Loan Document is not or no longer remains a valid, perfected, first-priority Lien (other than purchase-money Liens on Equipment that are expressly allowed under this Agreement).

Default Under Indebtedness. With respect to any Indebtedness with a balance of $50,000 or more (1) a default exists under that Indebtedness that allows the holder of the Indebtedness to accelerate the Indebtedness (whether or not that right has been waived or deferred), or (2) any other default exists under any agreement of any kind now or hereafter existing between any Loan Party and Lender, or any of Lender's Affiliates.

9.9 **Change of Control**. Borrower effects an acquisition, change in control, sale, merger, reorganization or other event (whether in one or more transactions) that results in the holders of more than 25% of the Equity Interests of such Person immediately before such event no longer being the holders of more than 25% of the Equity Interests of such Person or its successor immediately after such event.

9.10 **Invalidity**. Any provision of any Loan Document is not, at any time and for any reason, valid and binding on each Loan Party, or any Loan Party claims in writing that any provision of any Loan Document is not, for any reason, valid and binding on any Loan Party.

Destruction of Collateral. Any portion of the Collateral is seized or taken by a Governmental Body, or any Loan Party (or any Loan Party's title or rights), are subject to litigation that might, as determined by Lender in its discretion, result in material impairment or loss of the security provided by any Loan Document, or a casualty occurs as to any material asset used in the conduct of any Loan Party's business.

9.12 **Guarantor Repudiation**. (1) Any Guaranty is not in full force and effect; (2) any action is taken to discontinue or to assert that any Guaranty is not in full force and effect; (3) any Guarantor does not comply with any of the terms or provisions of its Guaranty or any other default occurs under any Guaranty; or (4) any Guarantor denies or gives Lender notice that it purports to have no further liability under any Guaranty.

9.13 **Indictment; Forfeiture**. The indictment of, or institution of any legal process or proceeding against any Loan Party, or any of its or their officers or directors, where the relief, penalties, or remedies sought or available are a felony or include the forfeiture of more than $20,000 of property of any Loan Party or the imposition of any stay or other order, the effect of which could cause a Material Adverse Effect on the business of any Loan Party.

9.14 **Post-Closing Deliverables**. Borrowers shall fail to timely deliver to Lender any of the Post-Closing Deliverables within the respective time period set forth herein.

9.15 **Subordinated Debt Default**. An event of default occurs under any Subordinated Debt Document or if any party to a Subordination Agreement attempts to terminate or challenge the validity of that Subordination Agreement.

The demand nature of the Obligations is not modified by reference to a Default or Event of Default in this Agreement or the other Loan Documents and any reference to a Default is for the purpose of permitting Lender to exercise its default remedies, including without limitation, charging interest at the Default Rate (as defined and provided in the Revolving Loan Note).

ARTICLE 10 LENDER'S RIGHTS AND REMEDIES AFTER AN EVENT OF DEFAULT

10.1 **Rights and Remedies**. When an Event of Default occurs under Section 9.5, all Obligations are immediately due and payable. Without limiting the demand nature of the Obligations (including the Prepayment Fee), when any Event of Default exists, Lender has all rights and remedies provided under the Loan Documents, by law, or in equity and under all other existing and future agreements between Lender and any Loan Party. All rights and remedies are cumulative. Without limiting the preceding, when an Event of Default exists, Lender may, at its election, without notice and without demand, do any one or more of the following (all of which are authorized by the Borrowers):

(a) Charge the Default Rate.

(b) Declare all Obligations immediately due and payable.

(c) Stop making Loans or Advances.

(d) Terminate Lender's future obligations to any Borrower (which does not affect Lender's rights, its Liens on the Collateral, or the Obligations).

(e) Settle or adjust disputes and claims directly with Account Debtors on terms that Lender determines in its discretion.

(f) Direct the Borrowers to hold and segregate all returned Inventory in trust for Lender.

(g) Request Borrowers to assemble the Collateral, deliver the Collateral to any location specified by Lender, or allow Lender or its agents to pick up the Collateral.

(h) Without retaining any Collateral in satisfaction of an obligation (within the meaning of Section 9-620 of the UCC), Lender may hold or set off and apply to the Obligations any: (1) balances and deposits of any one or more of the Borrowers held by Lender (including any amounts received in the lockbox); (2) Indebtedness at any time owing to or for the credit or the account of any Borrower held by Lender; and (3) all of each Borrower's balances and deposits of any Borrower held or controlled by Lender (including any amounts received in the lockbox).

(i) Sell the Collateral at either a public or private sale in such manner and at such places as Lender determines is commercially reasonable. Lender, may but is not obligated to, credit bid and purchase all or any portion of the Collateral at any sale. The Borrowers' rights under all licenses and all franchise agreements may be used by Lender without cost.

(j) Appoint a receiver for all or any part of the Collateral (whether the receivership is incidental to a proposed sale of the Collateral under the UCC or otherwise). Each Borrower consents to the appointment of a receiver without notice or bond, to the fullest extent not prohibited by applicable law, and waives all notices of and defenses to the appointment of a receiver and may not oppose any application Lender makes for the appointment of a receiver.

10.2 **No Waiver**. No delay on Lender's part in exercising any right, power, or privilege under this Agreement or any Loan Document is a waiver, nor does any single or partial exercise of any right, power, or privilege under this Agreement or otherwise preclude the exercise of any other right, power, or privilege.

ARTICLE 11 WAIVERS AND JUDICIAL PROCEEDINGS

11.1 **Notice Waiver**. To the fullest extent not prohibited by law, each Borrower waives all notices and demands that it would otherwise be entitled to receive (including non-payment of any of the Accounts, demand, presentment, protest, notice of acceptance, notice of Loans or Advances made, credit extended, or Collateral received or delivered).

11.2 **Delay**. Any delay or omission by Lender in exercising any right, remedy, or option does not waive that right (or any other right, remedy, option, or default).

11.3 **Jury Waiver**. EACH PARTY TO THIS AGREEMENT EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (1) ARISING UNDER ANY LOAN DOCUMENT, OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION WITH ANY LOAN DOCUMENT, OR (2) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT, ANY LOAN DOCUMENT, OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION WITH ANY OF THE PRECEDING, OR THE TRANSACTIONS RELATED TO ANY OF THE PRECEDING.

ARTICLE 12 MISCELLANEOUS

12.1 **Governing Law; Jurisdiction**. This Agreement and the other Loan Documents will be interpreted and determined under the laws of the State of Michigan without any regard to any conflict of laws provisions. EACH BORROWER AGREES THAT ANY ACTION TO ENFORCE SUCH BORROWER'S OR ANY OTHER LOAN PARTY'S OBLIGATIONS TO LENDER SHALL BE PROSECUTED EITHER IN THE CIRCUIT COURT OF OAKLAND COUNTY MICHIGAN OR THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN (UNLESS LENDER ELECTS SOME OTHER JURISDICTION), AND EACH BORROWER SUBMITS TO THE JURISDICTION OF ANY SUCH COURT SELECTED BY LENDER. EACH BORROWER WAIVES ANY AND ALL RIGHTS TO CONTEST THE JURISDICTION AND VENUE OF ANY ACTION BROUGHT IN THIS MATTER AND BORROWERS AND OTHER LOAN PARTIES MAY BRING ANY ACTION AGAINST LENDER ONLY IN THE CIRCUIT COURT FOR THE COUNTY OF OAKLAND OR THE FEDERAL COURT OR THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN.

12.2 **Entire Understanding and Amendments**. This Agreement and the other Loan Documents, including all exhibits, schedules, annexes and similar attachments hereto (all of which are incorporated herein by reference), are the entire agreement among the parties related to the subject matter of the Loan Documents. The Loan Documents supersede all prior agreements, commitments, and understandings among the parties related to the subject matter of the Loan Documents. No part of the Loan Documents may be changed, modified, amended, waived, supplemented, discharged, cancelled, or terminated other than by an agreement in writing signed by Lender and the Borrowers.

12.3 **Transfers and Assignments**. The Borrowers may not assign or otherwise transfer any of their rights or Obligations without Lender's prior written consent. Lender may at any time sell or grant a lien on all or any portion of its interest in the Loan Documents and the Obligations through sales, participations, or otherwise.

12.4 **Maximum Charges**. If interest, fees, and other charges under the Loan Documents would exceed the highest rate allowed under law, the excess amount will instead be first applied to any unpaid principal balance owed by Borrowers and then Lender will refund the remaining balance to Borrowers. In addition, the Loan Documents will be automatically amended to provide for the highest allowed rate.

12.5 **Payment Application**. Lender has the continuing and exclusive right to apply or reverse and re-apply any payment and any and all proceeds of Collateral to any portion of the Obligations in such order as Lender determines in its discretion. If any Borrower makes a payment or Lender receives any payment or proceeds of the Collateral for any Borrower's benefit that are later invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid to a trustee, debtor-in-possession, receiver, custodian, or any other Person then, to that extent, the Obligations or part of the Obligations intended to be satisfied is revived and continue as if the payment or proceeds had not been received by Lender.

12.6 **Indemnity**. Each Borrower indemnifies Lender (and each of its purchasers, assigns and holders of participation interests) and each of its officers, directors, attorneys, representatives, Affiliates, employees, advisors, and agents from and against any and all claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, Expenses, and disbursements of any kind or nature whatsoever (including attorneys' fees, costs and disbursements of counsel) that may be imposed on, incurred by, or asserted against Lender in any litigation, proceeding, or investigation with respect to any aspect of, or any transaction contemplated by, or referred to in, or any matter related to, the Loan Documents, whether or not Lender is a party to the Loan Documents, excluding those matters caused solely by Lender's gross negligence or willful misconduct. The Borrowers' obligation to pay the Expenses and all of the reimbursement and indemnification obligations provided for in the Loan Documents are part of the Obligations, are secured by all of the Collateral, and survive the repayment of the Obligations.

12.7 **Termination.** The termination of this Agreement does not affect any Borrower's Obligations arising before the effective termination date, and the Loan Documents remain in full force and effect until all Obligations are irrevocably paid and performed in full. The Liens and rights granted to Lender continue in full force and effect notwithstanding the termination of this Agreement or that the Loan Account may from time to time be in a zero or credit position, until all of the Obligations of each Loan Party have been paid or performed in full. All indemnification obligations in the Loan Documents survive the termination of the Loan Documents and payment and performance of the Obligations in full. In addition, certain provisions of the Loan Documents remain in effect even after all Obligations are irrevocably paid and performed in full. In recognition of among other things, Borrowers' indemnification obligations and Lender's right to have its attorneys' fees and other expenses incurred in connection with this Agreement secured by the Collateral, notwithstanding payment in full of all Obligations by Borrower, Lender shall not be required to record any terminations or satisfactions of any of its liens on the Collateral unless and until Borrowers and all other Loan Parties have executed and delivered to Lender a general release in a form acceptable to Lender in its discretion. Each Borrower understands that this provision constitutes a waiver of rights it may have under §9-513 of the UCC.

12.8 **Notice**. Any notice or request may be given to Borrowers or to Lender at their addresses stated on the signature page hereto (or at such other address as may be specified in writing). Any notice, request, demand, direction, or other communication (for purposes of this Section only, a "Notice") to be given to or made on any party under any provision of the Loan Documents must be given or made in writing (which includes by means of electronic transmission (i.e., "email") or facsimile transmission). Any Notice given to Borrower is treated as having been given to each other Loan Party. Any Notice is effective by either party if sent in writing or facsimile transmission with confirmation of receipt or by certified mail or personal delivery or expedited mail services to the addresses forth their respective signature block below.

12.9 **Joint and Several Obligations**. If more than one person or entity is named as Borrower in this Agreement, all Obligations, representations, warranties, covenants and indemnities of Borrower set forth herein and in the other Loan Documents shall be the joint and several obligations of such Persons. Each Borrower hereby appoints each other Borrower as its true and lawful attorney-in-fact, with full right and power, for purposes of exercising all rights of such person under this Agreement and applicable law with regard to the transactions contemplated under this Agreement. The foregoing is a material inducement to the agreement of Lender to enter into this Agreement and to consummate the transactions contemplated under this Agreement. Each Borrower represents that (i) it will receive a direct economic and financial benefit from the obligations incurred under this Agreement, (ii) all Borrowers are directly dependent upon each other for, and in connection with, their respective business activities and financial resources, and (iii) the incurrence of the obligations under this Agreement is in the best interest of such Borrower.

12.10 **Cross-Guaranty**.

(a) Notwithstanding that Borrowers are jointly and severally liable for all Obligations, if for any reason the Borrowers are found in a final, non-appealable order not to be jointly and severally liable for all Obligations, then provisions of this Section 12.10 apply and Borrower absolutely and unconditionally guarantees to Lender, the full and prompt payment (whether at stated maturity, by acceleration, or otherwise) and performance of all Obligations. Borrower's guaranty obligation is in addition to all other guaranty obligations and is a payment and performance guaranty (and not a collection guaranty), and its obligations under this Section 12.10 are absolute and unconditional, irrespective of, and not affected by (i) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, any other Loan Document or any other document to which the other Loan Parties are or may become a party; (ii) Lender not enforcing the Loan Documents; (iii) the existence, value, release, or condition of any Collateral, or Lender releasing any Person liable for the Obligations; or (iv) any other action or circumstances that could be a legal or equitable defense of a surety or guarantor.

(b) Lender does not have to proceed against any other Person (including any other Loan Party) or any Collateral before requiring payment by any one or more of the Loan Parties.

(c) Borrower waives and agrees that it may not at any time insist on, plead, or claim, or take the benefit or advantage of any laws, claims, or doctrines related to appraisal, valuation, stay, extension, marshaling, redemption, or exemption. Borrower waives with respect to any of the Obligations: (1) all defenses with respect to diligence, presentment, demand, maturity, extension of time, change in nature or form of the Obligations, acceptance, release of security, composition, or agreement arrived at as to the amount of, or the terms of, the Obligations; (2) notice of adverse change in the other Loan Parties' financial condition; and (3) any other fact that might increase the risk to that Loan Party. Borrower also waives the benefit of all provisions of law that are or might be in conflict with the terms of this Section 12.10. Borrower represents, warrants, and agrees that its obligations under this Section 12.10 are not and will not be subject to any setoffs, defenses, or counterclaims. Borrower's obligations under this Section 12.10 remain in full force and effect until the Obligations have been irrevocably paid and performed in full and the Loan Documents have been terminated (other than contingent obligations with respect to which no claim has been asserted or threatened). Borrower is in the same position as a principal debtor with respect to the Obligations and expressly waives all rights it has and may have to require that Lender proceed against any other Loan Party or any Collateral before proceeding against, or as a condition to proceeding against, that Loan Party. The parties acknowledge that, but for the provisions of this Section 12.10 (including the waivers), Lender would not enter into the Loan Documents.

(d) Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, until the Obligations are irrevocably paid and performed in full (other than contingent obligations with respect to which no claim has been asserted or threatened), Borrower (i) irrevocably subordinates and defers all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification, setoff, or any other rights that a surety could have against a principal, a guarantor, a maker, a co-maker, an obligor, an accommodation party, a holder, a transferee, and that a Loan Party may have against any Person (including another Loan Party) in connection with or as a result of a Loan Party performing its obligations under the Loan Documents or any other agreements; (ii) irrevocably subordinates and defers any "claim" (as defined in the Bankruptcy Code) against any Person (including the other Loan Parties and any surety for any of the Obligations), either directly or as an attempted set off to any action instituted by Lender against any Person (including the other Loan Parties); and (iii) acknowledges and agrees (x) that this subordination and deferral is intended to benefit Lender and does not limit or otherwise affect that Loan Party's liability or the enforceability of this Section 12.10 and (y) that Lender and its respective successors and assigns are intended third-party beneficiaries of the waivers and agreements set forth in this Section 12.10.

12.11 **Successors and Assigns**. This Agreement inures to the benefit of, and is binding on, the respective successors and permitted assigns of each Loan Party, Lender, and their respective successors and assigns.

12.12 **Waivers**. Each Borrower waives (1) all rights with respect to subrogation, reimbursement, indemnity, exoneration, contribution, or any other claim that has or could have against the other Loan Parties or other Person directly or contingently liable for the Obligations, or against or with respect to the other Person's (including any Loan Party's) property (including, any property that is Collateral for the Obligations), arising in connection with the Loan Documents, until the Loan Documents are terminated and the Obligations are irrevocably paid and performed in full (other than contingent obligations with respect to which no claim has been asserted or threatened) and (2) any defense it may otherwise have to paying and performing the Obligations based on any contention that its liability under the Loan Documents is limited and not joint and several. The preceding waivers and all other waivers in the Loan Documents are a material inducement to Lender's agreement to enter into the Loan Documents and to make Advances and other Loans.

12.13 **Severability**. If any part of the Loan Documents is found for any reason to be unenforceable, all other parts nevertheless remain enforceable.

12.14 **Injunctive Relief**. If any Loan Party does not perform, observe, or discharge its obligations or liabilities under the Loan Documents (or threatens to fail or refuse to perform, observe, or discharge its obligations or liabilities) any remedy at law may prove to be inadequate relief to Lender. Therefore, Lender is entitled to temporary and permanent injunctive relief in any such case without the necessity of proving that actual damages are not an adequate remedy.

12.15 **Consequential Damages**. Under no circumstances is Lender, its Affiliates, its agents, or its attorneys liable to any Borrower for any special, incidental, consequential, or punitive damages (including those arising from any breach of contract, tort, or other wrong relating to the Obligations, the Loan Documents, the Collateral, any banking product, or any agreement between Lender and any one or more of the Borrowers).

12.16 **Counterparts; Signature Transmission**. The Loan Documents may be executed in any number of counterparts with the same effect as if all signatories had signed the same document. All counterparts must be construed together to constitute one instrument. Any signature delivered by facsimile or email transmission is treated as an original signature.

12.17 **Construction**. Each party and its counsel have reviewed this Agreement. Accordingly, the normal rule of construction that any ambiguities are resolved against the drafting party does not apply in interpreting this Agreement or any other Loan Document, or any amendment, schedules, or exhibits to this Agreement and the other Loan Documents.

12.18 **Confidentiality and Sharing Information**. Lender will hold all non-public confidential information obtained by them from the Loan Parties in accordance with their customary procedures for handling confidential information, but they may disclose, without notice to any Loan Parties, confidential information: (1) to their examiners, Affiliates, agents, employees, outside auditors, counsel, and other professional advisors; (2) to potential assignees of or participants in Lender's interest in the Loans; (3) to any party that executes a non-disclosure agreement with Lender; (4) as required or requested by any Governmental Body (or its representatives); (5) under legal process; or (6) as otherwise required by law, regulation, or court order.

12.19 **Publicity**. Each Borrower authorizes Lender to publicly announce the financial arrangements entered into among the Borrowers and Lender (including announcements that are commonly known as tombstones) in any form and media Lender determines.

12.20 **Conflict**. If there is any conflict, inconsistency, or discrepancy between the provisions of this Agreement and the provisions of the other Loan Documents, the provisions giving Lender greater rights or remedies (as determined by Lender) govern to the maximum extent not prohibited by applicable law (it being understood that the purpose of this Agreement and any Loan Document is to add to, and not to limit, detract, or derogate from, diminish, or otherwise impair or reduce the rights granted to Lender in this Agreement or the Loan Documents).

12.21 **USA Patriot Act**. Lender, pursuant to the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies each Loan Party that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow Lender to identify each Loan Party in accordance with the Act, and each Borrower agrees to provide, or cause the other Loan Parties to provide, such information from time to time to Lender.

12.22 **No Liability**. Nothing in this Agreement makes Lender any Borrower's agent for any purpose, and Lender does not assume any of any Borrower's obligations under any contract or agreement assigned to Lender. Lender is not responsible or liable for any reason for any shortage, discrepancy, damage, loss, warranty claim or destruction of any Collateral.

12.23 **Power of Attorney**. Each Borrower irrevocably appoints Lender, or any person(s) designated by Lender as its attorney-in-fact, which appointment is coupled with an interest and shall remain in full force and effect until all Obligations of Borrowers to Lender have been fully satisfied and discharged, with full power, at Borrowers' sole expense, to exercise at any time in Lender's discretion all or any of the following powers: (a) receive, take, endorse, assign, deliver, accept, and deposit, in the name of Lender or Borrowers (or any of them), any and all cash, checks, commercial paper, drafts, remittances, and other instruments and documents relating to the Collateral or the proceeds thereof; (b) change a Borrower's address and place Legends on all invoices and statements relating to an Account mailed or to be mailed to such Borrower's customers and to substitute thereon the address designated by Lender, and to receive and open all mail addressed to such Borrower (including under Borrower's Tradenames), at Lender's address, or any other designated address; (c) upon and after the occurrence of an Event of Default, to change the address for delivery of a Borrower's mail to Lender's or an address designated by Lender, and to sign any forms on behalf of such Borrower to affect this change; (d) upon and after the occurrence of an Event of Default, take or bring, in the name of Lender or any Borrower, all steps, actions, suits or proceedings deemed by Lender necessary or desirable to effect collection of or other realization upon any Collateral; (e) execute on behalf of any Borrower any notices or other documents necessary or desirable to carry out the purpose and intent of this Agreement, and to do any and all things reasonably necessary and proper to carry out the purpose and intent of this Agreement; (f) transfer any lockboxes belonging to any Borrower to Lender; (g) initiate ACH transfers from any Borrower's depository accounts; (h) endorse and take any action with respect to bills of lading covering any inventory; (i) upon and after the occurrence of an Event of Default, or at any time if any Borrower fails to do so within a reasonable time, execute, file and serve, in its own name or in the name of such Borrower, mechanics lien or similar notices, or claims under any payment or performance bond for the benefit of such Borrower; (j) upon and after the occurrence of an Event of Default, or at any time if any Borrower fails to do so within a reasonable time, pay any sums necessary to discharge any lien or encumbrance on the Collateral (including taxes and assessments), which sums shall be included as Obligations hereunder, and which sums may, at Lender's discretion, accrue interest at the Default Rate until paid in full; and (k) negotiate any and all claims under all insurance policies relating to Collateral and the interruption of Borrower's business and Lender also has the power to negotiate any payments on the insurance policies.

12.24 **Electronic Signatures**. Each party agrees that an Electronic Signature of such party affixed to this Agreement, any of the other Loan Documents, and to any amendment, supplement or other modification to such Loan Documents, or any other document or instrument delivered by such party in connection with the Loan Documents or any of the transactions contemplated thereby is intended to authenticate such writing and shall have the same force and effect as if it had been manually signed and physically delivered by such party. Upon request, each Borrower agrees to provide a manually executed counterpart of any Loan Document or other applicable document related to the Loan Documents previously executed by Electronic Signature.

Refer to the Revolving Loan Schedule for any additional Miscellaneous provisions.

[Remainder of Page Intentionally Left Blank – Signature Pages Follow]

Borrower and Lender entered into this Agreement on the Closing Date.

BORROWER:

VICON INDUSTRIES, INC.,
a New York corporation

By: *_/s/ Saagar Govil_*
Name: Saagar Govil
Its: CEO

Address for notices:
135 Fell Court
Hauppauge New York, 11788
Phone: 631-952-2288
Email: sgovil@vicon-security.com

SIGNATURE PAGE TO CREDIT AND SECURITY AGREEMENT

35

LENDER:

PATHWARD, NATIONAL ASSOCIATION

By: */s/ Jonathan Daniels*

Name: Jonathan Daniels

Its: VP

Address for Notice:
Pathward, National Association 5480 Corporate Drive, Ste 350
Troy, Michigan 48098 Attention: Legal Department Tel: (248) 641-5100
Email: legalnotice@pathward.com

SIGNATURE PAGE TO CREDIT AND SECURITY AGREEMENT

ANNEX 1 DEFINITIONS

The terms below have the following meanings:

"Account Debtor" means any person who is obligated on any Account of a Borrower.

"Act" is defined in Section 12.21.

"Advance" means an advance of the Revolving Loan.

"Advance Formula" has the meaning set forth in the Revolving Loan Schedule.

"Affiliate" means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, (x) to vote 10% or more of the Equity Interests of such Person, or (y) to direct or cause the direction of the management or policies of such Person.

"Anti-Terrorism Laws" means all laws and sanctions relating to terrorism or money laundering (including Executive Order No. 13224, the USA Patriot Act (Public Law 107-56), the Bank Secrecy Act (Public Law 91-508), the Trading with the Enemy Act (50 U.S.C. Section 1 et seq.), the International Emergency Economic Powers Act (50 U.S.C. Section 1701 et seq.), and the related sanction regulations promulgated by the Office of Foreign Assets Control, as well as laws relating to prevention and detection of money laundering in 18 U.S.C. Sections 1956 and 1957).

"Availability" means, as of any date of determination, the amount that Borrowers are entitled to borrow as Revolving Loans under Section 2.1 of this Agreement.

"Bankruptcy Code" means Title 11 of the United States Code or any similar federal or state debtor relief laws.

"Beneficial Owner" means, with respect to each Loan Party: (1) each individual, if any, that, directly or indirectly, owns 25% or more of that Loan Party's Equity Interests; and (2) a single individual with significant responsibility to control, manage, or direct that Loan Party.

"Beneficial Ownership Certificate" means a certificate, for each Loan Party, acceptable to Lender in its Discretion, certifying, among other things, the Beneficial Owner of each Loan Party.

"Business Day" means any day other than Saturday, Sunday, a legal holiday on which commercial banks are authorized or required by law to be closed in Michigan, or any other day Lender is closed for transacting business.

"Code" means the Internal Revenue Code of 1986.

"Collateral" is defined in Section 4.1. "Collateral" also includes all property of any Person that at any time secures any of the Obligations.

"Covenant Compliance Certificate" means a management-prepared certificate of Borrowers signed by a Responsible Representative of Borrowers appropriately completed and in the form provided by Lender to Borrowers.

"Debt Service Coverage Ratio" shall mean as of the date of determination, the ratio determined by a fraction, the numerator of which is the sum of Borrowers' net income, plus, without duplication and to the extent deducted in determining such net income, (i) interest expense, (ii) income tax expense, and (iii) depreciation and amortization expense, and the denominator of which is the sum of principal and interest expense for all debt obligations.

"Debtor" is defined in Section 4.6(a).

"Default" means any event or circumstance that, with notice, the passage of time, or both, would be an Event of Default.

"Discretion" means a determination made in good faith in the exercise of Lender's business judgment (from the perspective of a secured, asset-based lender). The burden of establishing that Lender did not act in its Discretion is on Borrowers.

"Electronic Signature" means any electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a party with the intent to sign such record.

"Eligible Accounts" means, at any time, Accounts owned by a Borrower that Lender determines in its discretion are Eligible Accounts. Without limiting Lender's discretion, Eligible Accounts does not include any Account:

(a) That is not subject to a first-priority perfected Lien in Lender's favor;

(b) That is subject to any Lien (other than a Permitted Lien that does not have priority over Lender's Lien);

(c) That is owed by an Account Debtor that is an Affiliate, officer, employee, or agent of any Borrower or has common shareholders, officers, or directors with any Borrower;

(d) That is: (i) unpaid more than 90 days after the original invoice date, (ii) invoiced more than 10 days after the date of sale or service, or (iii) contains payment terms of greater than 90 days from the date of invoice;

(e) That is owing by an Account Debtor which, as of the date of determination, has failed to pay 25% or more of the aggregate amount of its Accounts owing to any Borrower within 90 days since the original invoice date corresponding to such Accounts;

(f) That is owing by an Account Debtor to the extent the aggregate amount of Accounts owing from that Account Debtor to any Borrower exceeds 25% of Borrowers' then aggregate Eligible Accounts, subject to review and change by Lender from time to time thereafter;

(g) With respect to which any covenant, representation, or warranty in any Loan Document has been breached or is not true;

(h) That: (i) does not arise from the sale of goods or performance of services in the ordinary course of business; (ii) is contingent upon a Borrower's completion of any further performance (including "pre-billed" Accounts); (iii) is a sale on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment, cash-on-delivery, any repurchase or return basis, or any other similar basis; or (iv) is a cash sale (including COD) or credit card sale;

(i) With respect to which the Account Debtor is the United States or any department, agency or instrumentality of the United States; provided, however, that an Account shall not be deemed ineligible by reason of this clause if Borrowers have completed all of the steps necessary, in the discretion of Lender, to comply with the Federal Assignment of Claims Act of 1940 (31 U.S.C. Section 3727) with respect to such Account;

(j) That is owed by an Account Debtor that is any state of the United States or any city, town, municipality, county or division thereof;

(k) With respect to which the Account Debtor is not a resident of the United States or Canada; provided, however, all Accounts originating from the Province of Quebec are ineligible (provided, however, that the eligibility of any Accounts owed by an Account Debtor that is located in the Province of Quebec shall be determined by Lender in its discretion);

(l) That is owed by an Account Debtor that has admitted in writing its inability (or is generally unable) to pay its debts as they become due, is insolvent, or is the subject of a bankruptcy, receivership or similar proceeding;

(m) That is owed in any currency other than U.S. Dollars;

(n) That is owed by an Account Debtor that is a creditor or supplier of any Borrower, or that is otherwise subject to a potential offset, counterclaim, deduction, discount, recoupment, reserve, defense, chargeback, credit, allowance or adjustment (but ineligibility is limited to the amount thereof);

(o) That represents a progress billing or retainage, or relates to services for which a performance, surety or completion bond, or similar assurance has been issued;

(p) That is evidenced by a promissory note, chattel paper, or an instrument;

(q) That does not comply in all material respects with all laws and regulations imposed by any Governmental Body;

(r) That is disputed; or

(s) That is an Account owed by an Account Debtor that is deemed unacceptable by Lender in its discretion.

In determining the amount of Eligible Accounts, Lender may reduce the face amount of Accounts by (i) all accrued and actual discounts, claims, credits, pending credits, promotional program allowances, price adjustments, finance charges, or other allowances and (ii) the aggregate amount of all cash received with respect to Accounts but not yet applied by Borrowers to reduce Accounts.

"Eligible Inventory" means, at any time, Inventory owned by a Borrower that Lender in its discretion determines is Eligible Inventory. Without limiting Lender's Discretion, Eligible Inventory does not include any Inventory:

(a) That is not subject to a first-priority perfected Lien in Lender's favor;

(b) That is subject to any Lien (other than a Permitted Lien that does not have priority over Lender's Lien);

(c) With respect to which any covenant, representation, or warranty in any Loan Document has been breached or is not true;

(d) That (i) is not finished goods; (ii) is, in Lender's discretion, slow moving, obsolete, unfit for sale, or not salable in the ordinary course of business; (iii) has been received by a Borrower on a consignment, guaranteed sale or other similar basis; (iv) has been placed with a Person on a consignment or other similar basis; or (v) is subject to any Person's claims (other than a Borrower); or

(e) That (i) is not located in the United States; (ii) is not located at a location owned or leased by a Borrower and, with respect to any leased location, the lessor has not delivered to Lender a Waiver (or Lender in its discretion has established a Reserve for that location) or is not in any third- party warehouse or in a bailee's possession and the warehouseman or bailee has not delivered to Lender a Waiver and such other documentation as Lender may require in its discretion (or Lender in its discretion has established a Reserve for that location); (iii) is being processed offsite at a third-party location or outside processor, or is in transit to or from a third party location or outside processor (unless the processor has delivered to Lender a Waiver and such other documentation as Lender may require or Lender in its discretion has established a Reserve for that Inventory); (iv) does not comply with all standards, laws, and regulations imposed by any Governmental Body; (v) does not comply with all standards imposed by any insurer; or (vi) is subject to any license or other agreement which would restrict or otherwise limit Borrowers' or Lender's ability to sell the Inventory; or

(f) That is deemed unacceptable by Lender in its discretion.

"Environmental Laws" means all federal, state, and local environmental, land use, zoning, health, and safety laws, statutes, ordinances, and codes related to protecting the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production, or disposal of Hazardous Substances.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, or other equity ownership interests in a Person (and any warrants, options, or other rights entitling the holder to purchase or acquire any equity ownership interest), but excluding any debt securities convertible into any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any Person who for purposes of Title IV of ERISA is a member of a Borrower's controlled group of corporations (as defined in 26 U.S.C. § 1563), or under common control with such Borrower, within the meaning of Section 414 of the Code.

"Event of Default" is defined in Article 9.

"Executive Order No. 13224" means the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001.

"Expenses" means all reasonable fees (including attorneys' fees), costs, expenses, charges, and out-of- pocket disbursements incurred by Lender and its counsel and court costs, in any way arising from or in connection with the Loan Documents (including due to any Loan Party not performing or complying with its obligations under any Loan Document), any Collateral (including those associated with Section 4 and Section 6 of this Agreement), any Obligations, or the business relationship between Lender and any Loan Party.

"GAAP" means the generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board and that are applicable to the circumstances as of the date of determination and applied on a consistent basis.

"Governmental Body" means any nation or government, any state or other political subdivision of a nation or government, or any entity exercising the legislative, judicial, regulatory, or administrative functions of or pertaining to a government.

"Guarantor" means, individually and collectively and jointly and severally each Person that guarantees all or any Obligations.

"Guaranty" collectively means the guaranty agreements executed and delivered by the applicable Guarantor in favor of Lender, with respect to the Obligations, in each case as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"Hazardous Substance" means any Hazardous Wastes, or Toxic Substances, or related materials as used or defined in any applicable Environmental Law.

"Hazardous Wastes" means all waste materials regulated by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.)., the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et seq.), or applicable state law, and any other applicable federal and state laws relating to hazardous waste disposal.

"Indebtedness" of any Person means, as of any date, the sum, whether off-balance sheet or otherwise, of: (1) all indebtedness or liabilities of such Person for borrowed money (including, without limitation, obligations evidenced by bonds, debentures, notes, or other similar instruments); (2) obligations for the deferred purchase price of property or services; (3) obligations under letters of credit; (4) all guaranties and other contingent obligations to purchase, to supply funds, or otherwise to assure a creditor against loss; (5) obligations under capital leases; and (6) obligations secured by any Liens, whether or not the obligations have been assumed (other than Permitted Liens).

"Insolvency Proceeding" means any proceeding under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law (including assignments for the benefit of creditors or other proceedings seeking reorganization, liquidation, arrangement, or other similar relief).

"Lender" is defined in the preamble.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien (whether statutory or otherwise), charge, claim, encumbrance or other security arrangement held or asserted with respect to any asset.

"Loan" means each Revolving Loan, and "Loans" means all Revolving Loans.

"Loan Documents" means this Agreement (including the Revolving Loan Schedule), the Note, each Guaranty, each Borrowing Base Certificate, each Covenant Compliance Certificate, the Beneficial Ownership Certificate, the Waivers, the Subordination Agreements, and any and all other agreements, instruments, documents, including pledges, mortgages and deeds of trust, powers of attorney, consents, and all other writings before, now, or later executed by any Loan Party or delivered to Lender with respect to the transactions contemplated by any of the foregoing documents, in each case as amended from time to time in accordance with the terms thereof.

“Loan Party” means each Borrower, each Guarantor, and each Person that grants Lender a Lien on any Collateral to secure any Obligation.
“Lockbox Account” means the remit-to address on all documents related to collection of the Accounts, including the lockbox address or pursuant to the wire transfer or ACH instructions set forth in Section
4.6 of the Revolving Loan Schedule.
“Material Adverse Effect” means a material adverse effect in or on: (1) any Loan Party’s financial condition, operational results, business, or prospects; (2) any Loan Party’s ability to pay or perform any Obligation in accordance with its terms; (3) the value of the Collateral or the priority of Lender’s Lien on any Collateral; or (4) the validity or enforceability of any Loan Document or Lender’s rights or remedies under any Loan Document.
“Maximum Borrowing Amount” means, at any time, an amount equal to the lesser of (1) the Maximum Revolving Loan Amount minus all Reserves that could require a cash expenditure by Lender and (2) the Advance Formula .
“Maximum Revolving Loan Amount” is defined in Section 3.2.
“Multiemployer Plan” means a multiemployer plan (as defined in Section 4001(a)(3) of ERISA) to which any Borrower or any ERISA Affiliate contributes or is obligated to contribute.
“Note” means the Revolving Note.
“Notice” is defined in Section 12.8.
“Obligations” means any and all loans, advances, debts, liabilities, obligations, covenants, indemnities, and duties (absolute, contingent, matured, or unmatured) owing by any one or more of the Loan Parties to Lender (or to any of its direct or indirect Subsidiaries or Affiliates) arising under any Loan Document or otherwise, of any kind or nature, present or future (including any interest accruing after maturity or the filing of any petition in bankruptcy, or the commencement of any Insolvency Proceeding relating to any Loan Party, whether a claim for post filing or post-petition interest is allowed in that proceeding), whether direct or indirect, absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, and any amendments, extensions, renewals, or increases and all Expenses Lender incurs in the documentation, negotiation, modification, enforcement, collection, or otherwise in connection with any of the preceding, and all obligations of any Loan Party to Lender to perform acts or refrain from taking any action.
“Parent” is defined in the defined term “Subsidiary”
“Pension Plan” means a pension plan (as defined in Section 3(2) of ERISA) maintained for employees of any Borrower or any ERISA Affiliate and covered by Title IV of ERISA.
“Permitted Liens” means (1) Liens in favor of Lender; (2) Liens for taxes, assessments, or other charges that (x) are not delinquent or (y) are being contested in good faith by appropriate proceedings that stay the enforcement of those Liens and with respect to which proper reserves have been taken by Borrowers in accordance with GAAP (but only if these Liens have no effect on the priority of Lender’s Liens or the value of the Collateral, and a stay of enforcement of the Lien is in effect); (3) mechanics’, workers’, materialmen’s, warehousemen’s, common carriers’, landlord’s or other similar Liens arising in the ordinary course of any Borrower’s business with respect to obligations that are not due or that are being contested in good faith by the applicable Borrower; and (4) Liens in favor of Cemtrex, Inc. if the liens are subject to a Subordination Agreement form and substance satisfactory to Lender in its Discretion.

“Person” means any individual, sole proprietorship, partnership, corporation, business trust, joint stock company, trust, unincorporated organization, association, limited liability company, institution, public benefit corporation, joint venture, entity, or Governmental Body.
“Plan” means an employee benefit plan (as defined in Section 3(3) of ERISA) maintained for employees of any Borrower or any ERISA Affiliate.
“Prepayment Fee” is defined in Section 3.1 D of the Revolving Loan Schedule.
“Real Property” means Borrowers’ owned and leased real property.
“Reportable Event” means a reportable event (as defined in Section 4043 of ERISA), other than an event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.
“Reserves” means any reserves that Lender in its discretion deems necessary to maintain with respect to the Collateral or any Borrower.
“Responsible Representative” means a Person’s president, chief executive officer, chief financial officer, manager or authorized member (in the case of a limited liability company) or any other individual approved in writing by Lender in its Discretion.
“Revolving Loan” means a Loan made under Section 2.1.
“Revolving Loan Fee” is defined in Section 3.1 A. of the Revolving Loan Schedule.
“Revolving Loan Outstanding” means, at any time the aggregate amount of outstanding principal, accrued and unpaid interest, fees and costs and expenses (including reasonable attorneys’ fees) due in connection with to the Revolving Loans.
“Revolving Loan Schedule” means the Revolving Loan Schedule attached hereto as Exhibit A and made a part hereof.
“Revolving Loan Termination Date” means the date that Lender, in its discretion, demands payment of the Obligations, provided, that so long as no Default exists or occurs, Borrower will have ninety (90) calendar days from the date of Lender’s demand for payment to obtain external refinancing.
“Revolving Note” means, individually and collectively, any and all promissory notes evidencing the Revolving Loan.
“Solvent” means, with respect to any Person as of any date of determination, that (a) at fair valuations, the sum of such Person’s debts (including contingent liabilities) is less than all of such Person’s assets, (b) such Person is not engaged or about to engage in a business or transaction for which the remaining assets of such Person are unreasonably small in relation to the business or transaction or for which the property remaining with such Person is an unreasonably small capital and (c) such Person has not incurred and does not intend to incur, or reasonably believe that it will incur, debts beyond its ability to pay such debts as they become due (whether at maturity or otherwise).

“Specified Balance” is defined under Section 3.1 C(a)(ii) of the Revolving Loan Schedule.
“Subordinated Debt Documents” means any instruments, agreements and documents evidencing or relating to any Subordinated Debt.
“Subordinated Debt” means all Indebtedness of Borrowers, or any of them, that is subordinated to the prior payment and satisfaction of the Obligations pursuant to a Subordination Agreement.
“Subordination Agreement” means any intercreditor and/or subordination agreement in form and substance satisfactory to Lender in its Discretion (i) by and between a subordinating creditor and Lender or (ii) by and among Borrowers, a subordinating Creditor and Lender, pursuant to which Subordinated Debt is subordinated to the prior payment and satisfaction of the Obligations and the Liens securing such Subordinated Debt, if any, granted by Borrowers to such subordinated creditor are subordinated to the Obligations and the Liens created hereunder and under any other Loan Document.
“Subsidiary” means, with respect to any Person (the “Parent”) at any date, any Person of which Equity Interests representing more than 50% of the Equity Interests or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of that date, owned, controlled, or held, or (2) that is, as of such date, otherwise controlled, by the Parent or one or more Subsidiaries of the Parent.
“Toxic Substances” means any material that has been shown to have an adverse effect on human health or that is subject to regulation under the Toxic Substances Control Act (TSCA), 15 U.S.C. Section 2601 et seq., applicable state law, or any other present and future applicable Federal or state laws related to toxic substances, and includes asbestos, polychlorinated biphenyls (PCBs) and lead based paints.
“Tradenames” is defined in Section 5.7.
“UCC” means the Uniform Commercial Code as in effect from time to time in Michigan (but if the law, perfection, or the effect of perfection or non-perfection of any Lien on any Collateral is governed by the Uniform Commercial Code in effect in a different jurisdiction, “UCC” means the Uniform Commercial Code as in effect in that other jurisdiction with respect to perfection or the effect of perfection or non-perfection).
“USA Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56.
“Waivers” means all landlord’s waivers, warehouseman’s waivers, creditor’s waivers, mortgagee waivers, processing facility and bailee waivers, and customs broker waivers that are executed and delivered in connection with this Agreement.

Execution

Exhibit A

REVOLVING LOAN SCHEDULE TO **CREDIT AND SECURITY AGREEMENT**

This Revolving Loan Schedule is part of the Credit and Security Agreement dated October 5, 2023 between:

PATHWARD, NATIONAL ASSOCIATION 5480 CORPORATE
DRIVE, SUITE 350
TROY, MICHIGAN 48098
AND
VICON INDUSTRIES INC.
135 Fell Court
Hauppauge NY 11788

The following Article and Section numbers correspond to Article and Section numbers contained in the Agreement.

ARTICLE 1 DEFINITIONS

1.2 **General Terms**. The following terms have the following meanings:

"Borrowing Base Certificate" means a certificate executed by a Responsible Representative of Borrowers that is appropriately completed and in the form provided by Lender to Borrowers.

ARTICLE 2 LOANS, PAYMENTS

2.1 **Revolving Loans.**

(d) "Advance Formula" means, at any time, the sum of:

(A) 85% of Eligible Accounts, plus

(B) the lesser of (i) 50% of Eligible Inventory, (ii) 100% of subpart (a) above, and (iii) $2,5000,000, minus

(C) all Reserves.

2.2 **Loan Repayment**.

(b) On the date a Borrowing Base Certificate is received on the net funds actually received, Borrowers will receive immediate credit on such funds for purposes of determining Availability for Advances.

ARTICLE 3 FEES

3.1 **Loan Fees.** Borrower will pay Lender the following fees:

A. **Revolving Loan Fee.** On the Closing Date and on each one-year anniversary of the Closing Date, Borrowers shall pay Lender a fee on the Revolving Loan facility in the aggregate amount of 1% of the Maximum Revolving Loan Amount (the "Revolving Loan Fee"), which will be fully earned and non-refundable as of the Closing Date and each such one-year anniversary date.

B. **Documentation and Attorneys' Fees.**

Borrowers shall pay Lender its fees and costs (including, without limitation, attorneys' fees) incurred in documenting the Loans, plus attorneys' fees and costs from time to time incurred thereafter in connection with the Loans.

C. **Loan Administration Fees.**

(a) Loan Maintenance Fees – Specified Balance. If the actual average outstanding principal balance of the Revolving Loans in any month is less than $1,000,000 (the "Specified Balance"), Borrowers shall pay interest on the Revolving Loan for such month calculated as if the average outstanding principal balance of the Revolving Loans were the Specified Balance.

(b) Late Reporting Fee. Borrowers shall pay Lender a fee in an amount equal to $150.00 per document in connection with the late delivery of any report, financial statement or schedule required by the Agreement.

(c) Lockbox Fee. Each month Borrowers shall pay all costs in connection with the lockbox and the Lockbox Account, as determined by Lender from time to time.

(d) Waived.

D. **Prepayment Fee**. Borrowers may elect to prepay the Loans and/or terminate this Agreement at any time, but only upon payment of all Loans and permanent reduction of the Maximum Revolving Loan Amount and the Prepayment Fee. If an Event of Default has occurred and is continuing at the time Lender demands payment of the Loans, the Prepayment Fees will be due and payable by Borrowers.

The Prepayment Fee is: (i) prior to the twenty-four month anniversary date of the Closing Date, 2% of the Maximum Revolving Loan Amount prior to repayment and reduction, together with all other unpaid fees, expenses and charges due under the Agreement. Notwithstanding the foregoing, beginning on the second anniversary date of the Agreement, the Prepayment Fee shall be waived if (i) Borrowers notify Lender in writing not more than 90 and not less than 60 days before the applicable anniversary date of Borrowers' intention to terminate the Agreement and (ii) the Loans and all related fees, expenses and charges are paid in full by such anniversary date.

In the event that (i) Borrowers do not notify Lender of such intent to terminate as set forth in this Section 3.1 D or (ii) Lender does not otherwise terminate this Agreement, this Agreement shall automatically renew on each anniversary date for one-year periods.

ARTICLE 4 **COLLATERAL**

4.6 The Lockbox Account includes the following:

If by mail:	If by ACH or wire transfer	
Drawer #3195	Bank Name:	Pathward, National Association
PO Box 5935	ABA #:	072413764
Troy, Michigan 48007-5935	Account #:	63319522288
Reference: Vicon Industries, Inc.		

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

Each Borrower further represents and warrants that:

5.2 Borrower’s organizational identification number, state of organization, and states where it is qualified and authorized to do business, and Borrower’s subsidiaries and affiliates are as follows:

(a) Organizational Identification Number: 11-2160665

(b) State of Organization: New York

(c) States where Borrower is qualified and authorized to do business in: New York

(d) Borrower’s Subsidiaries or other Affiliates are: Cemtrex, Inc. and Vicon Industries, Ltd.

5.7 During the last five years the Loan Parties have:

(a) Sold Inventory under the following other names: N/A

(b) Been the surviving entity of the following Merger and Consolidation with Information or Materially Acquired the Assets of: N/A

(c) Used the following fictitious names, d/b/a, tradename, tradestyle, or other name: N/A

5.8 Below are the Borrowers’:

(a) Chief Executive Office Location: New York

(b) Equipment and Inventory Locations: 135 Fell Court, Hauppauge, New York 11788

(c) Other Collateral and Books and Records Locations:_ 135 Fell Court, Hauppauge, New York 11788

5.10 As to each Loan Party:

(a) Litigation, Investigations, Arbitration, Actions or Proceedings: N/A

(b) Violations of Statute, Regulation or Ordinance, or any order that is expected to have a Material Adverse Effect: N/A

ARTICLE 6 AFFIRMATIVE COVENANTS

Until all Obligations are irrevocably paid and performed in full (other than contingent obligations with respect to which no claim has been asserted or threatened) and the Loan Documents are terminated, each Borrower shall:

6.5 **Deposit Accounts[1]:**

Account Holder	Bank Name	Account Type	Account Number Ending
Vicon Industries Inc.	TD Bank	Commercial Checking	X7420
Vicon Industries Inc.	Vanguard	Money Market	x7638
Vicon Industries Inc.	Vangaurd	GNMA Fund	X7638

6.13 **Certificates; Reports; Other Financial Information**.

(j) With each Advance request and at least one time every seven-day period, furnish to Lender a Borrowing Base Certificate executed by a Responsible Representative of the Borrowers, together with all such related information as required by Lender in its Discretion.

6.15 [Reserved].

ARTICLE 7 NEGATIVE COVENANTS

Until all Obligations are irrevocably paid and performed in full (other than contingent obligations with respect to which no claim has been asserted or threatened) and the Loan Documents are terminated, no Borrower may:

7.17 [Reserved].

ARTICLE 8
CONDITIONS PRECEDENT AND POST-CLOSING DELIVERABLES

8.1 Conditions Precedent: Lender's extension of the initial Loan or Advances (including Loans and Advances on the Closing Date) in its discretion is subject to the satisfaction of the following conditions precedent on the date of each Advance or Loan is requested and made:

(a) **Representations and Warranties.** Each representation and warranty made by each Loan Party in (or in connection with any Loan Document) is true, correct, and complete with the same effect as though made on and as of the date of the Loan or Advance (it being understood that any representation or warranty that by its terms is made as of a specified date is required to be true and correct only as of that specified date).

[1] In Section 6.5, list all active/existing accounts of Borrower.

(b) **No Material Adverse Effect.** No Material Adverse Effect, or any other development that could reasonably be expected to have a Material Adverse Effect, has occurred and is continuing.

(c) **No Default.** No Default or Event of Default exists or would exist after giving effect to the requested Advances or Loans (but nonetheless Lender may in its discretion continue to make Advances or Loans, and if it does so that does not (1) waive any Default or Event of Default, (2) establish a course of dealing, or (3) obligate Lender to make any other Advances or Loans).

Each Advance or Loan request is a representation and warranty by Borrowers that each condition precedent to the Advance or Loan has been met on the date the Advance or Loan is requested and received.

8.2 [Reserved].

ARTICLE 12 MISCELLANEOUS

12.25 **Perfection by Possession.** Borrowers and Lender hereby agree that any security interest in this Agreement may be perfected by possession of a machine copy of the executed Agreement together with an executed copy (whether wet ink signature, an electronic signature, or a machine copy of either) of this Revolving Loan Schedule.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK] [SIGNATURE PAGE TO FOLLOW]

Borrower and Lender entered into this Revolving Loan Schedule on the Closing Date.

BORROWER:

VICON INDUSTRIES, INC.,
a New York corporation

By: */s/ Saagar Govil*
Name: Saagar Govil
Its: CEO

Address for notices:
135 Fell Court
Hauppauge New York, 11788
Phone:
Email:

[Signatures Continue on the Following Page]

SIGNATURE PAGE TO REVOLVING LOAN SCHEDULE

LENDER:

PATHWARD, NATIONAL ASSOCIATION

By: */s/ Jonathan Daniels*

Name: Jonathan Daniels

Its: VP .

SIGNATURE PAGE TO REVOLVING LOAN SCHEDULE

PROMISSORY NOTE

Principal Amount $5,000,000 | Troy, Michigan

Dated: October 5, 2023

This Promissory Note ("Note") is made by the Borrower who has signed this Note. The Borrower promises to pay to the order of **PATHWARD, NATIONAL ASSOCIATION** ("Pathward"), ON DEMAND, at its offices located at 5480 Corporate Drive, Suite 350, Troy, Michigan 48098 or at such other place as Pathward or the person that then holds this Note designates in writing, the principal amount set forth above or such lesser or greater amount as may then be due under the Agreement (as defined below), plus interest, fees and expenses as hereinafter provided. All payments that are made must be made in lawful money of the United States of America in immediately available funds. Borrower does not have any right to offset, deduction, or counterclaim from the amount due.

This Note is referred to in and was delivered pursuant to the Loan and Security Agreement ("Agreement") of even date between Borrower and Pathward under which Advances, repayment and further Advances may be made from time to time, pursuant to the provisions of the Agreement. Reference is made to the Agreement for additional terms relating to this Note and the security given for this Note. Any capitalized terms used in this Note, if not defined in this Note, will have the meanings assigned to such terms in the Agreement.

The outstanding principal balance of this Note will bear interest based upon a year of 360 days with interest being charged for each day the principal amount is outstanding including the date of actual payment. The interest rate will be a rate which is equal to three percentage points (3%) in excess of that rate shown in the Wall Street Journal as the prime rate (the "Effective Rate"). Interest on this Note will change with each change in the prime rate so published. If at any time Pathward either abandons the use of the Wall Street Journal prime rate or the Wall Street Journal prime rate is no longer published, then Pathward will establish a similar replacement rate in its sole discretion. Notwithstanding the foregoing, at no time will the Effective Rate be less than eight percent (8%) per annum.

Borrower must pay interest on the principal amount which is outstanding each month in arrears commencing on the first day of the month following the funding of the transaction, and continuing on the first day of each month thereafter until the Obligations are fully paid. If the Agreement so provides, interest will also be payable at the same rate on all other sums constituting Obligations. If any payment is due on a day which Pathward is not open for business, then payments will be made on the next business day. Payments will be applied in the manner provided in the Agreement. If Borrower at any time pays less than the amount then due, Pathward may accept such payment, but the failure to pay the entire amount due is a Default. The (i) failure of Borrower to comply with the provisions of the Agreement or (ii) failure to pay the Obligations following demand will permit Pathward to charge the Default Rate. The "Default Rate" shall mean the Effective Rate plus five percent (5.00%) per annum.

Should Borrower make any payment by mail, the payment must be actually received by Pathward before the payment is credited but payment is still subject to the Clearance Days as defined in the Schedule to the Agreement. Borrower assumes all risk resulting from non-delivery or delay, in delivery of any payment no matter how the payment is delivered.

If Borrower elects to prepay this Note and/or terminate the Agreement, Borrower may do so, but only upon payment of all the Obligations, including the Exit Fee set forth in the Schedule.

It is the intent of the parties that the rate of interest and other charges to Borrower under this Note shall be lawful; therefore, if for any reason the interest or other charges payable hereunder are found by a court of competent jurisdiction, in a final determination, to exceed the limit Pathward may lawfully charge Borrower, then the obligation to pay interest or other charges shall automatically be reduced to such limit and, if any amount in excess of such limit shall have been paid, then such amount shall be credited to the outstanding principal balance of this Note, or if no such amount is outstanding, refunded to Borrower.

Borrower waives any obligation of Pathward to present this Note for payment or to give any notice of nonpayment or notice of protest and any other notices of any kind. The liability of the Borrower is absolute and unconditional, without regard to the liability of any other party.

If this Note is signed by two or more parties, the obligations and undertakings under this Note shall be that of all and any two or more jointly and also each severally.

VICON INDUSTRIES, INC.
a New York corporation

By: */s/ Saagar Govil*
Name: Saagar Govil
Its: CEO

EXHIBIT 21.1

Name of consolidated subsidiary or entity	State or other jurisdiction of incorporation or organization	Date of incorporation or formation (date of acquisition, if applicable)	Attributable interest
Advanced Industrial Services, Inc.	Pennsylvania	July 20, 1984 (December 15, 2015)	100%
Advanced Industrial Leasing, Inc.	Pennsylvania	July 20, 1984 (December 15, 2015)	100%
Cemtrex Technologies Pvt Ltd.	India	December 21, 2017	100%
Vicon Industries, Inc.	New York	March 23, 2018	93%
Vicon Industries Limited	United Kingdom	March 23, 2018	93%

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13A/15D OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Saagar Govil, certify that:

1. I have reviewed this report on Form 10-Q of Cemtrex, Inc. and subsidiaries (the "registrant);

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.

/s/ Saagar Govil .
Saagar Govil
Chief Executive Officer

Dated: February 13, 2024 May 14, 2024

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13A/15D OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul J. Wyckoff, certify that:

1. I have reviewed this report on Form 10-Q of Cemtrex, Inc. and subsidiaries (the "registrant);

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.

/s/ Paul J. Wyckoff .

Paul J. Wyckoff
Interim Chief Financial Officer
and Principal Financial Officer

Dated: February 13, 2024 May 14, 2024

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Cemtrex, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Saagar Govil, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Saagar Govil Govil.

Saagar Govil
Chief Executive Officer

Dated: February 13, 2024 May 14, 2024

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Cemtrex, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul J. Wyckoff, Interim Chief Financial Officer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Paul J. Wyckoff .

Paul J. Wyckoff
Interim Chief Financial Officer
and Principal Financial Officer

Dated: May 14, 2024

Dated: February 13, 2024

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

REFINITIV