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DELTA REPORT

10-Q

TOMZ - TOMI ENVIRONMENTAL SOLUTI

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1517
CHANGES	186
DELETIONS	690
ADDITIONS	641

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023 March 31, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 000-09908

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TOMI ENVIRONMENTAL SOLUTIONS, INC. Environmental Solutions, Inc.

(Exact name of registrant as specified in its charter)

Florida	**59-1947988**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8430 Spires Way, Frederick, Maryland 21701
(Address of principal executive offices) (Zip Code)

(800) 525-1698
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	TOMZ	Nasdaq Capital Market

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to

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submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 ☒

As of November 6, 2023 May 10, 2024, the registrant had 19,823,955 19,955,205 shares of common stock outstanding.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2023
TABLE OF CONTENTS

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2024 Page

TABLE OF CONTENTS

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Table of Contents

FORWARD-FORWARD-LOOKING LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or this Form 10-Q, contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and we intend that such forward looking statements be subject to the safe harbors created thereby. For this purpose, any statements contained in this Form 10-Q, except for historical information, may be deemed forward-looking statements. You can generally identify forward-looking statements as statements containing the words "will," "would," "believe," "expect," "estimate," "anticipate," "intend," "assume," "can," "could," "plan," "predict," "should" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, trends in our businesses, or other characterizations of future events or circumstances are forward-looking statements.

Forward-looking statements involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. The forward-looking statements included herein are based on current expectations of our management based on available information and involve a number of risks and uncertainties, all of which are difficult or impossible to predict accurately and many of which are beyond our control. As such, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are listed under the section "Risk Factors" in our most recent annual report on Form 10-K previously filed with the Securities and Exchange Commission on March 16, 2023 April 1, 2024. Readers should carefully review these risks, as well as the additional risks described in other documents we file from time to time with the Securities and Exchange Commission. In light of the significant risks and uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that such results will be achieved, and readers are cautioned not to place undue reliance on such forward-looking information. Except as required by law, we undertake no obligation to revise the forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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Table of Contents

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2023 (Unaudited)	December 31, 2022
Current Assets:		
Cash and Cash Equivalents	$ 1,410,697	$ 3,866,733
Accounts Receivable - net	2,368,043	2,772,340
Other Receivables	164,150	164,150
Inventories (Note 3)	4,481,644	4,495,999
Vendor Deposits (Note 4)	89,860	447,052
Prepaid Expenses	442,303	388,359
Total Current Assets	8,956,697	12,134,633
Property and Equipment – net (Note 5)	1,138,287	1,335,331
Other Assets:		
Intangible Assets – net (Note 6)	1,014,416	1,025,736
Operating Lease - Right of Use Asset (Note - 7)	483,884	528,996
Other Assets	596,164	475,103
Total Other Assets	2,094,464	2,029,835
Total Assets	$ 12,189,448	$ 15,499,799

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts Payable	$ 1,248,936	$ 1,761,750
Accrued Expenses and Other Current Liabilities (Note 13)	674,367	728,703
Deferred Revenue	-	699,732
Current Portion of Long-Term Operating Lease	112,460	100,282
Total Current Liabilities	2,035,763	3,290,467
Long-Term Liabilities:		
Long-Term Operating Lease, Net of Current Portion (Note 7)	672,510	761,132
Total Long-Term Liabilities	672,510	761,132

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Total Liabilities	2,708,273	4,051,599
Commitment and Contingencies (Note 11)	-	-
Shareholders' Equity:		
Cumulative Convertible Series A Preferred Stock; par value $0.01 per share, 1,000,000 shares authorized; 63,750 shares issued and outstanding at September 30, 2023 and December 31, 2022	638	638
Cumulative Convertible Series B Preferred Stock; $1,000 stated value; 7.5% Cumulative dividend; 4,000 shares authorized; none issued and outstanding at September 30, 2023 and December 31, 2022	-	-
Common stock; par value $0.01 per share, 250,000,000 shares authorized; 19,823,955 and 19,763,855 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively.	198,240	197,640
Additional Paid-In Capital	57,882,792	57,673,559
Accumulated Deficit	(48,600,495)	(46,423,637)
Total Shareholders' Equity	9,481,175	11,448,200
Total Liabilities and Shareholders' Equity	$ 12,189,448	$ 15,499,799

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	**March 31, 2024 (Unaudited)**	**December 31, 2023**
Current Assets:		
Cash and Cash Equivalents	$ 1,093,219	$ 2,339,059
Accounts Receivable - net	2,115,691	2,429,929
Other Receivables	164,150	164,150
Inventories (Note 3)	4,645,885	4,627,103
Vendor Deposits (Note 4)	124,427	29,335
Prepaid Expenses	384,003	371,298
Total Current Assets	8,527,375	9,960,874
Property and Equipment – net (Note 5)	1,060,640	1,048,642
Other Assets:		
Intangible Assets – net (Note 6)	1,118,369	1,123,246
Operating Lease - Right of Use Asset (Note - 7)	451,514	467,935
Long Term Accounts Receivable - net	206,240	206,240
Other Assets	593,930	550,677
Total Other Assets	2,370,053	2,348,098
Total Assets	$ 11,958,068	$ 13,357,614
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		

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Accounts Payable	$ 1,351,118	$ 1,267,029
Accrued Expenses and Other Current Liabilities (Note 13)	472,525	675,491
Deferred Revenue	13,659	-
Current Portion of Long-Term Operating Lease	118,911	115,658
Total Current Liabilities	1,956,213	2,058,178
Long-Term Liabilities:		
Long-Term Operating Lease, Net of Current Portion (Note 7)	612,017	642,527
Convertible Notes Payable, net of discount of $286,366 and $301,985 at March 31, 2024 and December 31, 2023, respectively (Note 9)	2,313,634	2,298,015
Total Long-Term Liabilities	2,925,651	2,940,542
Total Liabilities	$ 4,881,864	$ 4,998,720
Commitments and Contingencies (Note 11)	-	-
Shareholders' Equity:		
Cumulative Convertible Series A Preferred Stock; par value $0.01 per share, 1,000,000 shares authorized; 63,750 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	638	638
Cumulative Convertible Series B Preferred Stock; $1,000 stated value; 7.5% Cumulative dividend; 4,000 shares authorized; none issued and outstanding at March 31, 2024 and December 31, 2023, respectively	-	-
Common stock; par value $0.01 per share, 250,000,000 shares authorized; 19,955,205 and 19,923,955 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	199,553	199,240
Additional Paid-In Capital	58,012,432	57,985,245
Accumulated Deficit	(51,136,419)	(49,826,229)
Total Shareholders' Equity	7,076,204	8,358,894
Total Liabilities and Shareholders' Equity	$ 11,958,068	$ 13,357,614

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

Table of Contents

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Three Months Ended September 30,		For The Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Sales, net	$ 1,470,019	$ 1,759,620	$ 5,826,890	$ 5,526,598
Cost of Sales	661,087	688,633	2,376,442	2,113,624
Gross Profit	808,932	1,070,987	3,450,448	3,412,974

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Operating Expenses:				
Professional Fees	207,673	106,411	456,518	391,737
Depreciation and Amortization	93,929	82,619	273,265	247,662
Selling Expenses	283,054	365,054	1,160,752	1,271,788
Research and Development	76,339	118,182	220,587	254,608
Consulting Fees	44,355	43,012	188,722	145,757
General and Administrative	1,004,618	1,009,229	3,328,726	3,277,485
Total Operating Expenses	1,709,968	1,724,507	5,628,570	5,589,037
Loss from Operations	(901,036)	(653,520)	(2,178,122)	(2,176,063)
Other Income (Expense):				
Interest Income	256	370	1,264	1,048
Total Other Income (Expense)	256	370	1,264	1,048
Loss before income taxes	(900,780)	(653,150)	(2,176,858)	(2,175,015)
Provision for Income Taxes (Note 16)	-	-	-	-
Net Loss	$ (900,780)	$ (653,150)	$ (2,176,858)	$ (2,175,015)
Net income (loss) Per Common Share				
Basic	$ (0.05)	$ (0.03)	$ (0.11)	$ (0.11)
Diluted	$ (0.05)	$ (0.03)	$ (0.11)	$ (0.11)
Basic Weighted Average Common Shares Outstanding	19,823,955	19,758,520	19,818,241	19,736,666
Diluted Weighted Average Common Shares Outstanding	19,823,955	19,758,520	19,818,241	19,736,666

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Three Months Ended March 31,	
	2024	**2023**
Sales, net	$ 1,114,087	$ 1,582,172
Cost of Sales	443,419	640,935
Gross Profit	670,668	941,237
Operating Expenses:		
Professional Fees	197,999	137,185
Depreciation and Amortization	77,921	88,776
Selling Expenses	289,069	376,653
Research and Development	67,971	70,520
Consulting Fees	113,635	75,455
General and Administrative	1,150,549	1,380,794

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Total Operating Expenses	1,897,144	2,129,383
Income (loss) from Operations	(1,226,476)	(1,188,146)
Other Income (Expense):		
Interest Income	9,906	659
Interest Expense	(93,620)	-
Total Other Income (Expense)	(83,714)	659
Income (loss) before income taxes	(1,310,190)	(1,187,487)
Provision for Income Taxes (Note 16)	-	-
Net Income (loss)	$ (1,310,190)	$ (1,187,487)
Net income (loss) Per Common Share		
Basic	$ (0.07)	$ (0.06)
Diluted	$ (0.07)	$ (0.06)
Basic Weighted Average Common Shares Outstanding	19,954,511	19,806,622
Diluted Weighted Average Common Shares Outstanding	19,954,511	19,806,622

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

Table of Contents

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED)

For the nine months ended September 30, 2023

	Series A Preferred		Common Stock		Additional Paid in	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance at January 1, 2023	63,750	638	19,763,955	197,640	$ 57,673,559	$ (46,423,637)	$ 11,448,200
Equity Compensation					158,833		158,833
Common Stock Issued for Services Provided			60,000	600	50,400		51,000
Net (Loss) for the nine months ended September 30, 2023						(2,176,858)	(2,176,858)
Balance at September 30, 2023	63,750	$ 638	19,823,955	$ 198,240	$ 57,882,792	$ (48,600,495)	$ 9,481,175

For the nine months ended September 30, 2022

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	Series A Preferred		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance at January 1, 2022	63,750	638	19,680,955	196,809	$ 56,941,209	$ (43,543,575)	$ 13,595,080
Equity Compensation					297,766		297,766
Common Stock Issued for Services Provided			51,750	518	53,820		54,338
Warrants and Options Exercised			31,250	313	24,687		25,000
Net (Loss) for the nine months ended September 30, 2022						(2,175,015)	(2,175,015)
Balance at September 30, 2022	63,750	$ 638	19,763,955	$ 197,640	$ 57,317,482	$ (45,718,590)	$ 11,797,169

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(UNAUDITED)

For the three months ended March 31, 2024

	Series A Preferred		Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance at January 1, 2024	63,750	638	19,923,955	199,240	$ 57,985,245	$ (49,826,229)	$ 8,358,894
Warrants and Options Exercised			31,250	313	27,187		27,500
Net (Loss) for the three months ended March 31, 2024						(1,310,190)	(1,310,190)
Balance at March 31, 2024	63,750	$ 638	19,955,205	$ 199,553	$ 58,012,432	$ (51,136,419)	$ 7,076,204

For the three months ended March 31, 2023

	Series A Preferred		Common Stock		Additional Paid in Capital	Accumulated Deficit	Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance at January 1, 2023	63,750	638	19,763,956	197,640	$ 57,673,559	$ (46,423,637)	$ 11,448,200
Equity Compensation					158,833		158,833
Common Stock Issued for Services Provided			60,000	600	50,400		51,000
Net (Loss) for the three months ended March 31, 2023						(1,187,487)	(1,187,487)
Balance at March 31, 2023	63,750	$ 638	19,823,956	$ 198,240	$ 57,882,792	$ (47,611,124)	$ 10,470,546

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

Table of Contents

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CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	For the three months ended September 30, 2023						
	Series A Preferred		Common Stock		Additional Paid in	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance at July 1, 2023	63,750	638	19,823,955	198,240	$ 57,882,792	$ (47,699,715)	$ 10,381,955
Net (Loss) for the three months ended September 30, 2023						(900,780)	(900,780)
Balance at September 30, 2023	63,750	$ 638	19,823,955	$ 198,240	$ 57,882,792	$ (48,600,495)	$ 9,481,175

	For the three months ended September 30, 2022						
	Series A Preferred		Common Stock		Additional Paid in	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance at July 1, 2022	63,750	638	19,732,705	197,327	$ 57,292,795	$ (45,065,440)	$ 12,425,320
Warrants and Options Exercised			31,250	313	24,687		25,000
Net (Loss) for the three months ended September 30, 2022						(653,150)	(653,150)
Balance at September 30, 2022	63,750	$ 638	19,763,955	$ 197,640	$ 57,317,482	$ (45,718,590)	$ 11,797,169

TOMI ENVIRONMENTAL SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31,	
	2024	2023
Cash Flow From Operating Activities:		
Net Income (Loss)	$ (1,310,190)	$ (1,187,487)
Adjustments to Reconcile Net Income (Loss) to		
Net Cash Provided by (Used) In Operating Activities:		
Depreciation and Amortization	77,921	88,776
Amortization of Right of Use Asset	39,329	39,329
Amortization of Deferred Financing Costs	15,620	-
Equity Compensation Expense	-	158,833
Value of Equity Issued for Services	-	51,000
Reserve for Bad Debt	(96,620)	-
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in:		
Accounts Receivable	410,858	281,653

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Inventory	(18,782)	142,541
Prepaid Expenses	(12,705)	(24,616)
Vendor Deposits	(95,093)	(67,151)
Other Assets	(43,253)	(45,581)
Increase (Decrease) in:		
Accounts Payable	84,090	(518,441)
Accrued Expenses	(202,966)	(161,769)
Customer Deposits	13,659	(81,243)
Lease Liability	(40,367)	(39,191)
Net Cash Provided (Used) in Operating Activities	(1,178,499)	(1,363,347)
Cash Flow From Investing Activities:		
Purchase of Property and Equipment	(94,840)	(34,086)
Net Cash (Used) in Investing Activities	(94,840)	(34,086)

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

Table of Contents

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the Nine Months Ended September 30,	
	2023	**2022**
Cash Flow From Operating Activities:		
Net Income (Loss)	$ (2,176,858)	$ (2,175,015)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used) In Operating Activities:		
Depreciation and Amortization	273,265	247,662
Amortization of Right of Use Asset	117,986	117,986
Amortization of Software Costs	-	10,475
Equity Compensation Expense	158,833	297,766
Value of Equity Issued for Services	51,000	54,338
Reserve for Credit Losses	(239,722)	-
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in:		
Accounts Receivable	644,019	(373,139)
Inventory	14,355	30,328
Prepaid Expenses	(53,947)	(5,755)
Vendor Deposits	357,193	(193,202)

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Other Receivables	-	71,754
Other Assets	(121,061)	(133,254)
Increase (Decrease) in:		
Accounts Payable	(546,391)	126,765
Accrued Expenses	(20,758)	(38,098)
Customer Deposits	(699,732)	1,149,025
Lease Liability	(119,923)	(116,428)
Net Cash Used in Operating Activities	(2,361,741)	(928,792)
Cash Flow From Investing Activities:		
Capitalized Patent and Trademark Costs	-	(14,459)
Purchase of Property and Equipment	(94,295)	(63,711)
Net Cash Used in Investing Activities	(94,295)	(78,170)

TOMI ENVIRONMENTAL SOLUTIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

(UNAUDITED)

	For the Three Months Ended March 31,	
	2024	**2023**
Cash Flow From Financing Activities:		
Proceeds from Issuance of Stock and Warrants	27,500	-
Net Cash From Financing Activities:	27,500	-
Increase (Decrease) In Cash and Cash Equivalents	(1,245,840)	(1,397,433)
Cash and Cash Equivalents - Beginning	2,339,059	3,866,733
Cash and Cash Equivalents – Ending	$ 1,093,219	$ 2,469,300
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ 49,000	$ -

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

Table of Contents

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	For the Nine Months Ended September 30,	
	2023	2022
Cash Flow From Financing Activities:		
Proceeds from Issuance of Stock and Warrants	-	25,000
Net Cash Provided by Financing Activities	-	25,000
Decrease In Cash and Cash Equivalents	(2,456,036)	(981,962)
Cash and Cash Equivalents - Beginning	3,866,733	5,317,443
Cash and Cash Equivalents – Ending	$ 1,410,697	$ 4,335,481
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ -	$ -
Cash Paid (Refunded) for Income Taxes	$ -	$ (72,086)

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

Table of Contents

TOMI ENVIRONMENTAL SOLUTIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

TOMI Environmental Solutions, Inc., a Florida corporation (“TOMI”, the “Company”, “we”, “our” and “us”) is a global provider of disinfection and decontamination essentials through our premier Binary Ionization Technology® (BIT™) platform, under which we manufacture, license, service and sell our SteraMist® brand of products, including SteraMist® BIT™, a hydrogen peroxide-based mist and fog. Our solution and process are environmentally friendly as the only biproduct from our decontamination process is oxygen and water in the form of humidity. Our solution is organically listed in the United States and Canada as a sustainably green product with no or very little carbon footprint. Our business is organized into five divisions: Life Sciences, Healthcare, TOMI Service Network, Food Safety and Commercial.

Invented under a defense grant in association with the Defense Advanced Research Projects Agency (“DARPA”) of the U.S. Department of Defense, BIT™ is registered with the U.S. Environmental Protection Agency (the “EPA”) and uses a low percentage hydrogen peroxide as its only active ingredient to produce a fog composed mostly of a hydroxyl radical (·OH ion), known as ionized Hydrogen Peroxide (iHP™). Represented by the SteraMist® brand of products, iHP™ produces a germ-killing aerosol that works like a visual non-caustic gas.

Our products are designed to service a broad spectrum of commercial structures, including, but not limited to, hospitals and medical facilities, bio-safety labs, pharmaceutical facilities, meat and produce processing facilities, universities and research facilities, vivarium labs, other service industries including cruise ships, office buildings, hotel and motel rooms, schools, restaurants, military barracks, police and fire departments, prisons, and athletic facilities. Our products are also used in single-family homes and multi-unit residences. Additionally, our products have been listed on the EPA’s List N as products that help combat COVID-19 and are actively being used for this purpose.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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The interim unaudited condensed consolidated financial statements included herein, presented in accordance with generally accepted accounting principles utilized in the United States of America (“GAAP”), and stated in U.S. dollars, have been prepared by us, without an audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading.

These financial statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. These unaudited condensed consolidated financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2022 December 31, 2023 and notes thereto which are included in the annual report on Form 10-K previously filed with the SEC on March 16, 2023 April 1, 2024 (the “Annual Report”). We follow the same accounting policies in the preparation of interim reports. The results of operations for the interim periods covered by this Form 10-Q may not necessarily be indicative of results of operations for the full fiscal year or any other interim period.

For the three months ended March 31, 2024 our loss was $1,310,000 and the cash used in operations was $1,178,000. Absent any other action, the Company may require additional liquidity to continue its operations over the next 12 months. However, management has considered its liquidity plans to continue the Company as a going concern and believes substantial doubt is alleviated by managing costs and expenses, raising capital by closing equity and debt offerings and generating additional revenue and funding through increased sales, government grants and other sources.

Table of Contents

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of TOMI and its wholly-owned subsidiary, TOMI Environmental Solutions, Inc., a Nevada corporation. All intercompany accounts and transactions have been eliminated in consolidation.

Reclassification of Accounts

Certain reclassifications have been made to prior-year comparative financial statements to conform to the current year presentation. These reclassifications had no material effect on previously reported results of operations or financial position.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying consolidated financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, including those related to accounts receivable, inventory, fair values of financial instruments, intangible assets, useful lives of intangible assets and property and equipment, fair values of stock-based awards, income taxes, and contingent liabilities, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of our assets and liabilities.

Fair Value Measurements

The authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable,

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(iii) able to transact, and (iv) willing to transact. The guidance describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities.

Table of Contents

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximated fair value because of the short maturity of these instruments.

Cash and Cash Equivalents

Cash and cash equivalents include includes cash on hand, held at financial institutions and other liquid investments with original maturities of three months or less. At times, these deposits may be in excess of insured limits. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no cash equivalents.

Accounts Receivable

Our accounts receivable are typically from credit-worthy customers or, for certain international customers, are supported by pre-payments. For those customers to whom we extend credit, we perform periodic evaluations of their status and maintain allowances for potential credit losses as deemed necessary. We have a policy of reserving for credit losses based on our best estimate of the amount of potential credit losses in existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Bad debt expense (recovery) for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively was approximately $0 $88,000 and ($19,000), respectively. Bad debt expense for the three $54,000. At March 31, 2024 and nine months ended September 30, 2022 was approximately $96,000 and $109,000. At September 30, 2023 and December 31, 2022 December 31, 2023, the reserve allowance for credit losses was $1,438,000 approximately $1,398,000 and $1,678,000, respectively. $1,494,000.

Long-term trade accounts receivable, are principally amounts arising from the sale of goods and services with a contractual maturity date or realization period of greater than one year and are recognized as “Long-Term Accounts Receivable” in our Consolidated Balance Sheet.

Inventories

Inventories are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. Inventories consist primarily of finished goods and raw materials.

We expense costs to maintain certification to cost of goods sold as incurred.

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We review inventory on an ongoing basis, considering factors such as deterioration and obsolescence. We record an allowance for estimated losses when the facts and circumstances indicate that particular inventories may not be usable. Our reserve for obsolete inventory was $95,000 as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Property and Equipment

We account for property and equipment at cost less accumulated depreciation. We compute depreciation using the straight-line method over the estimated useful lives of the assets, generally three to five years. Depreciation for equipment, furniture and fixtures and vehicles commences once placed in service for its intended use. Leasehold improvements are amortized using the straight-line method over the lives of the respective leases or service lives of the improvements, whichever is shorter.

Table of Contents

Leases

We recognize a right-of-use ("ROU") asset and lease liability for all leases with terms of more than 12 months, in accordance with ASC 842. We utilize the short-term lease recognition exemption for all asset classes as part of our on-going accounting under ASC 842. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities. Recognition, measurement and presentation of expenses depends on classification as a finance or operating lease.

As a lessee, we utilize the reasonably certain threshold criteria in determining which options we will exercise. Furthermore, our lease payments are based on index rates with minimum annual increases. These represent fixed payments and are captured in the future minimum lease payments calculation. In determining the discount rate to use in calculating the present value of lease payments, we used our incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

We have also elected the practical expedient to not separate lease and non-lease components for all asset classes, meaning all consideration that is fixed, or in-substance fixed, will be captured as part of our lease components for balance sheet purposes. Furthermore, all variable payments included in lease agreements will be disclosed as variable lease expense when incurred. Generally, variable lease payments are based on usage and common area maintenance. These payments will be included as variable lease expense in the period in which they are incurred.

Capitalized Software Development Costs

In accordance with ASC 985-20 regarding the development of software to be sold, leased, or marketed, we expense such costs as they are incurred until technological feasibility has been established, at and after which time those costs are capitalized until the product is available for general release to customers. The periodic expense for the amortization of capitalized software development costs will be included in cost of sales. Amortization expense for the three and nine months ended September 30, 2023 was $0. Amortization expense for the three and nine months ended September 30, 2022 was $0 and $10,475, respectively.

Accounts Payable

As of September 30, 2023 March 31, 2024, one vendor accounted for approximately 50% of accounts payable. As of December 31, 2023, two vendors accounted for approximately 52% of accounts payable. As of December 31, 2022, two vendors accounted for approximately 55% 59% of accounts payable.

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, two vendors accounted for 60% 49% and 72% of cost of sales, respectively. For the three and nine months ended September 30, 2022, two vendors accounted for 68% and 66% 59% of cost of sales, respectively.

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Accrued Warranties

Accrued warranties represent the estimated costs, if any, that will be incurred during the warranty period of our products. We estimate the expected costs to be incurred during the warranty period and record the expense to the condensed consolidated statement of operations at the date of sale. Our manufacturers assume the warranty against product defects from date of sale, which we extend to our customers upon sale of the product. We assume responsibility for product reliability and results. As of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, our warranty reserve was $30,000 and $68,000, respectively. $30,000. (See Note 14).

Table of Contents

Income Taxes

Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits that are, on a more likely than not basis, not expected to be realized in accordance with FASB ASC Topic 740, Income Taxes guidance for income taxes. Net deferred tax benefits have been fully reserved at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Table of Contents

Net Income (Loss) Per Share

Basic net income or (loss) per share is computed by dividing our net income or (loss) by the weighted average number of shares of common stock outstanding during the period presented. Diluted income or (loss) per share is based on the treasury stock method and includes the effect from potential issuance of shares of common stock, such as shares issuable pursuant to the exercise of options and warrants and conversions of preferred stock or debentures. The computation of diluted EPS is similar to the computation of basic EPS except that the numerator may have to adjust for any dividends and income or loss associated with potentially dilutive securities that are assumed to have resulted in the issuance of shares of common stock and the denominator may have to adjust to include the number of additional shares of common stock that would have been outstanding if the dilutive potential shares of common stock had been issued during the period to reflect the potential dilution that could occur from shares of common stock issuable through a contingent shares issuance arrangement, stock options, warrants, or convertible preferred stock. For purposes of determining diluted earnings per common share, the treasury stock method is used for stock options, and warrants, and the if-converted method is used for convertible preferred stock and convertible debt as prescribed in FASB ASC Topic 260. Because of the net loss for the three months ended March 31, 2024 and 2023, the impact of including these in our computation of diluted EPS was anti-dilutive.

Potentially dilutive securities as of September 30, 2023 March 31, 2024 consisted of 2,080,000 shares of common stock from convertible debentures, 2,772,096 shares of common stock issuable upon exercise of outstanding warrants, 580,042 shares of common stock issuable upon outstanding options and 63,750 shares of common stock issuable upon conversion of outstanding shares of Preferred A stock ("Convertible Series A Preferred Stock").

Potentially dilutive securities as of March 31, 2023 consisted of 2,773,585 shares of common stock issuable upon exercise of outstanding warrants, 610,500 shares of common stock issuable upon vesting and exercise and 63,750 shares of common stock issuable upon conversion of outstanding shares of Preferred A stock ("Convertible Series A Preferred Stock"). Stock.

Potentially dilutive securities as of September 30, 2022 consisted of 2,793,585 Options, warrants, preferred stock and shares of common stock issuable upon exercise of outstanding warrants, 413,000 shares of common stock issuable upon outstanding options and 63,750 shares of common

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stock issuable upon associated with the conversion of outstanding shares of Preferred A stock ("Convertible Series A Preferred Stock").

Diluted net income or (loss) per share is computed similarly debt to basic net income or (loss) per share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential shares of common stock had been issued purchase approximately 5.5 million and if such additional shares were dilutive. Options, warrants, and preferred stock of approximately 3.4 million and 3.3 million exercisable or convertible into shares of common stock were outstanding at September 30, 2023 March 31, 2024 and September 30, 2022, 2023, respectively, but were excluded from the computation of diluted net loss per share for each respective period at March 31, 2024 and 2023 due to the anti-dilutive effect on net loss per share.

Table of Contents

Revenue Recognition

We recognize revenue in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Codification ("ASC") Topic 606, Revenue from Contracts with Customers (Topic 606). Customers. We recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. To determine revenue recognition for contracts with customers we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) we satisfy the performance obligation(s). At contract inception, we assess the goods or services promised within each contract, assess whether each promised good or service is distinct and identify those that are performance obligations.

Table of Contents

We must use judgment to determine: a) the number of performance obligations based on the determination under step (ii) above and whether those performance obligations are distinct from other performance obligations in the contract; b) the transaction price under step (iii) above; and c) the stand-alone selling price for each performance obligation identified in the contract for the allocation of transaction price in step (iv) above.

Title and risk of loss generally pass to our customers upon shipment. Our Customers customers include end users as well as dealers and distributors who market and sell our products. Our revenue is not contingent upon resale by the dealer or distributor, and we have no further obligations related to bringing about resale. Shipping and handling costs charged to customers are included in Product Revenues. The associated expenses are treated as fulfillment costs and are included in Cost of Revenues. Revenues are reported net of sales taxes collected from Customers.

Disaggregation of Revenue

The following table presents our approximate revenues disaggregated by revenue source.

Product and Service Revenue

	For the three months ended September 30, (Unaudited)	
	2023	**2022**
SteraMist Product	$ 953,000	$ 1,435,000
Service and Training	517,000	325,000
Total	$ 1,470,000	$ 1,760,000

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Table of Contents

	For the three months ended March 31, (Unaudited)	
	2024	2023
SteraMist Product	$ 743,000	$ 1,276,000
Service and Training	371,000	306,000
Total	$ 1,114,000	$ 1,582,000

Revenue by Geographic Region

	For the three months ended September 30, (Unaudited)	
	2023	2022
United States	$ 1,271,000	$ 1,632,000
International	199,000	128,000
Total	$ 1,470,000	$ 1,760,000

Product and Service Revenue

	For the nine months ended September 30, (Unaudited)	
	2023	2022
SteraMist Product	$ 4,501,000	$ 4,448,000
Service and Training	1,326,000	1,079,000
Total	$ 5,827,000	$ 5,527,000

Revenue by Geographic Region

	For the nine months ended September 30, (Unaudited)		For the three months ended March 31, (Unaudited)	
	2023	2022	2024	2023
United States	$ 5,001,000	$ 4,336,000	$ 662,000	$ 1,128,000
International	826,000	1,191,000	452,000	454,000
Total	$ 5,827,000	$ 5,527,000	$ 1,114,000	$ 1,582,000

Product revenue includes sales from our standard and customized equipment, solution and accessories sold with our equipment. Revenue is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products.

Table of Contents

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Service and training revenue include sales from our high-level decontamination and service engagements, validation of our equipment and technology and customer training. Service revenue is recognized as the agreed upon services are rendered to our customers in an amount that reflects the consideration we expect to receive in exchange for those services.

Table of Contents

Costs to Obtain a Contract with a Customer

We apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling expenses.

Contract Balances

As of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, we did not have any unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Arrangements with Multiple Performance Obligations

Our contracts with customers may include multiple performance obligations. We enter into contracts that can include various combinations of products and services, which are primarily distinct and accounted for as separate performance obligations.

Significant Judgments

Our contracts with customers for products and services often dictate the terms and conditions of when the control of the promised products or services is transferred to the customer and the amount of consideration to be received in exchange for the products and services.

Equity Compensation Expense

We account for equity compensation expense in accordance with FASB ASC 718, “Compensation—Stock “Compensation-Stock Compensation.” Under the provisions of FASB ASC 718, equity compensation expense is estimated at the grant date based on the award’s fair value.

The valuation methodology used to determine the fair value of options and warrants issued as compensation during the period is the Black-Scholes option-pricing model. The Black-Scholes model requires the use of a number of assumptions including volatility of the stock price, the average risk-free interest rate, and the weighted average expected life of the options. Risk–free interest rates are calculated based on continuously compounded risk–free rates for the appropriate term. The expected term of the Company’s warrants has been determined utilizing the “simplified” method for awards that qualify as “plain-vanilla” warrants. The dividend yield is assumed to be zero as the Company has never paid or declared any cash dividends on its common stock, par value $0.01 (the “Common Stock”) and does not intend to pay dividends on its Common Stock in the foreseeable future. The expected forfeiture rate is estimated based on management’s best assessment.

On July 7, 2017, our shareholders approved the Company’s Amended and Restated 2016 Equity Incentive Plan (the “2016 Plan”). The 2016 Plan authorizes the grant of stock options, stock appreciation rights, restricted stock, restricted stock units and performance units/shares. Up to 2,000,000 shares of Common Stock are authorized for issuance under the 2016 Plan. Shares issued under the 2016 Plan may be either authorized but unissued shares, treasury shares, or any combination thereof. Provisions in the 2016 Plan permit the reuse or reissuance by the 2016 Plan of shares of Common Stock for numerous reasons, including, but not limited to, shares of Common Stock underlying canceled, expired, or forfeited awards of

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stock-based compensation and stock appreciation rights paid out in the form of cash. Equity compensation expense will typically be awarded in consideration for the future performance of services to us. All recipients of awards under the 2016 Plan are required to enter into award agreements with us at the time of the award, and awards under the 2016 Plan are expressly conditioned upon such agreements. For the nine three months ended September 30, 2023 and 2022, March 31, 2023, we issued 60,000 and 51,750 shares of Common Stock, respectively, out of the 2016 Plan.

Table of Contents

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and cash equivalents. We maintain cash balances at financial institutions which exceed the current Federal Deposit Insurance Corporation limit of $250,000 at times during the year.

Long-Lived Assets Including Acquired Intangible Assets

We assess long-lived assets for potential impairments at the end of each year, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. In evaluating long-lived assets for impairment, we measure recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If our long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value. We base the calculations of the estimated fair value of our long-lived assets on the income approach. For the income approach, we use an internally developed discounted cash flow model that includes, among others, the following assumptions: projections of revenues and expenses and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. We base these assumptions on our historical data and experience, industry projections, micro and macro general economic condition projections, and our expectations. We had no long-lived asset impairment charges for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Advertising and Promotional Expenses

We expense advertising costs in the period in which they are incurred. Advertising and promotional expenses included in selling expenses for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 were approximately $66,000 $92,000 and $405,000, respectively. Advertising and promotional expenses included in selling expenses for the three and nine months ended September 30, 2022 were approximately $102,000 and $454,000, $197,000, respectively.

Research and Development Expenses

We expense research and development expenses in the period in which they are incurred. For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, research and development expenses were approximately $76,000 $68,000 and $221,000, respectively. For the three and nine months ended September 30, 2022, research and development expenses were approximately $118,000 and $255,000, $71,000, respectively.

Business Segments

We currently have one reportable business segment due to the fact that we derive our revenue primarily from one product. A breakdown of revenue is presented in “Revenue Recognition” in Note 2 above.

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Table of Contents

Recent Accounting Pronouncements

Recently issued accounting pronouncements not yet adopted

In March 2022, November 2023, the FASB Financial Accounting Standards Board ("FASB") issued ASU 2022-02, Troubled Debt Restructurings and Vintage Disclosures. This ASU eliminates the accounting guidance for troubled debt restructurings by creditors that have adopted ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which we adopted on January 1, 2020 No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU also enhances the updates reportable segment disclosure requirements for certain loan refinancing by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and restructurings by creditors when included within each reported measure of a borrower is experiencing financial difficulty. In addition, segment's profit or loss. This ASU also requires disclosure of the ASU amends title and position of the guidance on vintage disclosures individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to require entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC 326-20. allocate resources. The ASU is effective for annual periods beginning after December 15, 2022 December 15, 2023, including and interim periods within those fiscal years. We adopted years beginning after December 15, 2024. Adoption of the ASU prospectively on January 1, 2023. should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. This ASU did not have a material impact on our consolidated financial statements. will likely result in us including the additional required disclosures when adopted. We are currently evaluating the provisions of this ASU and expect to adopt them for the year ending December 31, 2024.

In October 2021, December 2023, the FASB issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers 2023-09, Improvements to Income Tax Disclosures (Topic 805) 740). This The ASU requires an acquirer in disaggregated information about a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. At the acquisition date, the acquirer applies the revenue model reporting entity's effective tax rate reconciliation as if it had originated the acquired contracts. well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. We adopted this ASU prospectively on January 1, 2023 December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. This ASU did not have a material impact on will result in the required additional disclosures being included in our consolidated financial statements. statements, once adopted.

In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. ASU 2020-06 was issued to reduce the complexity associated with accounting for certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock and improves the disclosures for convertible instruments and related earnings per share guidance. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity and improves and amends the related earnings per share guidance. For public entities that qualify as a filer with the SEC, excluding entities eligible to be smaller reporting companies, ASU 2020-06 is effective for fiscal annual periods beginning after December 15, 2021, including interim periods within those fiscal years. For nonpublic entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption was permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. ASU 2020-06 must be adopted as**NOTE 3. INVENTORIES**

Inventories consist of the beginning of a company's annual fiscal year. ASU 2020-06 may be adopted through either a modified retrospective method of transition or a fully retrospective method of transition. The Company adopted ASU 2020-06 on January 1, 2021. The adoption did not have an impact on our condensed consolidated financial statements. following at (rounded to the nearest thousandth):

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In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses ("ASU 2016-13"), which provides new authoritative guidance with respect to the measurement of credit losses on financial instruments. This update changes the impairment model for most financial assets and certain other instruments by introducing a current expected credit loss ("CECL") model. The CECL model is a more forward-looking approach based on expected losses rather than incurred losses, requiring entities to estimate and record losses expected over the remaining contractual life of an asset. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years for smaller reporting companies. The Company adopted ASU 2016-13 on January 1, 2023. The adoption did not have an impact on our condensed consolidated financial statements.

	March 31, 2024 (Unaudited)	December 31, 2023
Finished Goods	$ 3,922,000	$ 3,980,000
Raw Materials	819,000	742,000
Inventory Reserve	(95,000)	(95,000)
Total	$ 4,646,000	$ 4,627,000

Table of Contents

NOTE 3. INVENTORIES

Inventories consist of the following at:

	September 30, 2023 (Unaudited)	December 31, 2022
Finished Goods	$ 3,841,231	$ 3,929,000
Raw Materials	735,413	661,999
Inventory Reserve	(95,000)	(95,000)
Total	$ 4,481,644	$ 4,495,999

NOTE 4. VENDOR DEPOSITS

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we maintained vendor deposits of $89,860 $124,427 and $447,052, $29,335 respectively, for open purchase orders for inventory.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at:

	September 30, 2023 (Unaudited)	December 31, 2022
Furniture and fixtures	$ 364,819	$ 364,819
Equipment	2,269,185	2,236,510
Vehicles	66,170	60,703
Computer and software	302,791	246,638
Leasehold improvements	393,381	393,381

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Tenant Improvement Allowance	405,000	405,000
Total cost of property and equipment	3,801,346	3,707,051
Less: Accumulated depreciation	2,663,059	2,371,720
Property and Equipment, net	$ 1,138,287	$ 1,335,331

Table of Contents

	March 31, 2024 (Unaudited)	December 31, 2023
Furniture and fixtures	$ 458,651	$ 364,819
Equipment	2,269,185	2,269,185
Vehicles	66,170	66,170
Computer and software	307,563	306,656
Leasehold improvements	393,381	393,381
Tenant Improvement Allowance	405,000	405,000
Total cost of property and equipment	3,899,950	3,805,211
Less: Accumulated depreciation	2,839,310	2,756,469
Property and Equipment, net	$ 1,060,640	$ 1,048,642

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, depreciation was $90,156 $73,043 and $261,945, respectively for $85,003, respectively. For the three and nine months ended September 30, 2022, depreciation was $78,991 March 31, 2024 and $237,164, respectively for the three and nine months ended September 30, 2023 and 2022, 2023, amortization of tenant improvement allowance was $9,798 and $19,597, respectively and was recorded as lease expense and included within general and administrative expense on the condensed consolidated statement of operations.

NOTE 6. INTANGIBLE ASSETS

Intangible assets consist of patents and trademarks related to our Binary Ionization Technology. We amortize the patents over the estimated remaining lives of the related patents. The trademarks have an indefinite life. Amortization expense was $3,773 $4,878 and $11,312 $3,773 for the three and nine months ended September 30, 2023, respectively. Amortization expense was $3,628 March 31, 2024 and $10,498 for the three and nine months ended September 30, 2022, 2023, respectively.

Table of Contents

Definite life intangible assets consist of the following:

	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Intellectual Property and Patents	$ 3,108,063	$ 3,108,063	$ 3,196,396	$ 3,196,396
Less: Accumulated Amortization	2,894,212	2,882,892	2,908,890	2,904,013

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Patents, net	$ 213,851	$ 225,171	$ 287,506	$ 292,383

Indefinite life intangible assets consist of the following:

Trademarks	800,565	800,565
Total Intangible Assets, net	$ 1,014,416	$ 1,025,736
Trademarks	830,863	830,863
Total Intangible Assets, net	$ 1,118,369	$ 1,123,246

Approximate future amortization is as follows: follows (rounded to nearest thousandth):

Year Ended:	Amount
October 1 – December 31, 2023	$ 3,750
December 31, 2024	15,000
December 31, 2025	15,000
December 31, 2026	15,000
December 31, 2027	15,000
Thereafter	150,101
Total	$ 213,851

Year Ended:	Amount
April 1 – December 31, 2024	$ 15,000
December 31, 2025	20,000
December 31, 2026	20,000
December 31, 2027	20,000
December 31, 2028	20,000
Thereafter	193,000
Total	$ 288,000

NOTE 7. LEASES

In April 2018, we entered into a 10-year lease agreement for a new 9,000-square-foot facility that contains office, warehouse, lab and research and development space in Frederick, Maryland. The lease agreement commenced in December 2018 when the property was ready for occupancy. The agreement provided for annual rent of $143,460, an escalation clause that increases the rent 3% year over year, a landlord tenant improvement allowance of $405,000 and additional landlord work as discussed in the lease agreement. We took occupancy of the property on December 17, 2018 and the lease was amended in March 2019 to provide for a 4-month rent holiday and a commencement date of April 1, 2019. A 7% discount rate was

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determined using our incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The balances for our operating lease where we are the lessee are presented as follows within our condensed consolidated balance sheet:

Operating leases:	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Assets:				
Operating lease right-of-use asset	$ 483,884	$ 528,996	$ 451,514	$ 467,935
Liabilities:				
Current Portion of Long-Term Operating Lease	$ 112,460	$ 100,282	$ 118,911	$ 115,658
Long-Term Operating Lease, Net of Current Portion	672,510	761,132	612,017	642,527
Total Right of Use Liability	$ 784,970	$ 861,414	$ 730,928	$ 785,185

Table of Contents

The components of lease expense are as follows and are included within general and administrative expense on our condensed consolidated statement of operations:

	For the Three Months Ended September 30, 2023 (Unaudited)	For the Three Months Ended September 30, 2022 (Unaudited)
Operating lease expense	$ 39,329	$ 39,329
	For the Nine Months Ended September 30, 2023 (Unaudited)	**For the Nine Months Ended September 30, 2022 (Unaudited)**
Operating lease expense	$ 117,986	$ 117,986

	For the Three Months Ended March 31, 2024 (Unaudited)	For the Three Months Ended March 31, 2023 (Unaudited)
Operating lease expense	$ 39,329	$ 39,329

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Other information related to leases where we are the lessee is as follows:

	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Weighted-average remaining lease term:				
Operating leases	5.25 years	6.00 years	4.75 years	5.00 years
Discount rate:				
Operating leases	7.00 %	7.00 %	7.00 %	7.00 %

Supplemental cash flow information related to leases where we are the lessee is as follows:

	For the Three Months Ended September 30, 2023 (Unaudited)	For the Three Months Ended September 30, 2022 (Unaudited)
Cash paid for amounts included in the measurement of lease liabilities:	$ 40,366	$ 39,191

	For the Three Months Ended March 31, 2024 (Unaudited)	For the Three Months Ended March 31, 2023 (Unaudited)
Cash paid for amounts included in the measurement of lease liabilities:	$ 40,366	$ 39,191

As of March 31, 2024, the maturities of our operating lease liability are as follows:

Year Ended:	**Operating Lease**
April 1 – December 31, 2024	$ 124,732
December 31, 2025	170,051
December 31, 2026	175,153
December 31, 2027	180,408
December 31, 2028	185,819
Thereafter	33,751
Total minimum lease payments	869,914
Less: Interest	138,986
Imputed value of lease obligations	730,928

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Less: Current portion	118,911
Long-term portion of lease obligations	$ 612,017

Table of Contents

	For the Nine Months Ended September 30, 2023 (Unaudited)	For the Nine Months Ended September 30, 2022 (Unaudited)
Cash paid for amounts included in the measurement of lease liabilities:	$ 119,923	$ 116,430

As of September 30, 2023, the maturities of our operating lease liability are as follows:

Year Ended:	**Operating Lease**
October 1 – December 31, 2023	$ 40,366
December 31, 2024	165,098
December 31, 2025	170,051
December 31, 2026	175,153
December 31, 2027	180,408
Thereafter	219,571
Total minimum lease payments	950,647
Less: Interest	165,677
Imputed value of lease obligations	784,970
Less: Current portion	112,460
Long-term portion of lease obligations	$ 672,510

NOTE 8. CAPITALIZED SOFTWARE DEVELOPMENT COSTS

In accordance with ASC 985-20 we capitalized certain software development costs associated with updating our continuing line of product offerings. Capitalized software development costs consist of the following at:

	September 30, 2023 (Unaudited)	December 31, 2022
Capitalized Software Development Costs	$ 125,704	$ 125,704
Less: Accumulated Amortization	(125,704)	(125,704)
Capitalized Software Development Costs - net	$ -	$ -

Amortization expense for the three and nine months ended September 30, 2023, was $0. Amortization expense for the three and nine months ended September 30, 2022, was $0 and $10,475, respectively.

NOTE 9. CLOUD COMPUTING SERVICE CONTRACT

In May 2020, we entered into a cloud computing service contract with a vendor. The contract provides for annual payments in the amount of $30,409 and has a term of 5 years. The annual contract payments are capitalized as a prepaid expense and amortized over a twelve-month period.

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Table of Contents

We have incurred implementation costs of $66,857 in connection with the cloud computing service contract which have been capitalized in prepaid expenses and other assets as of September 30, 2023 March 31, 2024. In accordance with ASU No. 2018-15, such implementation costs are being amortized over the remaining contract terms beginning January 1, 2021, which was when the cloud-based service contract was placed in service. Amortization expense for the three and nine months ended September 30, 2023 was March 31, 2024 and 2023 were $3,766 and $11,297, $3,766, respectively. Amortization

NOTE 9. CONVERTIBLE DEBT

In October and November 2023, we entered into a Securities Purchase Agreement (the "SPA") with certain accredited investors (collectively, the "Investors") pursuant to which we agreed to sell and issue to the Investors in a private placement transaction (the "Private Placement") in one or more closings up to an aggregate principal amount of $5,000,000 of Convertible Notes (the "Notes"). As of December 31, 2023, we issued and sold an aggregate of $2,600,000 of Notes to certain Investors pursuant to the SPA.

In October and November 2023, we sold and issued pursuant to the SPA convertible promissory notes (the "Notes") to purchase an aggregate of 2,080,000 shares of common stock at an exercise price of $1.25 per share in exchange for aggregate gross proceeds of $2,600,000. The Notes mature and are due on the fifth anniversary of the issuance date in October and November of 2028. The Notes bear simple interest at a rate of 12% per annum, payable in equal monthly installments. The Notes are convertible into shares of our Common Stock, at the option of the holder, at a conversion price of $1.25 per share, which shall not exceed $1.55 per share. In addition, we can require Investors to convert the Notes at the then current conversion price at any time after 90 days from the issue date if the Common Stock has a closing bid price of $1.55 per share or higher on any twenty (20) days within a thirty (30) day period of consecutive trading days, or if a "fundamental change" occurs (as defined in the Securities Purchase Agreement). The Notes are unsecured and senior to other indebtedness subject to certain exceptions. Interest expense related to the Notes for the three and nine months ended September 30, 2022 March 31, 2024 and 2023 was $3,766 $78,000 and $11,297, $0, respectively.

Amortization of deferred financing costs were $15,620 and $0 for the three months ended March 31, 2024 and 2023, respectively, which has been included with interest expense on the statement of operations.

Table of Contents

Convertible notes consist of the following at:

	March 31, 2024 (Unaudited)	December 31, 2023
Convertible notes	$ 2,600,000	$ 2,600,000
Less: Debt issuance costs	(312,398)	(312,398)
Accumulated amortization	26,032	10,413
Convertible notes, net	$ 2,313,634	$ 2,298,015

NOTE 10. SHAREHOLDERS' EQUITY

Our Board of Directors (the "Board") may, without further action by our shareholders, from time to time, direct the issuance of any authorized but unissued or unreserved shares of preferred stock in series and at the time of issuance, determine the rights, preferences and limitations of each series. The holders of such preferred stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up by us before any payment is made to the holders of our Common Stock. Furthermore, the Board could issue preferred stock with voting and other rights that could adversely affect the voting power of the holders of our Common Stock.

Convertible Series A Preferred Stock

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Our authorized Convertible Series A Preferred Stock, $0.01 par value, consists of 1,000,000 shares. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were 63,750 shares issued and outstanding. The Convertible Series A Preferred Stock is convertible at the rate of one share of Common Stock common stock for one share of Convertible Series A Preferred Stock.

Convertible Series B Preferred Stock

Our authorized Convertible Series B Preferred Stock, $1,000 stated value, 7.5% cumulative dividend, consists of 4,000 shares. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no shares issued and outstanding, respectively. Each share of Convertible Series B Preferred Stock may be converted (at the holder's election) into two hundred shares of our Common Stock.

Common Stock

In January 2022, we issued 51,750 shares of Common Stock valued at approximately $54,000 to members of our Board pursuant to our equity plan (see Note 12).

In January 2023, we issued 60,000 shares of Common Stock valued at approximately $51,000 to members of our Board pursuant to our equity plan (see Note 12).

Stock Options

In January 2022, we issued options to purchase 270,000 shares of Common Stock to Officers at an exercise price of $1.12 per share pursuant to an employment agreement. The options were valued at $297,766 and have a contractual term of 10 years. We utilized the Black-Scholes model to fair value the options received by the Officers with the following assumptions: volatility, 156%; expected dividend yield, 0%; risk free interest rate, 1.65%; and an expected life of 5 years. The grant date fair value of each share of Common Stock underlying the options was $1.03.

Table of Contents

Stock Options

In January 2023, we issued options to purchase 175,000 shares of Common Stock to Officers at an exercise price of $0.85 per share pursuant to an employment agreement. The options were valued at $132,361 and have has a contractual term of 10 years. We utilized the Black-Scholes model to fair value the options received by Officers with the following assumptions: volatility, 139%; expected dividend yield, 0%; risk free interest rate, 3.59%; and an expected life of 5 years. The grant date fair value of each share of Common Stock underlying the options was $0.76.

In January 2023, we issued an option to purchase 35,000 shares of Common Stock to an employee at an exercise price of $0.85 per share pursuant to an employment agreement. The option was valued at $26,472 and have a contractual term of 10 years. We utilized the Black-Scholes model to fair value the options received by our Chief Executive Officer with the following assumptions: volatility, 139%; expected dividend yield, 0%; risk free interest rate, 3.59%; and an expected life of 5 years. The grant date fair value of each share of Common Stock underlying the options was $0.76.

The following table summarizes stock options outstanding as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023

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	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	413,000	$ 1.65	143,000	$ 2.66	617,542	$ 1.38	413,000	$ 1.65
Granted	210,000	0.85	270,000	1.12	-	0.85	217,042	0.82
Exercised	-	-	-	-	(31,250)	0.88	-	-
Expired	(12,500)	0.96	-	-	(6,250)	0.80	(12,500)	-
Outstanding, end of period	610,500	$ 1.10	413,000	$ 1.65	580,042	$ 1.42	617,542	$ 1.38

Options outstanding and exercisable by price range as of March 31, 2024 were as follows:

Outstanding Options		Average Weighted Remaining Contractual Life in Years	Exercisable Options	
Range	Number		Number	Weighted Average Exercise Price
$ 0.71	7,042	3.81	7,042	$ 0.71
$ 0.80	21,250	1.95	21,250	$ 0.80
$ 0.85	210,000	8.83	210,000	$ 0.85
$ 0.96	12,500	0.77	12,500	$ 0.96
$ 1.12	270,000	8.81	270,000	$ 1.12
$ 1.93	10,500	3.81	10,500	$ 1.93
$ 2.16	5,000	1.75	5,000	$ 2.16
$ 4.40	12,500	2.80	12,500	$ 4.40
$ 7.06	31,250	2.50	31,250	$ 7.06
	580,042	6.80	580,042	$ 1.43

Table of Contents

Options outstanding and exercisable by price range as of September 30, 2023 were as follows:

Outstanding Options		Average Weighted Remaining Contractual Life in Years	Exercisable Options	
Range	Number		Number	Weighted Average Exercise Price
$ 0.80	27,500	1.60	27,500	$ 0.80
$ 0.85	210,000	9.33	210,000	$ 0.85
$ 0.88	31,250	0.51	31,250	$ 0.88
$ 0.96	12,500	0.52	12,500	$ 0.96
$ 1.12	270,000	8.56	270,000	$ 1.12
$ 1.93	10,500	3.56	10,500	$ 1.93
$ 2.16	5,000	1.50	5,000	$ 2.16

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$	4.40	12,500		2.55	12,500	$	4.40
$	7.06	31,250		2.00	31,250	$	7.06
		610,500		7.34	610,500	$	1.10

Stock Warrants

The following table summarizes the outstanding common stock warrants as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023 (Unaudited)		December 31, 2022	
	(Unaudited)	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,792,335	$ 2.25	3,381,021	$ 2.22
Granted	-	-	-	-
Exercised	-	-	(31,250)	(0.21)
Expired	(20,238)	(1.73)	(557,436)	(2.23)
Outstanding, end of period	2,772,097	$ 2.25	2,792,335	$ 2.25

Table of Contents

	March 31, 2024		December 31, 2023	
	(Unaudited)	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,772,096	$ 2.25	2,792,335	$ 2.25
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(20,239)	(1.11)
Outstanding, end of period	2,772,096	$ 2.25	2,772,096	$ 2.25

Warrants outstanding and exercisable by price range as of September 30, 2023 March 31, 2024 were as follows:

Outstanding Warrants	Outstanding Warrants		Average Weighted	Exercisable Warrants		Outstanding Warrants			Exercisable Warrants	
Exercise Price	Exercise Price	Number	Remaining Contractual Life in Years	Number	Weighted Average Exercise Price	Exercise Price	Number	Average Weighted Remaining Contractual Life in Years	Number	Weighted Average Exercise Price
$	0.64	31,250	10.15	31,250	$ 0.64	0.64	31,250	9.64	31,250	$ 0.64

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$	0.80	125,000	10.33	125,000	$	0.80	0.80	125,000	9.83	125,000	$	0.80
$	0.96	442,709	9.14	442,709	$	0.96	0.96	442,708	8.73	442,708	$	0.96
$	1.12	6,250	0.65	6,250	$	1.12	1.12	6,250	0.05	6,250	$	1.12
$	1.20	156,250	1.34	156,250	$	1.20	1.20	156,250	0.84	156,250	$	1.20
$	1.68	1,434,721	3.00	1,434,721	$	1.68	1.68	1,434,721	2.50	1,434,721	$	1.68
$	2.18	172,167	3.00	172,167	$	2.18	2.18	172,167	2.50	172,167	$	2.18
$	4.00	28,750	6.57	28,750	$	4.00	4.00	28,750	6.07	28,750	$	4.00
$	6.95	375,000	7.01	375,000	$	6.95	6.95	375,000	7.50	375,000	$	6.95
		2,772,097	5.12	2,772,097	$	2.25						
								2,772,096	4.37	2,772,096	$	2.25

There were no unvested warrants outstanding as of September 30, 2023 March 31, 2024.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Legal Contingencies

We may become a party to litigation in the normal course of business. In the opinion of management, there are no legal matters involving us that would have a material adverse effect upon our financial condition, results of operations or cash flows. In addition, from time to time, we may have to file claims against parties that infringe on our intellectual property.

Product Liability

As of September 30, 2022 and December 31, 2022, there were no claims against us for product liability.

COVID-19 Pandemic

The COVID-19 pandemic has temporarily increased the global demand for disinfection products and services that help prevent the spread and transmission of COVID-19 virus. The Company's products have been identified as an essential disinfectant and decontamination vendor by various agencies and countries, which have materially affected its business and results of operations. The Company experienced a substantial increase in demand for our products and services in 2020 due to the pandemic. Throughout 2021, the Company experienced a reduction of demand due to various factors, including the closure of our major customers' business operations due to the pandemic, which resulted in the suspension of many of its ongoing long-term projects. As the impact of the COVID-19 pandemic began to subside and economic activities gradually return to normal in 2022, customers reallocated their resources elsewhere and reduced their spending on disinfection products, which resulted in lower demand for our products. It is difficult to predict how COVID-19 pandemic will affect the Company's financial performance throughout fiscal year 2023, as the global economy gradually reopens, customers adjust and change their operations, and the Company implements new marketing and sales strategies in response.

Table of Contents

Product Liability

As of March 31, 2024 and December 31, 2023, there were no claims against us for product liability.

NOTE 12. CONTRACTS AND AGREEMENTS

Director Compensation

In January 2023, we increased the annual fee to the non-employee members of our Board to $48,000, to be paid in cash on a quarterly basis, with the exception of the audit committee chairperson, whose annual fee was increased to $54,600, also to be paid in cash on a quarterly basis. Non-

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employee Director compensation also includes the annual issuance of our Common Stock.

For the nine three months ended September 30, 2022, we issued an aggregate of 51,750 shares of Common Stock that were valued at approximately $54,000 to members of our Board.

For the nine months ended September 30, 2023 March 31, 2023, we issued an aggregate of 60,000 shares of Common Stock that were valued at approximately $51,000 to members of our Board.

Manufacturing Agreement

In June 2020, we entered into a manufacturing agreement with Planet Innovation Products, Pty Ltd ("PI"). The agreement does not provide for any minimum purchase commitments and is for a term of three years. The agreement also provides for a warranty against product defects.

Cloud Computing Service Contract

In May 2020 we entered into an agreement with a vendor for a cloud computing service contract. The contract provides for annual payments in the amount of $30,409 and has a term of 5 years. Approximate minimum future payments under the contract are as follows:

Year Ended:	**Amount**	**Amount**
Year Ended:		
July 1 - December 31, 2023	$ -	
December 31, 2024	30,000	
April 1 - December 31, 2024		$ 30,000
December 31, 2025	-	-
Total	$ 30,000	$ 30,000

Table of Contents

NOTE 13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following at:

	September 30, 2023 (Unaudited)	**December 31, 2022**
	March 31, 2024 (Unaudited)	
Commissions	$ 401,258	$ 442,805
Payroll and related costs	159,926	136,000
Director fees	37,650	34,650
Sales Tax Payable	(926)	(1,351)
Accrued warranty (Note 14)	30,000	68,000

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Other accrued expenses	46,459	48,599
Total	$ 674,367	$ 728,703

NOTE 14. ACCRUED WARRANTY

Our manufacturers assume the warranty against product defects from date of sale, which we extend to our customers upon sale of the product. We assume responsibility for product reliability and results. The warranty is generally limited to a refund of the original purchase price of the product or a replacement part. We estimate warranty costs based on historical warranty claim experience.

The following table presents warranty reserve activities at:

	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Beginning accrued warranty costs	$ 68,000	$ 68,000	$ 30,000	$ 68,000
Provision for warranty expense	8,615	24,158	3,962	26,911
Settlement of warranty claims	(46,615)	(24,158)	(3,962)	(64,911)
Ending accrued warranty costs	$ 30,000	$ 68,000	$ 30,000	$ 30,000

NOTE 15. INCOME TAXES

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, our provision for income tax was $0. Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits, which are, on a more likely than not basis, not expected to be realized in accordance with FASB ASC Topic 740, Income Taxes. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we recorded a valuation allowance of $5,941,000 $7,851,000 and $5,332,000, $7,539,000, respectively for the portion of the deferred tax assets that we do not expect to be realized. Management believes that based on the available information, it is more likely than not that the remaining U.S. deferred tax assets will not be realized, such that a full of 100% valuation allowance is required against U.S. deferred tax assets. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

Table of Contents

NOTE 16. CUSTOMER CONCENTRATION

Three Two customers accounted for 55% 37% of net revenue for the three months ended September 30, 2023 March 31, 2024. One customer Two customers accounted for 20% 26% of net revenue for the three months ended September 30, 2022 March 31, 2023.

Three customers accounted for 32% of our revenue for the nine months ended September 30, 2023.

As of September 30, 2023 and December 31, 2022, one customer March 31, 2024 three customers accounted for 16% and 14% 41% of our gross accounts receivable, respectively.

NOTE 17. SUBSEQUENT EVENTS

On November 7, 2023, we entered into a Securities Purchase Agreement (the “SPA”) with certain accredited investors (collectively, the “Investors”) pursuant to which we agreed to sell and issue to the Investors in a private placement transaction (the “Private Placement”) in one or more

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closings up to an aggregate principal amount of $5,000,000 of Convertible Notes (the "Notes"). receivable. As of November 7, 2023 December 31, 2023, we issued and sold an aggregate of $2,600,000 of Notes to certain Investors pursuant to the SPA.

The gross proceeds from the transaction are approximately $2,600,000, before deducting the Placement Agent's fees and other estimated offering expenses. We intend to use the net proceeds from this offering two customers accounted for working capital and other general corporate purposes. The initial closing of the Private Placement occurred on November 7, 2023.

The Notes are due on the fifth anniversary of the issuance date of the Notes and bear simple interest at a rate of 12% per annum, payable in equal monthly installments. The Notes are convertible into shares 27% of our Common Stock, at the option of the holder, at a conversion price of $1.25 per share, which shall not exceed $1.55 per share. In addition, we can require Investors to convert the Notes at the then current conversion price at any time after 90 days from the issue date if the Common Stock has a closing bid price of $1.55 per share or higher on any twenty (20) days within a thirty (30) day period of consecutive trading days, or if a "fundamental change" occurs (as defined in the SPA). The Notes are unsecured and senior to other indebtedness subject to certain exceptions.

The offer and sale of the Notes pursuant to the SPA was not registered under the Securities Act of 1933, as amended (the "Securities Act"), and was exempt from registration pursuant to Section 4(a)(2) thereof and Rule 506(b) promulgated thereunder.

The SPA included customary representations, warranties and agreements by us, customary conditions to closing, indemnification obligations of the Company, certain other obligations of the parties and termination provisions. gross accounts receivable.

Table of Contents

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations (this "MD&A") and other parts of this Quarterly Report on Form 10-Q ("Form 10-Q") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements are not guaranteeing future performance and the TOMI Environmental Solutions, Inc. (the "Company," "TOMI," "we," and "our") actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023, filed with the U.S. Securities and Exchange Commission (the "SEC") on March 16, 2023 April 1, 2024 (the "Annual Report") under the heading "Risk Factors." The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Unless otherwise stated, all information presented herein is based on the Company's fiscal calendar, and references to particular years, quarters, months or periods refer to the Company's fiscal years ended in December and the associated quarters, months and periods of those fiscal years. Each of the terms the "Company" and "TOMI" as used herein refers collectively to TOMI Environmental Solutions, Inc. unless otherwise stated.

The following MD&A should be read in conjunction with the Annual Report filed with the SEC and the condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Form 10-Q.

Quarterly Highlights

Business Update

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During the third first quarter of 2023, 2024, we continued to expand our sales channels pipeline and business development initiatives, collaborate saw increased demand for our CES systems as well as our iHP corporate service. We ended the quarter on a strong note with key customers, our sales backlog of approximately $900,000 which will primarily be recognized into revenue in the second and diversified third quarters of 2024. We also saw positive signals in the market during the first quarter with respect to growth in our product line to support our expanding customer base domestic and the related utilization of our SteraMist technology. international sales pipeline. Our quarter-over-quarter recognized revenue declined as a result did decline because of the timing of customer orders and the related revenue recognition in the current year period. guidelines.

Subsequent Our overall sale volume and sales order activity for the first quarter of 2024 amounted to $2,000,000 which consisted of approximately $1,100,000 in recognized revenue and an approximate sales backlog of $900,000 at the close end of the third quarter of 2023, we agreed to sell and issue convertible notes in a private placement in one or more closings up to an aggregate principal amount of $5,000,000. As of November 7, 2023, we sold and issued an aggregate of $2,600,000 to a group of institutional and accredited investors, most of whom are new investors in the company's securities. The Notes contain no restrictive covenants or restrictions that may impose burdens or limitation on our operations. We intend to use the net proceeds from this offering for working capital, expansion of our existing Frederick facility and other general corporate purposes, including expanding our sales channels through the addition of distributors, outside sale representatives, internal sales staff, and external consultants. quarter.

During Although first quarter sales figures have decreased compared to the third first quarter of 2023, we partnered with Colcom, Inc. are off to offer strong business development in 2024. Our multi-million domestic and international sales pipeline continues to grow, and we anticipate this will lead to growth in our top line revenues for the remainder of 2024 and into 2025.

During the first quarter 2024, we were notified by the Department of Homeland Security, that our SteraMist technology has been included in their Science and Technology Directorate Budget overview for the purchase of 16 SteraMist Environment Systems in the amount of approximately $2,000,000. Our SteraMist technology will be used to support the decontamination of the Plum Island Animal Disease Center.

We continue to think out of the box and find new markets for our SteraMist iHP products as part technology. The biofuel industry is one that has high incentives to attain better alternative biofuel. iHP is very fast and the second strongest oxidizer known to man which may be able to be applied in the conversion of Colcom's life sciences and healthcare portfolio cellulose for biofuels. We are also in the early stages of products. With a combined 50 years of technical sales expertise, Colcom, Inc. joined forces with us under the leadership of Bridget Collins. Established in 1970, Colcom, Inc. is a trusted supplier of high-quality clinical and laboratory equipment. Given its established customer base and extensive expertise marketing our SteraMist technology to be used in the decontamination process in the server farm industry this partnership and data centers. One of the largest areas of new infrastructure spend over the next 1 to 5 years is data centers. Major tech companies will be mutually advantageous. pour $1 trillion into data centers over the next five years. Third-party data centers operators are one of the many beneficiaries of the AI boom. These data centers will need high-level disinfection to maintain levels of cleanliness that is needed to sustain their centers equipment.

In August 2023, the first quarter of 2024, we entered into were invited to submit a business development consulting agreement with DAR, Inc., a company specializing in food safety proposal and food processing spaces. We anticipate the agreement will better position us in providing education apply to the food safety markets Department of Defense to participate in a $3,000,000 grant in connection with mitigation of ethylene oxide sterilization. In May 2024, we submitted our proposal and application to participate in the grant. As DoD SBIR 2024.4 goes through the education process we will keep all shareholders updated. H2D-0222-SteraMist, iHP an innovative solution for mitigation of the advantages of the SteraMist platform of products ethylene oxide and expand our sales channels as well as our customer bases on the food safety markets. a new sustainable and environmentally friendly sterilization process for a safer world.

In September 2023, the first quarter 2024, we entered into saw a sales representative agreement with Universal Disinfection to better facilitate continued increase in demand for our SteraMist iHP service where we saw quarter over quarter growth in the European region in the commercial, aviation and life science markets.

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In November 2023, we entered into a agreement with Patty Olinger the Founder of BEAMS, LLC who specializes in Public Health Preparedness. Patty is also a Director of Frontline Foundation dedicated to protecting American citizens from bioterror threats. In the past she was Assistant Vice President of the Office of Research Administration, and Executive Director of Environmental Health and Safety Office of Emory University Hospital System and most recently the Executive Director of Global Biorisk Advisory Council, a division of ISSA. Patty will assist to strengthen and expand the TOMI SteraMist Network and increase business development in the commercial market. Patty Olinger brings over 20 years' experience establishing executive strategic vision and direction of large institutions and companies spanning multiple industries, including higher education, not-for-profit, healthcare, consultancy, hospitality, and pharmaceutical sectors.

Thus far in 2023, we have brought on and onboarded 8 distributors and 11 sales representatives which has expanded our presence domestically and on an international basis. We anticipate the increased bandwidth of our internal and external sales channels will have a positive impact on our revenue as we close out our current year and heading into 2024.

Our revenue for the nine months ended September 2023 was $5,827,000, which represents 5% growth over what we reported in the same prior year period.

21%. For the three months ended September 30, 2023, March 31, 2024 and 2023, our iHP service revenue was $517,000, up 59% from the same prior year period. Our iHP service revenue for the nine months ended September 30, 2023 was $1,326,000, representing 16% growth when compared to the same prior year period. The increase in revenue was due to higher demand for iHP service revenue. $371,000 and $306,000, respectively.

In August of 2023, Pfizer Rocky Mount engaged our iHP service team to conduct emergency decontamination within their facility, which suffered substantial damage due to a tornado. Pfizer Rocky Mount has been a long-term, loyal client of TOMI, having commenced their utilization of On March 7, 2024, we announced an expansion in its SteraMist iHP Corporate Service contracts with the addition of new partners including the University of Texas and Rising Pharmaceuticals reaffirming its position as a leading provider of decontamination services to corporate clients in 2014. Since then, TOMI has been performing decontamination service twice a year during their facility's routine scheduled shutdowns and called on as necessary throughout the years. life sciences industry.

As Recent developments in the market shifts service decontamination sector, particularly changes within one of our primary competitors, have resulted in an influx of additional leads for our company. We anticipate continued growth in our service decontamination business, with the potential for a significant revenue uptick as we capitalize on the opportunities presented by our competitor's shifts.

Demand for our CES systems continues to fully automatic disinfection and decontamination solutions, TOMI remains actively engaged in marketing and submitting bids grow as well as our portfolio of systems that have been built. In February, we announced the signing of a new contract for a SteraMist iHP Custom Engineered Systems ("CES") projects. We are also diligently working System (CES) installation with existing outstanding potential purchasers while simultaneously building a robust pipeline for these long-term installations. Further, TOMI has expanded our bandwidth California-based life sciences company. The contracted iHP Custom Engineered System (CES) is valued at approximately $600,000. This system, featuring six applicators, will be integrated into a clinical suite, and is expected to meet the increasing demands for the product line, which includes the SteraMist Integration System for enclosures and have successfully navigated the challenges posed be fully installed by the global supply chain issues. end of the third quarter in 2024.

During the third quarter of 2023, we delivered a three (3) applicator CES system to Ragon Institute of MGH, MIT and Harvard for implementation in their research and clinical lab located in Cambridge, MA.

We continue to collaborate with Cellares to integrate our patented technology into the innovative Cell Shuttle, a cutting-edge cell therapy manufacturing solution designed and produced by Cellares. The selection of SteraMist iHP technology brings unparalleled decontamination capabilities, thanks to its small micron particles, which provide distinct advantages in terms of efficacy and safety compared to other commercially available decontamination methods. This strategic integration enhances the overall performance and reliability of the Cell Shuttle, ensuring comprehensive and efficient decontamination processes.

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To date, we have received 15 16 orders for CES systems. With the successful completion of each project, our iHP technology is rapidly gaining popularity as the preferred decontamination solution for pharmaceutical and biotech companies. Further, as we continue to install our technology in new CES projects, the product line evolves into a comprehensive turnkey solution.

Indeed, the timing is favorable as the industry is experiencing a shift towards modular cleanroom requirements. The adaptability and efficiency offered by our iHP technology align perfectly with the changing needs of cleanroom setups. This trend allows us to capitalize on the increasing demand for flexible and scalable cleanroom solutions, further enhancing the relevance and value of our products within the industry.

We believe our growing portfolio of CES systems will give us a competitive edge in the Life Sciences market segment improving our brand recognition. This should create new business and sales opportunities for us. In addition, after our installed CES projects are fully qualified and established for use, and our portfolio grows, we anticipate this will have a positive impact on our long-term recurring BIT solution sales thus providing the potential to enhance our operating margins, further strengthening our position in the industry, and supporting sustainable growth.

In We recently received notification from a U.S. based multinational pharmaceutical company, that two of our CES systems which were delivered in 2022 have been qualified and will go live by the third fourth quarter of 2023, we introduced two new products, the SteraMist Hybrid and SteraMist Transport, to support its ongoing commitment to providing superior disinfection decontamination solutions for our growing customer base.

2024. In August 2023, September 2022, we announced the completion expansion of a study funded by the United States Department of Agriculture ("USDA") our technology into these facilities and the National Institute related estimated amount of Food and Agriculture ("NIFA") annual solution revenue of $250,000 which demonstrated SteraMist iHP as an effective treatment of deformed wing virus ("DWV") contaminated hive substrates. will now be set to begin with the CES systems receiving qualification from our customer.

We During the first quarter we remained active in our marketing initiatives and attended and presented our SteraMist brand of products at various tradeshows, most notably Maryland Tech Council Event: Technology Transformation Conference, National Air Duct Cleaners of America Conference, AORN Surgical Expo, NFMT + Clean Building Expo, Indoor Ag-Con + Grocery and PDA Annual Meeting.

Subsequent to the following tradeshows: close of the first quarter, we announced the company has received the Gold Safety Award from Highwire. The Experience Convention award is presented to TOMI in recognition of the Company achieving a score of between 85-94 on the Highwire Safety Assessment. Highwire's Safety Assessment reviews a company's historic and Tradeshow, National Cancer Institute/Frederick Lab – Tech Showcase, NCAB AALAS Seminar, OR Manager, EMS World current safety performance. The program provides a thorough, objective, and Vizient Connections Summit. consistent evaluation of company performance so clients and contractors can identify, monitor, and mitigate risks more effectively. The results provide a strong indicator of how a contractor values safety and serve as a reliable predictor of future performance.

TOMI's latest venture, the SteraMist Pro Certified (SPC) program, signifies a significant step towards industry excellence. Our aim is to establish a standard that reflects a commitment to continuous improvement, adherence to evolving disinfection and biohazard response norms, and dedication to setting benchmarks in the field.

Central to our mission is ensuring that the SPC program resonates with consumers by placing their needs at the forefront, portraying the certification as user-centric rather than SteraMist-centric. This approach is crucial in garnering recognition and legitimacy for the certification.

Table of Contents

In optimizing our communication, offerings, and requirements, we are prioritizing the categorization of Certification participants: Individuals, Sole Proprietors/Small Businesses, Franchises, and Internal/Departments. This classification will enable us to tailor our approach and support to meet the specific needs and challenges faced by each group. Our TOMI Service Network members and many current customers may fall within these categorizations and all that are eligible will be offered to join the SPC program.

As we move forward, the SteraMist Pro Certified (SPC) program will encompass a comprehensive set of criteria to ensure industry-leading standards. This includes:

1. SteraMist equipment ownership: Demonstrating a commitment to utilizing SteraMist technology for effective disinfection.

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2. Public health commitment: Upholding a dedication to safeguarding public health through rigorous disinfection practices.

3. Training excellence: Ensuring thorough and ongoing training for personnel involved in disinfection procedures.

4. Employee awareness and training: Fostering a culture of awareness and competence among staff regarding disinfection protocols.

5. Equipment maintenance assurance: Guaranteeing the proper maintenance and upkeep of SteraMist equipment to optimize performance.

6. Internal self-audit program: Implementing regular self-assessment processes to monitor and improve disinfection practices.

7. Customer feedback innovation: Embracing customer feedback to drive innovation and enhance service delivery.

8. Continuous improvement documentation: Documenting efforts to continuously enhance disinfection practices and procedures.

9. Environmental sustainability commitment: Incorporating environmentally sustainable practices into disinfection operations.

10. Emergency response plan with risk assessment: Developing comprehensive plans and risk assessments to effectively respond to emergencies.

The SPC program seeks to ensure certified entities are equipped to deliver disinfection decontamination while prioritizing public health, safety, and environmental sustainability.

In evaluating sales related performance, management analyzes our revenue recognized for GAAP purposes which is presented in our quarterly and annual statement of operations as well as our sales orders we receive from customers during those same accounting periods. We define a "sales order" as a document we generate for our internal use in processing a customer order. Our sales orders essentially translate the format of the customer purchase orders we receive from our customers into the format used by us. We also evaluate our "customer sales backlog" which is defined as pending sales orders where revenue has not yet been recognized. Management believes analyzing the sales order and backlog metrics are useful in measuring our overall sales and business development performance as it gauges the overall volume of sales and business development activities.

Table of Contents

Product Development

Our recent products developed and launched are as follows:

SteraMist Engineering continues to make strides collaborating with key manufactures of cleanroom technology and equipment developing a turnkey seamless decontamination integration to chambers, cabinets, passthroughs, isolators, cage washers, heat sterilizers, hot cells and more. TOMI begins this endeavor with a project management, turnkey modular solution, and process design consulting firm that we have partnered with in one of our previous CES projects.

In collaboration with certain partners, TOMI proudly introduced the SteraMist Integration System (SIS) product line tailored for enclosure decontamination. The inaugural offering, the Stand-Alone model, previously recognized as the Select Plus, has swiftly gained traction in the market, particularly catering to the Biosafety Cabinet (BSC) segment. This innovative solution offers customers seamless setup and versatility, making it an ideal choice for spaces necessitating a single-applicator decontamination fog.

We are actively engaged in discussions with numerous manufacturers to ensure the seamless integration of our SIS Manufacturer line. Our efforts are focused on finding the ideal end user in collaboration with our partners to facilitate the development of a comprehensive package. Once finalized, this standardized solution will significantly expand our reach within the Life Sciences sector.

The SteraMist Hybrid, an integral component of the SteraMist Environment System, SteraMist Hybrid is designed with capabilities to communicate with a facility. The system is strategically positioned in a centralized location of the facility through a docking station and features our newly designed permanently mounted stainless steel applicators.

Recently, TOMI successfully installed the first SteraMist Hybrid at Indigo Pharmaceutical, Inc.'s existing research facility, which selected the SteraMist Hybrid because it met the client's strict delivery timeline while adhering to the facility's facility's budget constraints. We remain in specification discussions with Indigo for a Custom Engineered System for a future site dedicated to injectibles. injectables.

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The SteraMist Transport has seen positive reception of its SteraMist Transport unit, an all-in-one dual voltage fogging product designed to treat a wide variety of vehicle sizes with an application time of only 20 minutes per 1,000 cubic foot. feet. The initial batch of this innovative product is currently in a soft launch phase and has been was sold this quarter for live practical assessment with an existing international customer.

The Select Plus ("Select Plus")is a hybrid product consisting of the Company's current Surface Select customer and Environment systems. The unit will provide enhanced flexibility by using a single applicator to decontaminate full-room to small-space volume while maintaining the size of the current Surface Select unit with more robust process controls. The iHP SteraMist Transport System has been designed for the transportation market, specifically ambulances. The iHP SteraMist Transport System is a timer based fogging system that can be installed semi-permanently or permanently and used for any transport and/or cargo vehicle. It will be an easy-to-use turn-key integration system. We expect the implementation of this product and our patented non-corrosive iHP technology to replace the number one competitor in this marketplace, which uses an extremely harsh chemical.

All SteraMist systems will remain important to the marketplace as they are designed for specific needs and budgets. The Select Surface Unit performs most of the functionality that the Select Plus offers and is priced at a lower cost, although Select Plus will provide additional options that are appealing to certain customers, such as laboratory and pharmaceutical companies. The SteraPak is a more cost-effective product and designed for residential and commercial real estate including large buildings and public space, any area that needs quick consistent disinfection. We believe there are many new and existing clients that are interested in the SteraPak due to the cost and mobility. domestic distributor.

TOMI recently launched its fourth generation SteraMist Environment System. The system will now be 24 volts, allowing 24-volt model, allows for universal outlet usage and convert even more of the hydrogen peroxide BIT Solution to hydroxyl radicals thus lowering H_2O_2 PPM levels allowing for faster turnaround time. In addition, the unit will have has eight (8) outputs where four (4) are dedicated to our regular process of constant or pulse Injection, Dwell, and Aeration along with a light beacon status bar and four (4) are programmable to meet the customer needs for any external equipment they may desire to work with the system. This system is currently on the market and remains to be one of our most popular quoted product lines, has been implemented by customers, and is receiving praise for its further developments.

Our SteraMist® BIT™ solution product line is currently made up of a 32-ounce bottle for the SteraPak, a ten (10) liter, five (5) gallon, 55-gallon drum for our custom built-ins and our traditional one (1) gallon bottle. This brings the BIT Solution product line to a total of five (5) options provided to our customers, which will benefit our razor/razor-blade business model.

We expect these new products and service introductions will positively impact our net sales, cost of sales and operating expenses during this fiscal year.

Overview

The Company TOMI Environmental Solutions, Inc. ("TOMI," "we," "our," or the "Company") is a global leader in bacteria decontamination and infectious disease control, company, providing environmental offering environmentally friendly solutions for indoor air and surface decontamination through the manufacturing, sales, service disinfection and licensing of decontamination. Our flagship product, SteraMist, uses our SteraMist® brand of products, including SteraMist® BIT™, patented and registered Binary Ionization Technology ("BIT") to deliver a low percentage low-percentage (7.8%) hydrogen peroxide-based fog or mist that uses Binary Ionization Technology ("BIT™"). Our solution to affect all indoor environments and process are environmentally friendly as the only by-product from our decontamination process is oxygen and humidity. Our solution is organic and is listed in Canada as a sustainably green product with no or very little carbon footprint. Most of our competitors in the disinfection space leave significant by-products and are corrosive. SteraMist is not corrosive, and it does not damage equipment or facilities. surface areas.

Our SteraMist® is a patented technology that produces ionized Hydrogen Peroxide ("iHP™") using cold plasma science created Developed under a grant by from the United States Defense Advanced Research Projects Agency ("DARPA"). Our Environmental Protection Agency, SteraMist

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generates ionized Hydrogen Peroxide ("EPA" iHP") registered BIT™ Solution is composed of using cold plasma science. BIT transforms a low concentration of hydrogen peroxide converted to iHP™ after passing the trade secret blended solution including its sole active ingredient of 7.8% hydrogen peroxide solution into iHP through an a high voltage atmospheric cold plasma arc. The newly formed iHP™ fog and mist consists of arc, producing submicron to 3-micron hydroxyl radical particles that are carried throughout the treatment area in a fog or mist moving effectively treat surfaces and environments with the same velocity and characteristics of a gas. This allows the ionized hydrogen peroxide fog or mist to affect all surfaces Our innovative and air space throughout the targeted treatment area, over, above and beyond the ability novel process ensures eradication of a manual cleaning processes. iHP™ damages pathogenic organisms through the oxidation of proteins, carbohydrates, and lipids. SteraMist® no-touch disinfection and decontamination treat areas mechanically, causing cellular disruptions and/or dysfunctions resulting in pathogens with a 6-log (99.9999%) and greater kill or inactivation of all pathogens rate, effectively leaving no harmful by-products lingering in the treatment treated area. This SteraMist's innovative methodology, inspired from atmospheric chemistry, not only guarantees effectiveness but also maintains a commitment to environmental sustainability by ensuring the only by-product from the process is oxygen and humidity, a science complete package of benefits unmatched in its industry.

We owe our success to the collaborative efforts of Titan Defense and DARPA who uncovered a superior technology that mimics nature's cleansing mechanism, bringing this natural phenomenon indoors providing a competitive edge that exceeds the world needs capabilities of our competition in the healthcare disinfection, life sciences decontamination, and food safety sanitization markets.

The Science Behind the Technology

Introducing a revolutionary approach to follow. This simple disinfection and decontamination, our technology offers a streamlined and effective process-takes solution. By harnessing the power of atmospheric chemistry, our process converts 7.8% hydrogen peroxide and under pressure pushes the liquid through a nozzle in which the stream is met by an atmospheric cold plasma arc which converts the hydrogen peroxide into a plasma created plasma-generated hydroxyl radical, with achieving a 6-log and greater kill. This is a duplication kill of what occurs in atmospheric chemistry and the pathogens leaving only by-product is oxygen and humidity. The world needs to thank Titan Defense, DARPA and of course nature humidity as by-products. It's a simple yet effective solution that sets a new standard for the science behind our technology! global cleaning disinfection decontamination practices.

Under BIT technology was initially developed in response to weaponized anthrax spore attacks, and detailed testing performed by DARPA demonstrated the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"), we are required to register with the EPA and certain state regulatory authorities as a seller of disinfectants. In June 2015, SteraMist® BIT™ was registered with the EPA as a hospital-healthcare disinfectant and general broad-spectrum surface disinfectant for use as a misting/fogging agent. SteraMist® BIT™ now holds EPA registrations (# 90150-2) for mold control, and air and surface remediation (# 90150-1). In February 2016, we expanded our label with the EPA to include Clostridium difficile Spores and MRSA, as well as the influenza (Avian) virus h1n1, which we believe has better positioned us to penetrate all industries including the biodefense and healthcare industry. In August 2017, our EPA label was further expanded to include efficacy against Salmonella and Norovirus. As of January 27, 2017, our technology is one of 53 success of the EPA's "Registered Antimicrobial Products Effective against Clostridium difficile Spores", as published on the EPA's K List. Further, technology in December 2017, SteraMist® was included in the EPA's list G (Norovirus), L (Ebola) neutralizing chemical warfare agents. BIT, a TOMI patented process aerosolizes and M (Avian Flu). In March 2020, our EPA label was further amended to include Emerging Viral Pathogens claims, thus meeting the criteria against Enveloped viruses and Large Non-enveloped viruses and included on List N (Emerging Viral Pathogens including SARS-CoV-2). In 2021, the EPA granted SteraMist® BIT™ 0.35% activates a low concentration hydrogen peroxide EPA registration number 90150-3. On June 2, 2022, SteraMist was included on solution, producing a fine aqueous mist (0.3-3 um in diameter) that contains a high concentration of hydroxyl radicals (".OH"). The .OH damages pathogenic and resistant organisms (such as bacteria, bacteria spores, viruses, mold spores, other fungi, and yeast) via oxidation of proteins, carbohydrates, and lipids and rendering the EPA's List Q for the use building blocks of its BIT solution nature's amino acids, DNA and RNA inactive – leading to help fight the spread of rare or novel viruses such as Monkeypox virus, SARS-CoV-2 and its variants that cause COVID-19. complete cellular disruption.

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SteraMist® BIT™ brings The unique alteration of the chemistry occurs only once BIT solution passes through the atmospheric cold plasma arc, which causes the breaking of the double bond of a hydrogen peroxide molecule and results in an .OH hydroxyl radical known as iHP. This patented process allows these hydroxyl radicals to exist in high concentrations without rapidly recombining and losing reactivity, while seeking all surfaces within the world proximity of the resulting mist or fog.

TOMI has and continues to adapt this innovative technology into an everyday solution for use by multiple industries. Under the Federal Insecticide, Fungicide, and Rodenticide Act ("FIFRA"), we are mandated to register our disinfectants with the Environmental Protection Agency ("EPA") and specific state regulatory bodies. SteraMist BIT was EPA-registered (#90150-2) in June 2015 as a mechanical hospital-healthcare and automated method broad-spectrum surface disinfectant for misting/fogging applications. We achieved a cutting-edge claim on the EPA label and was coined as the first equipment + solution combination hospital-healthcare disinfectant on the market and maintain the claim as the only EPA Registered Solution + Equipment combination that provides the unique technology of cleaning, using a game-changing technology and hydrogen peroxide ionization.

Today our EPA registered Hospital-HealthCare disinfectant, providing BIT solution is manufactured at an upgrade EPA-registered solution blender and our product performance is supported by Good Laboratory Practice ("GLP") efficacy data which includes mold control and air/surface remediation with claims to existing disinfecting combat Staphylococcus, Pseudomonas, MRSA, Salmonella, H1N1, Clostridium difficile spores, and cleaning protocols, while limiting liability in Norovirus. In March 2020, our EPA label was updated to include claims against Emerging Viral Pathogens, meeting criteria for both Enveloped and Large Non-enveloped viruses. In 2021, SteraMist BIT 0.35% hydrogen peroxide received its EPA registration (#90150-3), and on June 2, 2022, SteraMist was added to its seventh EPA's List, List Q for combating rare or novel viruses like Monkeypox virus and SARS-CoV-2 variants causing COVID-19.

TOMI continuous to build its portfolio of feasibility studies with renowned and trusted partners. In 2023, the U.S. Department of Defense's BSAT Biorisk Program Office and the Department of Homeland Security's Science and Technology Directorate's Plum Island Animal Disease Center published a facility when it comes to resistant infectious pathogens. report demonstrating that iHP is an effective tool for decontamination of biological toxoids and dangerous pathogens that may disrupt our world. We maintain this registration registrations in all fifty (50) 50 states, Washington DC, D.C., Canada, and approximately forty (40) 40 other countries that receive countries. These endorsements signify our products. commitment to safeguarding our world against any potential threats.

Markets Industries & Market Segments

Our SteraMist® products are designed to address a wide spectrum of industries. industries using iHP. Our operations consist of five main divisions based on our current target industries: Hospital-HealthCare, Life Sciences, TOMI Service Network ("TSN"), Hospital-HealthCare, TSN, Food Safety, and Commercial.

We continue Launched in sequential order as listed to offer our customers a wide range of innovative mobile products designed to be easily incorporated into their existing disinfection and decontamination procedures and protocols. Our SteraPak, among other product lines, will allow us to progress further into the market share, specifically for our Life Science, Hospital-HealthCare, TSN, and Commercial divisions. Additionally, we offer integrated facility equipment installations known as CES, routine & emergency iHP Corporate Service, essential training packages, validations and qualifications, and onsite performance maintenance requests.

Each of these are structured to either strategically address the unique disinfection and decontamination needs of our customers worldwide regardless of and/or ensure compliance with the specific regulations governing each industry requiring or requesting SteraMist® disinfection decontamination.

A brief overview of the target industries is presented below: segment.

Life Sciences

The SteraMist® Environment System, CES, the SteraMist® Select Surface Unit, Select Surface Unit (Plus), SteraMist Transport System, SteraBox, 90 Degree Applicator and our iHP™ Corporate Service Division, are is designed to be tailored to provide a complete solution to address the regulatory inspections of disinfecting/decontaminating and Installation Qualification (IQ)-Operational Qualification (OQ)–Performance Qualification (PQ) validation processes within the life sciences industry.

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Long term, ongoing projects and validations continue to be a focus and lead to proposals and interest for our CES permanent decontamination room. As these are longer lead-time sales and manufactured upon order that can take months to design, procure, assemble, and install. The continuous use of the systems or purchasing of BIT Solution occurs once the system has been commissioned and validated. We expect installations to have a positive material impact to our results in 2023 and 2024.

[Table of Contents](#)

TOMI's iHP service department continues The life sciences sector demands rigorous decontamination procedures to grow with new ensure the integrity and existing customers in several divisions. In safety of pharmaceutical products, medical devices, and research environments. With the life science sector, TOMI's iHP service department has kept its relationships with large pharmaceuticals, such as Pfizer and ThermoFisher, as well as adding several smaller life science companies, like ForDoz and Lonza, to a regular decontamination schedule. In addition to these productions' facilities, TOMI has treated four (4) BSL-3 research laboratories in all parts evolving landscape of the country within the last two months (UNM/UNC/Bioqual/Scripps). The food safety department steadily gains traction as several plant/produce companies have expressed interest as new and emerging bacteria, toxins, and fungi hamper production. Finally, the commercial division pharmaceutical market, there is a stable source of revenue an increasing demand for TOMI and its service network who are routinely treating public facilities after man-made and natural disasters.

For 2023 and beyond, TOMI expects growth in SteraMist CES bids and the manufacturing and implementation of these fully automated decontamination systems. products that offer quick turnaround times to minimize downtime and expedite production cycles.

The installed CES will also result in increased solution sales for the life sciences division, as industry was among the CES's first to embrace the Company's innovative decontamination solutions, recognizing the limitations of traditional methods and effects on progress. Our current portfolio of life science customers, including Fortune 100 companies has been able to overcome the constraints imposed by outdated practices, paving the way for enhanced efficiency, safety, and productivity in their operations. Their early adoption of our SteraMist iHP lays a solid foundation for our future expansion. By demonstrating the effectiveness and value in a highly regulated and demanding sector, we establish credibility and trust that can facilitate broader adoption across other facilities, companies, and even industries.

The insights gained from working closely with life sciences companies also inform our product development and service offerings, enabling us to better meet the evolving needs of markets. In today's pharmaceutical market, characterized by rapid innovation, stringent regulatory requirements, and global competition-efficiency and speed are used at regular intervals. The first CES system was completed in 2016 for Dana Farber Cancer Institute, as Dana Farber was designing a new vivarium paramount. Pharmaceutical companies, including Contract Development and had the opportunity Manufacturing Organizations ("CDMO"), are under pressure to integrate several new technologies to advance overall efficiency, streamline their operations while maintaining high standards of quality and design. One such technology was compliance.

According to industry statistics, the use of our iHP decontamination. TOMI's CES global pharmaceutical market is projected to grow steadily, with emerging markets playing an automated system increasingly significant role in driving growth. As their operations expand globally, there is a growing need for decontamination solutions that can be fully integrated into any company's infrastructure, enabling decontamination, without burdening manual use deliver consistent fast results across the dynamic and with the collaboration ever-changing landscape of current premier customers manufacturing and partners, TOMI since then has further perfected the system. The CES eliminates issues such as human error, guarantees accuracy that is unmatched by competitors, production facilities and decreases a client's labor cost and downtime, and in a short time the CES may make up a majority of TOMI's revenue. Since its launch, SteraMist's CES has become a leading solution to growing customer demands. research laboratories.

By offering fully automated products and services tailored to the unique requirements of pharmaceutical manufacturers and CDMOs, TOMI aims to support their efforts in maintaining the highest standards of quality, safety, and efficiency on a global scale.

Hospital-Healthcare

The SteraMist® line of products, specifically TOMI focuses on the SteraMist® Surface Unit, SteraMist® Total Disinfection Cart and the SteraMist Transport System, are our main solutions to aid our Hospital-HealthCare customers in Hospital-Healthcare Market by providing high quality of safety to their patients and personnel by disinfecting operating rooms, pharmacies, ambulances, and emergency environments throughout a healthcare facility. TOMI's latest product, the SteraPak®, further assists healthcare communities with an easy-to-use, cordless disinfection solution,

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creating a more mobile solution. Our customers that have successfully adopted our technology in Hospital-Healthcare facilities have recurring revenue and reorder rates of our BIT™ Solution. We plan to continue to expand our marketing, advertising and educational campaigns targeted at the Hospital-Healthcare marketing to grow our customer base and increase adoption of our SteraMist® line of products.

Our team Healthcare facilities worldwide should prioritize disinfection to mitigate the risk of technicians healthcare-associated infections ("HAI"), enhance patient safety, and representatives train, maintain a sterile environment conducive to healing. According to the World Health Organization, HAIs affect millions of patients globally each year, leading to prolonged hospital stays, increased healthcare costs, and service capital equipment throughout the world for our Hospital-HealthCare customers. As our Training and Implementation department expands, we expect continued growth and purchases in our Hospital-HealthCare division. TOMI provides protocol development and implementation of SteraMist® as it is critical in the healthcare setting, including pandemic preparedness. deaths.

TOMI anticipates expansion In 2024, it's estimated that approximately 7-10% of current HealthCare customers patients admitted to follow healthcare facilities worldwide will acquire at least one HAI during their stay. This translates to millions of cases annually, with significant economic burdens and human costs. Furthermore, the model emergence of Gila River Health Care. Gila River is one antimicrobial-resistant pathogens poses a growing threat, exacerbating the challenge of TOMI's largest Healthcare customers owning a total of fourteen (14) Surface Units and eight (8) SteraPak's. The Gila River Indian Community (GRIC) is an Indian reservation infection control in Arizona that is made up of seven (7) districts and is home to the Akimel O'oodham (Pima) and the Pee-Posh (Maricopa) tribes. Gila River Health Care, a premier Native American healthcare system, provides high quality patient care, delivering a wide variety of medical services such as general surgery, dental, and emergency medicine, as well as associated health services such as pharmacy and laboratory operations, skilled nursing, rehabilitation, and medical transport. settings.

Table of Contents

Effective disinfection measures, including the use of advanced technologies like SteraMist, are essential for reducing the incidence of HAIs and safeguarding patient health. By implementing rigorous disinfection protocols, healthcare facilities can significantly reduce the risk of infections, improve patient outcomes, and promote public health, but may also reduce healthcare costs and enhances the overall quality of care provided.

TOMI will intensify its efforts to penetrate the healthcare market by forging strategic partnerships and advocating for the adoption of advanced disinfection technologies. By collaborating with key stakeholders, including healthcare providers, facility managers, group purchasing organizations ("GPO") like Vizient and regulatory bodies, we can promote the integration of SteraMist as a complementary solution to manual cleaning practices. Emphasizing the efficiency, efficacy, and cost-effectiveness of SteraMist in eliminating pathogens and reducing the risk of healthcare-associated infections will be essential in gaining traction in the market. Additionally, investing in targeted marketing campaigns and educational initiatives to raise awareness about the benefits of automated disinfection processes can help overcome resistance to change and accelerate market penetration.

Food Safety TOMI Service Network ("TSN")

New challenges TSN is an expansive network consisting of professionals who are exclusively licensed and trained to food safety will continue to emerge, largely due to changes in our food production, food supply, storage complexities, transportation delays, including more imported foods. Changes use the SteraMist products. With the purchase of SteraMist and joining TSN, TOMI trains and services a wide array of professional remediation companies in the environment leads use of SteraMist throughout the TSN division. TSN allows for increased accessibility and brand awareness of iHP services to food contamination, new facilities in need of local routine and emergent bacteria, toxins, emergency disinfection and antimicrobial resistance. Food Safety presents an opportunity for significant growth for TOMI with continued product research and compliance testing. decontamination.

The food safety industry TSN addressed many cleaning protocols that changed permanently due to the COVID-19 pandemic, and our network plays a significant role in North America facilitating and maintaining these protocols. COVID-19 highlighted the limitations of reactive approaches to cleanliness and hygiene. Recognizing this, TOMI is under closer scrutiny, with now championing a proactive approach to disinfection. While the implementation and enforcement of new and established guidelines. SteraMist® aerosolizing cold plasma technology is an effective decontaminant in

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the food safety industry. SteraMist can assist in compliance with the newly established Food Safety Modernization Act guidelines set in place by the FDA, as well as the Safe Food pandemic may have initially spurred reactive measures, we are advocating for Canadians Act and Safe Food for Canadians Regulations in Canada. Additionally, the current geopolitical aspects of farming and ranching has created an extra layer of concern for the protection of our global limited food supply, as well as for food transportation. a shift towards proactive, ongoing disinfection protocols.

TOMI continues Through consistent and persistent efforts, we are slowly but steadily changing minds across all industries that individuals interact with in their daily lives. By emphasizing the importance of maintaining clean and safe environments as a preemptive measure providing long-term benefits of proactive disinfection in ensuring the health and well-being of their employees, customers, and communities, rather than merely reacting to work with premium companies in testing and validating SteraMist® technology in the food safety and seed industries. In 2022, immediate threats, we made progress in enhancing brand awareness in the food safety industry by are promoting and marketing this division. We are receiving an increase in inquiries within the food safety division directly from these efforts. a culture of preventive healthcare via our TSN.

Food Safety

Every day there are news articles around the world pertaining to the contamination of food supply. Unsafe food containing harmful bacteria, viruses, parasites, or chemical substances causes more than 200 diseases, ranging from diarrhea to cancers. diseases. It also creates a vicious cycle of disease and malnutrition, particularly affecting infants, young children, elderly and the sick. With the global population explosion, severe worldwide avian flu pandemics resulting in the unnecessary culling of bird flocks, unusually high number of accidents resulting in the destruction of dozens of storages, packing and processing food plants, in the U.S. alone, we anticipate an increase in the demand for a mechanical way to disinfect our sanitize the food supply. TOMI, has, in cooperation with the USDA, demonstrated that our technology offers a consistent, quick, and effective alternative to the traditional, decade's old chemical disinfection process.

SteraMist will deliver more consistent and quicker results in all areas of our food supply,- from farm to market, processing to packaging and storage to delivery. We plan on pursuing each of these avenues. With the continued testing and need for the market, coupled with our new .35% label, we believe pursuing these opportunities should be successful. In addition, our solution and process are environmentally friendly, in that the by-products of SteraMist are only oxygen and humidity. We have our solution listed on OMRI and labeled as organic. Most disinfectants leave residue on furniture, objects, and foods. SteraMist does not leave chemical residue on any surface, therefore we have a very low carbon footprint, if any. solution.

Table of Contents

Sanitation procedures must be implemented regularly and effectively to maintain cleanliness and prevent cross-contamination throughout the food processing chain. This includes proper cleaning and sanitizing of food preparation areas, storage facilities, transportation vehicles, and equipment used in food production. New challenges to food safety will continue to emerge, largely due to changes in the environment, new and emergent bacteria, toxins, and antimicrobial resistance. Food Safety presents an opportunity for significant growth for TOMI *Service Network*with continued product research and compliance testing.

The TOMI Service Network, or "TSN," Compliance with food safety regulations is an expansive network consisting of professionals throughout North America who are exclusively licensed essential for food businesses to protect public health, uphold consumer trust, and trained to use the SteraMist® products. With the purchase of SteraMist and joining TSN, TOMI trains and services a wide array of professional remediation companies in the use of SteraMist® throughout the TSN division. TSN allows for increased accessibility and brand awareness of iHP® services to facilities in need of local routine and emergency disinfection and decontamination.

The "TSN" division is addressing the cleaning protocols that have changed permanently due to the COVID-19 pandemic, and our network is expected to play a significant role in facilitating and maintaining these protocols throughout meet legal requirements. Regulatory agencies such as the United States Food and Canada. The urgency for emergency disinfection services is starting to pick up due to employees returning to work Drug Administration ("FDA") and the increasing number European Food Safety Authority, as well as the Canadian Safe Food for Canadians Act and Safe Food, establish and enforce sanitation standards to ensure the safety and quality of contagious variants becoming more of a world concern. Our education the food supply. Failure to comply with sanitation regulations can result in fines, product recalls, legal actions, and support of such services

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that TOMI personnel provide to our members creates an advantage by maintaining strong business relationships while they service thousands of SteraMist® customers, and the world returns damage to the new normal which will always focus on emerging pathogens. reputation of food businesses. Therefore, adherence to sanitation practices is paramount in the food industry to mitigate risks and maintain food safety standards.

Our SteraPak® release is an important factor for this market that In 2023, we believe will increase made significant strides in boosting brand awareness within the new member onboarding. Current members are showing interest food safety industry through targeted promotion and marketing initiatives. Leveraging a similar strategy to what proved successful in purchasing the SteraPak® Life Sciences sector; we focused on building a customer base through referrals and feasibility studies, gradually expanding our reach. By fostering relationships with key supporters of our technology and remaining patient in our approach, we have finally laid a foundation. In 2024, we expect to continue to expand their current SteraMist® offerings. and grow our presence in this critical market segment.

Commercial

In line with adopting a proactive approach through our TOMI Service Network, it's imperative for the entire commercial world to follow suit. Proactive disinfection practices not only ensure the health and safety of employees, customers, and visitors but also safeguard business continuity and reputation. Our Commercial division includes, but is not limited to, use sites such as aviation, airports, police and fire, prisons, manufacturing companies, automobile, military, gymnasiums, cruise ships, shipping ports, preschool education, primary and secondary schools, colleges including dormitories, all modes of public and private transportation, regulatory consulting agencies, retail, housing and recreation, and of course emergency preparedness for counties and cities use of SteraMist throughout such communities.

SteraMist disinfection helps prevent the spread of harmful pathogens, including bacteria and viruses, reducing the risk of illnesses and infections among individuals. This is particularly crucial in shared spaces such as offices, retail stores, and restaurants where people gather regularly. A healthy and safe work environment promotes employee well-being and productivity. By reducing absenteeism due to use SteraMist® throughout their community. illness and creating a comfortable workspace, disinfection measures contribute to a more efficient and effective workforce. For businesses in the service industry, such as hotels, restaurants, and retail stores, providing a clean and hygienic environment is essential for delivering a positive customer experience. Cleanliness influences customer perceptions and can impact loyalty and repeat business. Disinfection helps mitigate the risk of liability claims associated with poor health and safety practices. Implementing proactive disinfection measures can minimize the potential for legal and financial repercussions resulting from health-related incidents.

Table of Contents

TOMI, in conjunction with its partners, collaborators, and industry associations, is proactively educating the community on the importance of preventive disinfection through verbal explanation and visual demonstrations of the impact of maintaining a clean environment. We engage in targeted social media campaigns, offer training programs and workshops on best practices, and share case studies of real-life examples highlighting the long-term benefits in promoting health and safety for a successful business.

By further implementing these strategies and our reach, we can effectively convey the importance of proactive disinfection and inspire action among businesses and individuals to prioritize cleanliness and hygiene in commercial settings.

The Surface Unit Company is committed to further expanding its marketing, advertising, and SteraPak® are popular products for this division, because customers are looking for a more cost-effective solution compared to the current disinfectants on the market. As quick educational campaigns aimed at its customer base and mobile disinfection solution is preferred in this industry, we believe that our Surface Unit, along with the SteraPak®, will generate customer interest and create sales opportunities. Currently, our customers are purchasing our products in all driving adoption of our divisions SteraMist iHP product line across all our industries: Life Sciences, Hospital-Healthcare, TOMI Service Network, Food Safety, and Commercial. We will continue to innovate and develop tailored products to meet the specific needs of each, ensuring seamless implementation and optimal performance. Our dedicated team of technicians and representatives will continue to provide quick disinfection throughout comprehensive training, maintenance, and servicing of capital equipment worldwide, supporting customers in maximizing the benefits of our patented technology. Additionally, TOMI will continue to offer protocol development and implementation services for SteraMist iHP, recognizing its critical role in various sites settings, particularly in their facilities. pandemic preparedness scenarios.

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Business Highlights and Recent Events

Revenues:

Total revenue for the nine three months ended September 30, 2023 March 31, 2024, and 2022, 2023, was $5,827,000 $1,114,000 and $5,527,000, $1,582,000, respectively, representing an increase decrease of $300,000, $468,000, or 5% 30% compared to the same prior year period. The increase decrease in revenue was attributable to higher SteraMist product the timing of customer orders and service revenues. the related revenue recognition.

We believe that we possess the best technologies in the world in the disinfection and decontamination space. The COVID-19 pandemic along with the needs of the pharmaceutical and vivarium space has provided us with to the opportunity and experience to implement a clear strategy to develop and manufacture additional products to add to our portfolio. In addition, we continue to move our BIT technology as a standard in disinfection and decontamination globally. This should lead to increased market share, profitability, and capability strength.

Table of Contents

Our products are an environmentally friendly solution, and our processes address the concerns of sustainability. Customers are requesting and discussing the positive results of our product and the environmentally friendly results compared to the caustic and environmentally unfriendly results of many other disinfectants.

SteraMist has established a successful track record in fighting pandemics and outbreaks and implementing SteraMist for emergency preparedness is vital. The COVID-19 pandemic took the world by surprise, and history has shown that other pandemics and viruses are likely to follow. Using a proven and trusted disinfectant for emergency outbreaks and daily for preventative maintenance, such as SteraMist, can alleviate the threat of infections from spreading and could stop a possible outbreak.

Table of Contents

2023 2024 Events:

On August 3, 2023 February 29, 2024, we announced the signing of a new contract for a SteraMist iHP Custom Engineered System (CES) installation with a California-based life sciences company. The contracted iHP Custom Engineered System (CES) is valued at approximately $600,000. This system, featuring six applicators, will be integrated into a clinical suite, and is expected to be fully installed by the end of the third quarter in 2024.

On March 7, 2024, announced an expansion in its SteraMist iHP Corporate Service contracts with the addition of new partners including the University of Texas and Rising Pharmaceuticals reaffirming its position as a leading provider of decontamination services to corporate clients in the life sciences industry.

On March 11, 2024, we announced a collaboration with Cellares to integrate new groundbreaking study demonstrating the effectiveness of its SteraMist ionized Hydrogen Peroxide (iHP) technology into a cutting edge new cell therapy manufacturing solution, solutions against foot-and-mouth disease virus (FMDV). This significant advancement supports the Cell Shuttle, designed and produced by Cellares. Company's submission for an additional EPA label.

On August 14, 2023, we announced that Pfizer Rocky Mount has engaged TOMI's iHP Corporate Service to conduct emergency decontamination within their facility, which suffered substantial damage due to a recent tornado.

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On September 5, 2023 April 3, 2024, we announced the completion company has received the Gold Safety Award from Highwire. The award is presented to TOMI in recognition of the Company achieving a study funded by score of between 85-94 on the USDA and NIFA which demonstrated SteraMist iHP as an effective treatment of deformed wing virus (DWV) contaminated hive substrates. Highwire Safety Assessment.

On September 13, 2023 April 15, 2024, we announced the expansion our attendance at Interphex 2024 showcasing our new innovations. Interphex 2024 provides an opportunity for a wide range of our distribution channels with Avantor ® (NYSE: AVTR), a Fortune 500 company and a leading supplier of mission-critical products and services.

On September 13, 2023, we announced that we partnered with Colcom, Inc. biotechnology industry leaders to offer SteraMist discover SteraMist's groundbreaking iHP products as part of Colcom's life sciences and healthcare portfolio of products.

On September 29, 2023, we announced the roll out two new products, the SteraMist Hybrid and SteraMist Transport, to support its ongoing commitment to providing superior disinfection decontamination solutions for its growing customer base. technology which was held in New York City on April 16-18, 2024.

Research Studies and Publications: Studies:

TOMI continues to be active in the global market, using registrations to expand sales opportunities. Currently, TOMI is in the registration process for India, and renewal to meet new requirements in the Philippines. Both markets offer excellent potential due to interest in the TOMI suite of decontamination/disinfection and decontamination solutions.

Table of Contents

In the third quarter of 2023, we completed of a study funded by the USDA and the NIFA which demonstrated SteraMist iHP as an effective treatment of deformed wing virus (DWV) contaminated hive substrates.

The study aimed to determine if the use of cold plasma ionized hydrogen peroxide (iHP) can reduce the infectivity of DWV to naïve honey bee pupae. Deformed wing virus (DWV) is a widespread pathogen of Apis mellifera (Western and European) honey bees and contributes to the collapse of established honey bee colonies. Widespread colony collapse could result in a significant decline in the diversity of fresh produce and substantially impact human nutrition on a global scale. Honey bees become infected by interacting with DWV-contaminated beeswax in the hive and it is of critical importance for the USDA and NIFA to identify a non-toxic, quick, and effective disinfection system capable of deactivating latent DWV on hive substrates.

The study utilized a SteraMist Environment System along with TOMI's Binary Ionization Technology (BIT™) solution which was passed through a nozzle that generated an ultra-fine 0.05 – 3-micron particle mist. The mist was then ionized by cold plasma generated between two pin electrodes for a 15-minute application time on aliquots or sub-sample of a larger whole of phosphate-buffered saline solution either with or without deformed wing virus (DWV). The aliquots were then injected into naïve honey bee pupae, which were allowed to progress for three days prior to DWV content analysis.

The findings confirmed the efficacy of iHP as a fast and effective method for pathogen decontamination of deformed wing virus in honey bee substrate. The development of infection in honey bees injected with DWV-positive aliquots treated with ionized hydrogen peroxide (iHP) was statistically significantly reduced compared to the infection levels in honey bees injected with the DWV-positive aliquots without SteraMist treatment. Additionally, iHP treatment was found to achieve higher levels of DWV inactivation at a substantially shorter treatment duration when compared to ethylene oxide treatment or gamma irradiation. SteraMist's non-toxic properties provide further environmental advantages as ethylene oxide and gamma irradiation have potential risks, including toxicity to users and harmful byproducts. Treatment of DWV-contaminated hive substrates with iHP, even with honeybees present, may be an effective way to decrease the impacts of DWV infection on honey bees.

TOMI is in the annual process of self-audit, where all SOPs are reviewed and updated as needed, and all compliments and complaints and requests for changes and changes/new equipment are evaluated.

TOMI has successfully completed a second 24-month storage stability, this one to meet EPA requirements (first one was for EU BPR submission and had different methods/requirements). With the patented 7.8% product, Binary Ionization Technology Solution is safe to ship by air and

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store under normal ambient conditions around the world. conditions. The study will be submitted for EPA review, and expiration date extended going forward upon the EPA's EPA approval.

The EPA has registered our 0.35% hydrogen peroxide product (90150-3) for the use in greenhouses, pre harvests and post harvests. TOMI is conducting internal studies with the 0.35% on common pathogens in the food safety market to enhance protocols. TOMI has begun the process of registering the 0.35% BIT Solution with individual states in the United States in preparation of growth in the cannabis market.

We continue to pursue acceptance of the additional 1% hydrogen peroxide label with the EPA for direct food application. While TOMI continues to pursue the market for these two EPA registrations, we have partnered and conducted other food safety trials which have shown success in the market.

Table of Contents

Recent SteraMist food safety customers and partners are conducting further studies to prove SteraMist in the industry. Soli Organic Inc., one of the nation's largest commercial indoor organic growing companies, obtained multiple SteraMist systems to protect their controlled indoor growing food process from costly fungus, Botrytis. The combination of all SteraMist systems purchased will be used daily, on a continuous cycle, to disinfect everything from seed trays that the soil and plants sit in, to and the plants themselves.

Analysis concluded dramatic reduction in fungal growth, mold spores, and yield loss from environmental bio-loads, with notable efficacy against Alternaria, a species causing 20% yield loss in all annual vegetable production. Levels went from high/medium to non-existent/nondetectable with the following spores: Alternaria (Ulocladium), Aspergillus/Penicillium, Acremonium++, and Botrytis.

SteraMist is also working with a few partners in the cannabis industry. Enviro-Mist has been testing cannabis flower incubated with Aspergillus flavus, Aspergillus fumigatus, Aspergillus niger, Aspergillus terreus, Escherichia Coli, Shigella Spp, Salmonella, Staphylococcus aureus, yeasts and molds and subsequently treated using ionized Hydrogen Peroxide (iHP) to the dried material. Potency results of the cannabis plant were not affected, and no additional residual solvents were found. The process was successful in complete remediation of all microbial contaminants. Another partner TOMI is working with has proven SteraMist that SteraMist has reduced microbial count on cannabis flower from 400cfu/g to non-detectable without affecting the level of THC. SteraMist continues to penetrate the market with additional studies and bringing on premier clients.

In August 2023, we announced the completion of a study funded by the USDA and the National Institute of Food and Agriculture ("NIFA") which demonstrated SteraMist iHP as an effective treatment of deformed wing virus ("DWV") contaminated hive substrates.

In 2024, we will continue to use research and testing to inform the marketplace of the effectiveness of our products. One goal of TOMI is to make SteraMist a recommended best practice to minimize emergency responder exposures to synthetic opioids, including fentanyl and fentanyl analogs.

We are also investigating whether SteraMist can play a role in controlling the environmental impact from perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA). These substances and group of chemicals have been released to the environment through industrial manufacturing and through the use and disposal of PFAS containing products. As a result, they are found across all trophic levels in the soil, air, and groundwater at sites across the United States and the rest of the world.

On April 26, 2023, we announced that approximately 20 billion medical devices are sterilized per year with Ethelene oxide and a proposal restriction restricting its usage could create a significant market void that may be filled with alternative sterilization processes such as TOMI's patented Binary Ionization Technology ® (BIT™) Technology.

Table of Contents

On March 14, 2024, the New York Times published an article "E.P.A. Sets Limits on Carcinogenic Gas Used to Sterilize Medical Devices" which stated,

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The Environmental Protection Agency is imposing new restrictions on the emissions of ethylene oxide, a colorless gas that is widely used to sterilize medical devices and is also a carcinogen.

The regulation, which is expected to be finalized shortly, would force sterilizing plants and other facilities that use ethylene oxide to install pollution controls to reduce emissions of the gas by about 90 percent.

It would mark the first time in 20 years that the government has tightened limits on the amount of the gas permitted to escape from a manufacturing facility.

Ethylene oxide is used in a number of products but is applied to about half the medical equipment made in the United States to reduce the risk of infection.

When inhaled, the gas can irritate the eyes, nose, throat and lungs, and has been linked to lymphoid and breast cancer as well as damage to the brain and nervous and reproductive systems.

It is still very early in the process, but this could lead to opportunities in large manufacturing faculties that would have a need for our custom unit built-ins in the manufacturing of medical equipment to replace ethylene oxide, as SteraMist's only by-product environmentally is humidity and oxygen.

In the first quarter of 2024, we were invited to submit a proposal and apply to the Department of Defense to participate in a $3,000,000 grant in connection with mitigation of ethylene oxide a known carcinogenic. In May 2024, we submitted our proposal and application to participate in the grant.

Registrations & Intellectual Property (IP):

Our success depends in part upon our ability to obtain and maintain proprietary protection for our products and technologies. We protect our technology and products by, among other means, obtaining United States and foreign patents. There can be no assurance, however, that any patent will provide adequate protection for the technology, system, product, service or process it covers. In addition, the process of obtaining and protecting patents can be long and expensive. We also rely upon trade secrets, technical know-how, and continuing technological innovation to develop and maintain our competitive position.

As part of our intellectual property protection strategy, we have registered our BIT™ solution with the EPA, all fifty (50) 50 states in the United States, and multiple countries worldwide. We have received or are in the process of receiving Conformité Européene ("CE") marks in the European Economic Area ("EEA") and are approved by Underwriters Laboratory ("UL").

Our portfolio includes more than twenty-four (24) 25 Utility or Design Patents worldwide which expire at various dates through the year 2038 for both method and system claims on SteraMist® BIT™, as well as design of devices. We continue to pursue further claims to additional capabilities in on-going United States and worldwide patent applications. We have obtained three related United States utility patents, giving us protection of our technology until the year 2038. We have obtained utility patents for our technologies in diverse countries such as Brazil, Japan, Korea, Israel, Australia, Taiwan, Canada, Mexico, Europe, Singapore, New Zealand, and, currently pending, in the UK, and continue to pursue protections all over the world.

We have submitted utility patent applications in multiple jurisdictions and countries, including Europe, China, Brazil, Korea and Australia for further additional applications of SteraMist BIT, and a related application has already been determined novel and inventive in Taiwan, Japan, Israel, New Zealand, Australia and Singapore. We have recently filed new patent pending applications on novel uses and enhancements of our technology in the United States. We have been awarded a design patent on our surface-mounted applicator device in the United States, China, Japan, Taiwan, and Korea. We have filed and have been granted or have pending acceptance on thirty-two (32) 32 separate design patents for our: Decontamination Chamber(s), Decontamination Applicator, Decontamination Cart, Applicator, and Surface Mounted Applicator 90-Degree Device. These patents are published around the world, including but not limited to the United States, China, Hong Kong, Europe, United Kingdom, Singapore, Taiwan, Vietnam, Canada, South Korea, and Japan. We are also pursuing IP protection for further applications of our SteraMist BIT in diverse fields in multiple jurisdictions, such as food decontamination and, in installed systems for the application of iHP for the protection of buildings post outbreak or after a biological attack. With worldwide attention on the etiology of SARs CoV2 coming from a lab leak, attention on the prevention and control of a leak or

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mishap should be on the mind of all the biological labs managers around the world. The fact that iHP and our BIT platform can be incorporated in a new or existing buildings to create an “immune building” should assist in further lab applications of SteraMist in the biosecurity industry in the future. In particular, our Our current patents with claims to systems already serve to provide protection for our technology in this area and our on-going pending applications will further enhance the scope of our intellectual property.

Our products are sold around the world under various brand names and trademarks. We consider our brand names and trademarks to be valuable in the marketing of our products. As of today, we have over two hundred trademarks or trademark applications, (word and/or logo) registered or pending across the globe. TOMI registers marks in eight (8) classes of specification of goods and services: Class 1 for Chemicals for Treating Hazardous Waste, Class 5 for Disinfectants, All-Purpose for Hard Surfaces and for Treating Mold, Class 7 for Handheld Power Operated Spraying Machines, Class 11 for Sterilizers for Medical Use and Air Purification, Class 35 for Business Consultation and Management Services, Class 37 for General Disinfecting Services, Class 40 for Chemical Decontamination and Manufacturing Services, and Class 41 for Providing Education Training and information related to biological and bacterial decontamination services. Recently, we have expanded our trademark protection into India.

Financial Operations Overview

Our financial position as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, was as follows:

	September 30, 2023 Unaudited	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Total shareholders’ equity	$ 9,481,000	$ 11,448,000	$ 7,076,000	$ 8,359,000
Cash and cash equivalents	$ 1,411,000	$ 3,867,000	$ 1,093,000	$ 2,339,000
Deferred Revenue	$ -	$ 700,000	$ 14,000	$ -
Accounts receivable, net	$ 2,368,000	$ 2,772,000		
Accounts receivable – Current, net			$ 2,116,000	$ 2,430,000
Inventories	$ 4,482,000	$ 4,496,000	$ 4,646,000	$ 4,627,000
Prepaid expenses	$ 442,000	$ 338,000	$ 384,000	$ 371,000
Vendor Deposits	$ 90,000	$ 447,000	$ 124,000	$ 29,000
Other Receivables	$ 164,000	$ 164,000	$ 164,000	$ 164,000
Accounts receivable – Long Term, net			$ 206,000	$ 206,000
Current liabilities – Excluding Deferred Revenue	$ 2,036,000	$ 2,591,000	$ 1,942,000	$ 2,058,000
Long-term liabilities	$ 673,000	$ 761,000		
Long-term liabilities – Convertible Notes			$ 2,314,000	$ 2,298,000
Long-term liabilities – Other			$ 612,000	$ 643,000
Working Capital	$ 6,921,000	$ 8,844,000	$ 6,571,000	$ 7,903,000

Table of Contents

During the nine three months ended September 30, 2023 March 31, 2024, our debt and liquidity positions were affected by the following:

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	For The Three Months Ended September 30,		Change	For The Nine Months Ended September 30,		Change
	2023	2022	$	2023	2022	$
Revenue, Net	$ 1,470,000	$ 1,760,000	$ (290,000)	$ 5,827,000	$ 5,527,000	$ 300,000
Gross Profit	809,000	1,071,000	(262,000)	3,450,000	3,413,000	37,000
Total Operating Expenses (1)	1,710,000	1,725,000	(15,000)	5,629,000	5,589,000	40,000
Income (Loss) from Operations	(901,000)	(654,000)	(247,000)	(2,179,000)	(2,176,000)	(3,000)
Total Other Income (Expense)	-	-	-	1,000	1,000	-
Provision for (benefit from) Income Taxes	-	-	-	-	-	-
Net Income (Loss)	$ (901,000)	$ (654,000)	(247,000)	$ (2,178,000)	$ (2,175,000)	(3,000)
Basic Net Income (Loss) per share	$ (0.05)	$ (0.03)	$ (0.01)	$ (0.11)	$ (0.11)	$ 0.00
Diluted Net Income (Loss) per share	$ (0.05)	$ (0.03)	$ (0.01)	$ (0.11)	$ (0.11)	$ 0.00

. Net cash used in operations of approximately $1,178,000.

· Net cash used in operations of approximately $2,362,000.

Results of Operations for the Three and Nine Months Ended September 30, 2023 March 31, 2024 Compared to the Three and Nine Months Ended September 30, 2022 March 31, 2023:

	For The Three Months Ended September 30,		Change	For The Nine Months Ended September 30,		Change
	2023	2022	$	2023	2022	$
Sales, net	$ 1,470,000	$ 1,760,000	$ (290,000)	$ 5,827,000	$ 5,527,000	$ 300,000

	For The Three Months Ended March 31,		Change
	2024	2023	$
Revenue, Net	$ 1,114,000	$ 1,582,000	$ (468,000)
Gross Profit	671,000	941,000	(270,000)
Total Operating Expenses (1)	1,897,000	2,129,000	(232,000)
Income (Loss) from Operations	(1,226,000)	(1,188,000)	(38,000)
Total Other Income (Expense)	(84,000)	1,000	(85,000)
Provision for (benefit from) Income Taxes	-	-	-
Net Income (Loss)	$ (1,310,000)	$ (1,187,000)	(123,000)
Basic Net Income (Loss) per share	$ (0.07)	$ (0.06)	$ (0.01)
Diluted Net Income (Loss) per share	$ (0.07)	$ (0.06)	$ (0.01)

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Revenue

Total revenue for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $1,470,000 $1,114,000 and $1,760,000, $1,582,000, respectively, representing a decrease of $290,000 $486,000 compared to the same prior year period. For the nine months ended September 30, 2023 and 2022, our total The decrease in revenue was $5,827,000 and $5,527,000, respectively, representing an increase of $300,000, compared attributable to the same prior year period. timing of customer orders and the related revenue recognition.

As customers mature through the product and adoption cycle and our sales pipeline converts to revenue, we expect to generate more predictable sales quarter over quarter. Further, as the COVID-19 pandemic has ended, subsided, we are implementing new strategies to generate expect that the demand for our products and services will continue as we are building a team to address the post COVID-19 pandemic market opportunities.

Product and Service Revenue

	For The Three Months Ended September 30, 2023	2022	Change $	For The Nine Months Ended September 30, 2023	2022	Change $
SteraMist Product	$ 953,000	$ 1,435,000	$ (482,000)	$ 4,501,000	$ 4,448,000	$ 53,000
Service and Training	517,000	325,000	192,000	1,326,000	1,079,000	247,000
Total	$ 1,470,000	$ 1,760,000	$ (290,000)	$ 5,827,000	$ 5,527,000	$ 300,000

Table of Contents

Product and Service Revenue

	For The Three Months Ended March 31, 2024	2023	Change $
SteraMist Product	$ 743,000	$ 1,276,000	$ (533,000)
Service and Training	371,000	306,000	65,000
Total	$ 1,114,000	$ 1,582,000	$ (468,000)

SteraMist Product-based revenues for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, were $953,000 $743,000 and $1,435,000, $1,276,000, representing a decrease of $482,000 $533,000 when compared to the same prior year period. The decline in revenue was attributable to the lower equipment revenue in the current year period as a result of the timing of customer orders and the related revenue recognition.

SteraMist Product based revenues for the nine months ended September 30, 2023 and 2022, were $4,501,000 and $4,448,000, representing an increase of $53,000 when compared to the same prior year period. The increase in product-based revenue was attributable to higher equipment sales which were recognized into revenue in the current year period.

Our service-based revenue for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was $517,000 $371,000 and $325,000, $306,000, respectively, representing an increase of $192,000. For the nine months ended September 30, 2023 and 2022, our service-based revenue was $1,326,000 and $1,079,000, representing an increase of $247,000 when compared to the same prior period in 2022. $65,000. The increase in service revenue was due to higher demand in the current year period.

Revenue by Geographic Region

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	For The Three Months Ended September 30, 2023	2022	Change $	For The Nine Months Ended September 30, 2023	2022	Change $	For The Three Months Ended March 31, 2024	2023	Change $
United States	$ 1,271,000	$ 1,632,000	$ (361,000)	$ 5,001,000	$ 4,436,000	$ 565,000	$ 662,000	$ 1,128,000	$ (466,000)
International	199,000	128,000	71,000	826,000	1,191,000	(365,000)	452,000	454,000	(2,000)
Total	$ 1,470,000	$ 1,760,000	$ (290,000)	$ 5,827,000	$ 5,627,000	$ 200,000	$ 1,114,000	$ 1,582,000	$ (468,000)

Our domestic revenue for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 was $1,271,000 $662,000 and $1,632,000, $1,128,000, respectively, a decrease of $361,000, $466,000, when compared to the same prior year period. For the nine months ended September 30, 2023 and 2022, our domestic revenue was $5,001,000 and $4,436,000, representing an increase of $565,000 when compared to the same prior period in 2022. Our domestic product-based revenue increased due to higher domestic demand for our equipment and iHP services.

Internationally, our revenue for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, was approximately $199,000 $452,000 and $128,000, $454,000, respectively, representing an increase a decrease of $71,000 $2,000 when compared to the same prior year period. For the nine months ended September 30, 2023 and 2022, our international revenue was $826,000 and $1,191,000, representing a decline of $365,000 when compared to the same prior period in 2022. The decline in international sales is due to the timing of orders placed by distributors and the timing and onboarding of new foreign distributors.

Table of Contents

Cost of Sales

	For The Three Months Ended September 30, 2023	2022	Change $	For The Nine Months Ended September 30, 2023	2022	Change $
Cost of Sales	$ 661,000	$ 689,000	$ (28,000)	$ 2,376,000	$ 2,114,000	$ 262,000

	For The Three Months Ended March 31, 2024	2023	Change $
Cost of Sales	$ 443,000	$ 641,000	$ (198,000)

Cost of sales was $661,000 $443,000 and $689,000 $641,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, a decrease of $28,000, $198,000, compared to the prior year. The decrease in cost of sales was primarily due to the lower sales. Our gross profit as a percentage of sales for the three months ended September 30, 2023 March 31, 2024 was 55% 60% compared to 61% 59% in the same prior period, respectively. The lower gross profit is attributable to the product mix in sales.

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Cost of sales was $2,736,000 and $2,114,000 for the nine months ended September 30, 2023 and 2022, respectively, an increase of $262,000, compared to the prior year. The primary reason for the increase in cost of sales is attributable to higher revenue in the current period. Our gross profit as a percentage of sales for the nine months ended September 30, 2023 was 59% compared to 62% in the same prior period, respectively. The lower gross profit is attributable to the product mix in sales.

Table of Contents

Professional Fees

	For The Three Months Ended September 30, 2023	For The Three Months Ended September 30, 2022	Change $	For The Nine Months Ended September 30, 2023	For The Nine Months Ended September 30, 2022	Change $
Professional Fees	$ 208,000	$ 106,000	$ 102,000	$ 457,000	$ 392,000	$ 65,000

	For The Three Months Ended March 31, 2024	For The Three Months Ended March 31, 2023	Change $
Professional Fees	$ 198,000	$ 137,000	$ 61,000

Professional fees are comprised mainly of legal, accounting, and financial consulting fees.

Professional fees were $208,000 $198,000 and $106,000 $137,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, an increase of approximately $102,000, $61,000, in the current year period. The increase in professional fees was primarily due to the timing of recurring higher legal fees we incurred in connection with our current year proxy distributor and shareholder meeting in the current year period. OEM agreements.

Professional fees were $457,000 and $392,000 for the nine months ended September 30, 2023 and 2022, respectively, an increase of approximately $65,000, in the current year period. The increase in professional fees was due to the timing of recurring legal fees incurred in connection with our current year proxy and shareholder meeting in the current year period.

Table of Contents

Depreciation and Amortization

	For The Three Months Ended September 30, 2023	For The Three Months Ended September 30, 2022	Change $	For The Nine Months Ended September 30, 2023	For The Nine Months Ended September 30, 2022	Change $
Depreciation and Amortization	$ 94,000	$ 83,000	$ 11,000	$ 273,000	$ 248,000	$ 25,000

	For The Three Months Ended March 31, 2024	For The Three Months Ended March 31, 2023	Change $
Depreciation and Amortization	$ 78,000	$ 89,000	$ (11,000)

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Depreciation and amortization were approximately $94,000 $78,000 and $83,000 $89,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, representing an increase a decrease of $11,000.

Depreciation and amortization were approximately $273,000 and $248,000 for the nine months ended September 30, 2023 and 2022, respectively, representing an increase of $25,000.

The increase decrease in depreciation expense is due to a higher lower amount of fixed assets being depreciated in the current year periods when compared to the same prior year periods.

Selling Expenses

	For The Three Months Ended September 30,		Change	For The Nine Months Ended September 30,		Change
	2023	2022	$	2023	2022	$
Selling Expenses	$ 283,000	$ 365,000	$ (82,000)	$ 1,161,000	$ 1,272,000	$ (111,000)

	For The Three Months Ended March 31,		Change
	2024	2023	$
Selling Expenses	$ 289,000	$ 377,000	$ (88,000)

Selling expenses for the three months ended September 30, 2023 March 31, 2024 were approximately $283,000, $289,000, as compared to $365,000 $377,000 for the quarter ended September 30, 2022 March 31, 2023, representing a decrease of approximately $82,000. $88,000. The decline in selling expenses is due to lower sales commission incurred in the current year period payroll costs due to less sales generated by third party representatives and lower tradeshow costs incurred in the current year period.

Selling expenses for the nine months ended September 30, 2023 were approximately $1,161,000, as compared to $1,272,000 for the quarter ended September 30, 2022, representing a decrease of approximately $111,000. The decline in selling expenses is due to lower sales commission incurred in the current year period due to less sales generated by third party representatives.

Research and Development

	For The Three Months Ended September 30,		Change	For The Nine Months Ended September 30,		Change
	2023	2022	$	2023	2022	$
Research and Development	$ 76,000	$ 118,000	$ (42,000)	$ 221,000	$ 255,000	$ (34,000)

Research and development expenses for the three months ended September 30, 2023 were approximately $76,000, as compared to $118,000 for the quarter ended September 30, 2022, representing a decrease of approximately $42,000. The decline in research and development expenses is due to the timing projects that occurred in the prior period which did not recur in the same reduced employee headcount current year period.

[Table of Contents](#)

Research and Development

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	For The Three Months Ended March 31, 2024	2023	Change $
Research and Development	$ 68,000	$ 71,000	$ (3,000)

Research and development expenses for the nine three months ended September 30, 2023 March 31, 2024 were approximately $221,000, $68,000, as compared to $255,000 $71,000 for the quarter ended September 30, 2022 March 31, 2023, representing a decrease of approximately $34,000. The decline in research and development expenses is due to the timing projects that occurred in the prior period which did not recur in the same current year period. $3,000.

Consulting Fees

	For The Three Months Ended September 30, 2023	2022	Change $	For The Nine Months Ended September 30, 2023	2022	Change $
Consulting Fees	$ 44,000	$ 43,000	$ 1,000	$ 189,000	$ 146,000	$ 43,000

	For The Three Months Ended March 31, 2024	2023	Change $
Consulting Fees	$ 114,000	$ 75,000	$ 39,000

Consulting fees were $44,000 $114,000 and $43,000 $75,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, representing an increase of $1,000, in the current quarter period.

Consulting fees were $189,000 and $146,000 for the nine months ended September 30, 2023 and 2022, respectively, representing an increase of $43,000, $39,000, in the current quarter period. The increase in consulting fees is due to the timing of certain additional business development-related consulting projects and consulting engagements that which occurred in the current year period that did not occur in the same prior year period.

General and Administrative Expense

	For The Three Months Ended September 30, 2023	2022	Change $	For The Nine Months Ended September 30, 2023	2022	Change $
General and Administrative	$ 1,005,000	$ 1,009,000	$ (4,000)	$ 3,329,000	$ 3,277,000	$ 52,000

	For The Three Months Ended March 31, 2024	2023	Change $
General and Administrative	$ 1,151,000	$ 1,381,000	$ (230,000)

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General and administrative expenses include salaries and payroll taxes, rent, insurance expense, utilities, office expense, product registration costs, equity compensation and bad debt expense.

General and administrative expenses were $1,005,000 $1,151,000 and $1,009,000 $1,381,000 for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, a decrease of $4,000 in the current period.

General and administrative expense was $3,329,000 and $3,277,000 for the nine months ended September 30, 2023 and 2022, respectively, an increase of $52,000 $230,000 in the current period. The increase in general and administrative expenses was decline is attributable to higher headcount and lower equity based on compensation in the related wage and employment expenses. current year period as well a charge associated with shares issued to our board of directors in the prior period which did not reoccur in the current year period.

Table of Contents

Other Income and Expense

	For The Three Months Ended March 31,		Change
	2024	2023	$
Interest Income	10,000	1,000	9,000
Interest Expense	(94,000)	-	(94,000)
Other Income (Expense)	$ (84,000)	$ 1,000	$ (85,000)

Interest income was approximately $10,000 and $1,000 for the three months ended March 31, 2024 and 2023, respectively.

Interest expense was $94,000 and $0 for the three months ended March 31, 2024 and 2023, respectively. The interest expense is attributable to the convertible notes.

Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of approximately $1,411,000 $1,093,000 and working capital of $6,921,000. $6,571,000. Our principal capital requirements are to fund operations, invest in research and development and capital equipment, and the continued costs of compliance with public company reporting requirements. We have historically funded our operations through funds generated through operations and debt and equity financings. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and may include operating and financial covenants that would restrict our operations. We cannot be certain that any financing will be available in the amounts we need or on terms acceptable to us, if at all.

For the three months ended March 31, 2024 and 2023, we incurred losses from operations of ($1,226,000) and ($1,188,000), respectively. Cash used in operations for the three months ended March 31, 2024 and 2023 was ($1,178,000) and ($1,363,000), respectively

A breakdown of our statement of cash flows for the three months ended March 31, 2024 and 2023 is provided below:

	For the three Months Ended March 31,	
	2024	2023
Net Cash Provided By (Used) in Operating Activities	$ (1,178,000)	$ (1,363,000)
Net Cash Used in Investing Activities	$ (95,000)	$ (34,000)
Net Cash Provided By Financing Activities:	$ 28,000	-

Table of Contents

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Operating Activities

Cash used in operations for the three months ended March 31, 2024 and 2023 was $1,178,000 and $1,363,000, respectively.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2024 and 2023 was $95,000 and 34,000, respectively. The increase was attributable to higher property and equipment purchased in the current year period.

Financing Activities

Cash provided by financing activities for three months ended March 31, 2024 and 2023 was $27,500 and $0, respectively. The increase is attributable to the proceeds from the exercise of stock options.

Liquidity

Our revenues can fluctuate due to the following factors, among others:

- ramp up and expansion of our internal sales force and manufacturer's representatives;
- length of our sales cycle;
- global and regional response to the outbreak of infectious diseases;
- expansion into new territories and markets; and
- timing of orders from distributors.

We could incur operating losses and an increase of costs related to the continuation of product and technology development, sales expense as we continue to grow our sales teams, inventory as we continue to ensure we have products needed and geographic presence, tooling capital expenditures as we ramp up and streamline our production and administrative activities including compliance with the Sarbanes-Oxley Act of 2002 Section 404.

Management has taken and will endeavor to continue to take a number of actions in order to improve our results of operations and the related cash flows generated from operations in order to strengthen our financial position, including the following items:

- expanding our label with the EPA to further our product registration internationally;
- continued expansion of our internal sales force and manufacturer representatives in an effort to drive global revenue in all verticals;
- continue research and development and add new products to our "Stera" product line;
- source alternative lower-cost suppliers;
- expansion of international distributors; and
- continued growth in all of our verticals.

During 2022 and 2023, we experienced increased demand for our CES where we collect deposits upon the execution of the contract. The deposits we receive fund the production for the CES and improve our overall liquidity through the duration of the project. We believe our sales for our CES will continue to grow in 2024 and improve our financial results from a liquidity perspective as well as improve our operating margins due to the higher recurring solution sales we see for our CES system.

[Table of Contents](#)

We expect that the cash we generate from our core operations will generally be sufficient to cover our future capital expenditures and to pay down our near-term debt obligations.

We believe that our existing balance of cash and cash equivalents and amounts expected to be provided by operations will provide us with sufficient financial resources to meet our cash requirements for operations, working capital and capital expenditures over the next twelve months. See Footnote 2 to the Financial Statements. We may consider financing transactions to fund our operations if opportunities arise. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures. Debt financing would also result in fixed payment obligations.

We believe strongly that the current and historical trading prices of our Common Stock is depressed and does not reflect the actual valuation of the Company, and that our declining trading price was the result of active short selling and market manipulation at the close using the cross at the end of many days by certain investors in the market that is outside the control of the Company. While short selling may be permitted in some cases under

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applicable laws, we believe that certain investors, particularly those investing in small and microcap companies like TOMI, may be circumventing regulatory requirements and conducting aggressive short selling that is designed to drive down the trading price of our Common Stock, including naked short selling tactics. These activities have not only depressed our stock price, but also reduced the trading liquidity of our stock and caused damage to our reputation, while making it more difficult for us to secure financing to fund our operations and comply with NASDAQ's minimum bid price requirements. We believe that the regulatory authorities, such as the SEC and FINRA, should take more aggressive enforcement actions against short selling traders who are undermining the values of microcap companies, and we will continue our various efforts and strategies to ensure that trading price of our stock reflects the true value of TOMI and generates positive returns for our shareholders.

On November 7, 2023, we entered into a Securities Purchase Agreement (the "SPA") with certain accredited investors (collectively, the "Investors") pursuant to which we agreed to sell and issue to the Investors in a private placement transaction (the "Private Placement") in one or more closings up to an aggregate principal amount of $5,000,000 (the "Notes"). As of November 7, 2023, we issued and sold an aggregate of $2,600,000 of Notes to certain Investors pursuant to the SPA.

The gross proceeds from the transaction are approximately $2,600,000, before deducting the placement agent's fees and other estimated offering expenses. We intend to use the net proceeds from this offering for working capital and other general corporate purposes. The initial closing of the Private Placement occurred on November 7, 2023.

The Notes are due on the fifth anniversary of the issuance date of the Notes and bear simple interest at a rate of 12% per annum, payable in equal monthly installments. The Notes are convertible into shares of our Common Stock, at the option of the holder, at a conversion price of $1.25 per share, which shall not exceed $1.55 per share. In addition, we can require Investors to convert the Notes at the then current conversion price at any time after 90 days from the issue date if the Common Stock has a closing bid price of $1.55 per share or higher on any twenty (20) days within a thirty (30) day period of consecutive trading days, or if a "fundamental change" occurs (as defined in the SPA). The Notes are unsecured and senior to other indebtedness subject to certain exceptions.

For the nine months ended September 30, 2023 and 2022, we incurred losses from operations of ($2,178,000) and ($2,176,000), respectively. Cash used in operations for the nine months ended September 30, 2023 and 2022 was ($2,362,000) and ($929,000), respectively.

A breakdown of our statement of cash flows for the nine months ended September 30, 2023 and 2022 is provided below:

	For the nine months ended September 30,	
	2023	2022
Net Cash Provided By (Used) in Operating Activities	$ (2,362,000)	$ (929,000)
Net Cash Used in Investing Activities	$ (94,000)	$ (78,000)
Net Cash Provided by Financing Activities:	$ -	$ 25,000

Table of Contents

Operating Activities

Cash used in operations for the nine months ended September 30, 2023 and 2022 was $2,362,000 and $929,000, respectively. The increase was attributable to the lower accounts payable due to the timing of payments to vendors and a decline in deferred revenue in the current year period.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2023 and 2022 was $94,000 and 78,000, respectively. The increase was attributable to increased equipment, computer and software purchased in the current year period.

Financing Activities

Cash provided by financing activities for nine months ended September 30, 2023 and 2022 was $0 and $25,000, respectively.

Liquidity

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Our revenues can fluctuate due to the following factors, among others:

- ramp up and expansion of our internal sales force and manufacturer's representatives;
- length of our sales cycle;
- global and regional response to the outbreak of infectious diseases;
- expansion into new territories and markets; and
- timing of orders from distributors.

We could incur operating losses and an increase of costs related to the continuation of product and technology development, sales expense as we continue to grow our sales teams, inventory as we continue to ensure we have products needed and geographic presence, tooling capital expenditures as we ramp up and streamline our production and administrative activities including compliance with the Sarbanes-Oxley Act of 2002 Section 404.

Management has taken and will endeavor to continue to take a number of actions in order to improve our results of operations and the related cash flows generated from operations in order to strengthen our financial position, including the following items:

- expanding our label with the EPA to further our product registration internationally;
- continued expansion of our internal sales force and manufacturer representatives in an effort to drive global revenue in all verticals;
- continue research and development and add new products to our "Stera" product line;
- source alternative lower-cost suppliers;
- expansion of international distributors; and
- continued growth in all of our verticals.

During 2022, we experienced increased demand for our CES where we collect deposits upon the execution of the contract. The deposits we receive fund the production for the CES and improve our overall liquidity through the duration of the project. We believe our sales for our CES will continue to grow in 2023 and improve our financial results from a liquidity perspective as well as improve our operating margins due to the higher recurring solution sales we see for our CES system.

We expect that the cash we generate from our core operations will generally be sufficient to cover our future capital expenditures and to pay down our near-term debt obligations.

We believe that our existing balance of cash and cash equivalents and amounts expected to be provided by operations will provide us with sufficient financial resources to meet our cash requirements for operations, working capital and capital expenditures over the next twelve months. We may consider financing transactions to fund our operations if opportunities arise. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures. Debt financing would also result in fixed payment obligations.

We believe strongly that the current and historical trading prices of our Common Stock do not reflect the actual valuation of the Company, and that our declining trading price was the result of active short selling by certain investors in the market that is outside the control of the Company. While short selling may be permitted in some cases under applicable laws, we believe that certain investors, particularly those investing in small and microcap companies like TOMI, may be circumventing regulatory requirements and conducting aggressive short selling that is designed to drive down the trading price of our Common Stock, including naked short selling tactics. These activities have not only depressed our stock price, but also reduced the trading liquidity of our stock and caused damage to our reputation, while making it more difficult for us to secure financing to fund our operations and comply with NASDAQ's minimum bid price requirements. We believe that the regulatory authorities, such as the SEC and FINRA, should take more aggressive enforcement actions against short selling traders who are undermining the values of microcap companies, and we will continue our various efforts and strategies to ensure that trading price of our stock reflects the true value of TOMI and generates positive returns for our shareholders.

Critical Accounting Policies and Estimates

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Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The estimation process requires assumptions to be made about future events and conditions, and as such, is inherently subjective and uncertain. Actual results could differ materially from our estimates.

The SEC defines critical accounting estimates as those that are, in management's view, most important to the portrayal of our financial condition and results of operations and most demanding of our judgment. We consider the following estimates to be critical to an understanding of our consolidated financial statements and the uncertainties associated with the complex judgments made by us that could impact our results of operations, financial position and cash flows.

Table of Contents

Revenue Recognition

We recognize revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). We recognize revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. To determine revenue recognition for contracts with customers we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) we satisfy the performance obligation(s). At contract inception, we assess the goods or services promised within each contract, assess whether each promised good or service is distinct and identify those that are performance obligations.

We must use judgment to determine: a) the number of performance obligations based on the determination under step (ii) above and whether those performance obligations are distinct from other performance obligations in the contract; b) the transaction price under step (iii) above; and c) the stand-alone selling price for each performance obligation identified in the contract for the allocation of transaction price in step (iv) above.

Title and risk of loss generally pass to our customers upon shipment. Our customers include end users as well as dealers and distributors who market and sell our products. Our revenue is not contingent upon resale by the dealer or distributor, and we have no further obligations related to bringing about resale. Shipping and handling costs charged to customers are included in Product Revenues. The associated expenses are treated as fulfillment costs and are included in Cost of Revenues. Revenues are reported net of sales taxes collected from customers.

Table of Contents

Product revenue includes sales from our standard and customized equipment, solution and accessories sold with our equipment. Revenue is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products.

Service and training revenue include sales from our high-level decontamination and service engagements, validation of our equipment and technology and customer training. Service revenue is recognized as the agreed upon services are rendered to our customers in an amount that reflects the consideration we expect to receive in exchange for those services.

Estimated allowances for sales returns are recorded as sales are recognized. We use a specific identification method based on subsequent product return activity and historical average calculation to estimate the allowance for sales returns.

Costs to Obtain a Contract with a Customer

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We apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. We generally expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling expenses.

Table of Contents

Contract Balances

As of September 30, 2023March 31, 2024, and December 31, 2022December 31, 2023 we did not have any unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

Arrangements with Multiple Performance Obligations

Our contracts with customers may include multiple performance obligations. We enter into contracts that can include various combinations of products and services, which are primarily distinct and accounted for as separate performance obligations.

Significant Judgments

Our contracts with customers for products and services often dictate the terms and conditions of when the control of the promised products or services is transferred to the customer and the amount of consideration to be received in exchange for the products and services.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the accompanying consolidated financial statements and the accompanying notes. Actual results could differ materially from these estimates. On an ongoing basis, we evaluate our estimates, including those related to accounts receivable, inventory, fair values of financial instruments, intangible assets, useful lives of intangible assets and property and equipment, fair values of stock-based awards, income taxes, and contingent liabilities, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of our assets and liabilities.

Fair Value Measurements

The authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact. The guidance describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities.

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Table of Contents

Our financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. All these items were determined to be Level 1 fair value measurements.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximated fair value because of the short maturity of these instruments.

Accounts Receivable

Our accounts receivable are typically from credit worthy customers or, for certain international customers, are supported by pre-payments. For those customers to whom we extend credit, we perform periodic evaluations of them and maintain allowances for potential credit losses as deemed necessary. We have a policy of reserving for doubtful accounts credit losses based on our best estimate of the amount of potential credit losses in existing accounts receivable. We periodically review our accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. Inventories consist primarily of finished goods.

We expense costs to maintain certification to cost of goods sold as incurred.

We review inventory on an ongoing basis, considering factors such as deterioration and obsolescence. We record an allowance for estimated losses when the facts and circumstances indicate that particular inventories may not be usable.

Leases

We recognize a right-of-use (“ROU”) asset and lease liability for all leases with terms of more than 12 months, in accordance with ASC 842. We utilize the short-term lease recognition exemption for all asset classes as part of our on-going accounting under ASC 842. This means, for those leases that qualify, we will not recognize ROU assets or lease liabilities. Recognition, measurement and presentation of expenses depends on classification as a finance or operating lease.

As a lessee, we utilize the reasonably certain threshold criteria in determining which options we will exercise. Furthermore, our lease payments are based on index rates with minimum annual increases. These represent fixed payments and are captured in the future minimum lease payments calculation. In determining the discount rate to use in calculating the present value of lease payments, we used our incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

We have also elected the practical expedient to not separate lease and non-lease components for all asset classes, meaning all consideration that is fixed, or in-substance fixed, will be captured as part of our lease components for balance sheet purposes. Furthermore, all variable payments included in lease agreements will be disclosed as variable lease expense when incurred. Generally, variable lease payments are based on usage and common area maintenance. These payments will be included as variable lease expense when recognized.

Table of Contents

Long-Lived Assets Including Acquired Intangible Assets

We assess long-lived assets for potential impairments at the end of each year, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. In evaluating long-lived assets for impairment, we measure recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If our long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value. We base the calculations of the estimated fair value of our long-lived assets on the income approach. For the income approach, we use an internally

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developed discounted cash flow model that includes, among others, the following assumptions: projections of revenues and expenses and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. We base these assumptions on our historical data and experience, industry projections, micro and macro general economic condition projections, and our expectations. We had no long-lived asset impairment charges for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Recent Accounting Pronouncements

Table of Contents

Recently adopted issued accounting pronouncements not yet adopted

In March 2022, November 2023, the FASB Financial Accounting Standards Board ("FASB") issued ASU 2022-02, Troubled Debt Restructurings and Vintage Disclosures. This ASU eliminates the accounting guidance for troubled debt restructurings by creditors that have adopted ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which we adopted on January 1, 2020 No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU also enhances the updates reportable segment disclosure requirements for certain loan refinancing by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and restructurings by creditors when included within each reported measure of a borrower is experiencing financial difficulty. In addition, segment's profit or loss. This ASU also requires disclosure of the ASU amends title and position of the guidance on vintage disclosures individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to require entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC 326-20. allocate resources. The ASU is effective for annual periods beginning after December 15, 2022 December 15, 2023, including and interim periods within those fiscal years. We adopted years beginning after December 15, 2024. Adoption of the ASU prospectively on January 1, 2023. should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. This ASU did not have a material impact on our consolidated financial statements. will likely result in us including the additional required disclosures when adopted. We are currently evaluating the provisions of this ASU and expect to adopt them for the year ending December 31, 2024.

In October 2021, December 2023, the FASB issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers 2023-09, Improvements to Income Tax Disclosures (Topic 805) 740). This The ASU requires an acquirer in disaggregated information about a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. At the acquisition date, the acquirer applies the revenue model reporting entity's effective tax rate reconciliation as if it had originated the acquired contracts. well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. We adopted this ASU prospectively on January 1, 2023 December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. This ASU did not have a material impact on will result in the required additional disclosures being included in our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. ASU 2020-06 was issued to reduce the complexity associated with accounting for certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock and improves the disclosures for convertible instruments and related earnings per share guidance. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity and improves and amends the related earnings per share guidance. For public entities that qualify as a filer with the SEC, excluding entities eligible to be smaller reporting companies, ASU 2020-06 is effective for fiscal annual periods beginning after December 15, 2021, including interim periods within those fiscal years. For nonpublic entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption was permitted, but no earlier than fiscal years beginning after December 15,

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2020, including interim periods within those fiscal years. ASU 2020-06 must be adopted as of the beginning of a company's annual fiscal year. ASU 2020-06 may be adopted through either a modified retrospective method of transition or a fully retrospective method of transition. The Company adopted ASU 2020-06 on January 1, 2021. The adoption did not have an impact on our condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses ("ASU 2016-13"), which provides new authoritative guidance with respect to the measurement of credit losses on financial instruments. This update changes the impairment model for most financial assets and certain other instruments by introducing a current expected credit loss ("CECL") model. The CECL model is a more forward-looking approach based on expected losses rather than incurred losses, requiring entities to estimate and record losses expected over the remaining contractual life of an asset. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years for smaller reporting companies. The Company adopted ASU 2016-13 on January 1, 2023. The adoption did not have an impact on our condensed consolidated financial statements. statements, once adopted.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Table of Contents

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report on Form 10-Q. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) under the Exchange Act during the period covered by this Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Table of Contents

PART II: OTHER INFORMATION

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Item 1. Legal Proceedings.

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. We currently are not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on our results of operations, financial position or cash flows. Regardless of the outcome, any litigation could have an adverse impact on us due to defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

You should carefully consider the information described in the "Risk Factors" section of our Annual Report for the fiscal year ended December 31, 2022 December 31, 2023, as filed with the SEC on March 16, 2023 April 1, 2024. Except as set forth below, there have been no material changes to the risk factors we previously disclosed in our filings with the SEC, including the Annual Report. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

10b5-1 Arrangements

To the best of the Company's knowledge during the fiscal quarter ended September 30, 2023 March 31, 2024, no director or officer (as defined in Rule 16a-1(f) of the Securities Exchange Act) of the Company adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements.

Table of Contents

Appointment of Chief Financial Officer

On May 13, 2024, the Board of Directors of the Company appointed Mr. Joseph Frank Rzepka Jr., to serve as the Company's Chief Financial Officer, effective as of May 14, 2024. Also, effective as of May 14, 2024, Mr. Nick Jennings due to family matters retired as the Chief Financial Officer of the Company. Mr. Jennings will remain on with the company as a part-time consultant and will receive $4,800.00 for 40 hours of work per month.

Mr. Rzepka, age 58, served as the Company's Vice President Corporate Controller since September 2020. From 2009 to September 2020, Mr. Rzepka was Corporate Controller at AGS, a prominent aviation firm. Prior to that, Mr. Rzepka held various roles, ranging from Staff Accountant to Accounting Manager, within private, non-profit, and public enterprises. Mr. Rzepka brings over two decades of invaluable experience to our company's executive team. Mr. Rzepka holds a B.A. in Accounting from Bethany College.

Upon the commencement of his employment, Mr. Rzepka will receive an annual salary of $185,000. Mr. Rzepka will be eligible to participate in the Company's annual bonus program. In addition he will receive an equity grant of 75,000 stock options at the closing price of the Company's common stock on May 15, 2024.

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There are no family relationships between Mr. Rzepka and any director or executive officer of the Company and there are no transactions between Mr. Rzepka and the Company that would be reportable under Item 404(a) of Regulation S-K.

Item 6. Exhibits.

The documents listed in the Exhibit Index of this Form 10-Q are incorporated herein by reference.

Table of Contents

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 thereunto duly authorized.

	TOMI ENVIRONMENTAL SOLUTIONS, INC.
Date: November 14, 2023	By: /s/ Halden S. Shane
Date: May 15, 2024	By: /s/ HALDEN S. SHANE
	Halden S. Shane
	Chief Executive Officer
	(Principal Executive Officer)
Date: November 14, 2023 May 15, 2024	By: /s/ Nick Jennings
	Nick Jennings
	Chief Financial Officer
	(Principal Financial Officer and
	Principal Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Form	File No.	Date	Exhibit	Filed Herewith
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X

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32.1#	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
32.2#	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101.INS	XBRL Instance Document	X
101.SCH 101.SC	XBRL Taxonomy Extension Schema	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X

This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, or the Exchange Act.

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Halden S. Shane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TOMI Environmental Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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

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(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;

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 registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

/s/ HALDEN S. SHANE

Halden S. Shane
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nick Jennings, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TOMI Environmental Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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

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(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;

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 registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

/s/ HALDEN S. SHANE

Halden S. Shane
Chief Executive Officer
(Principal Executive Officer)

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EXHIBIT 31.2 May 15, 2024

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nick Jennings, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TOMI Environmental Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) 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

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(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;

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 registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

/s/ NICK JENNINGS

Nick Jennings
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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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 TOMI Environmental Solutions, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on Date: November 14, 2023 May 15, 2024 (the "Report"), I, Halden S. Shane, Chief Executive Officer of the Company, certify as of the date hereof, 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:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 15, 2024

/s/ HALDEN S. SHANE

Halden S. Shane
Chief Executive Officer
(Principal Executive Officer)

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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

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In connection with the quarterly report of TOMI Environmental Solutions, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission Date: November 14, 2023 May 15, 2024 (the “Report”), I, Nick Jennings, Chief Financial Officer of the Company, certify as of the date hereof, 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:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 15, 2024

/s/ NICK JENNINGS

Nick Jennings
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

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