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

FORM 10-Q

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

For the quarterly period ended September 30, 2023

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: 001-41276

SKYX PLATFORMS CORP.
(Exact name of registrant as specified in its charter)

Florida	**46-3645414**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2855 W. McNab Road
Pompano Beach, Florida 33069
(Address, including zip code, of principal executive offices)

(855)759-7584
(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, no par value per share	**SKYX**	**The Nasdaq Stock Market LLC**

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

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

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

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

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

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

As of October 31, 2023, the registrant had 92,166,413 shares of common stock, no par value per share, issued and outstanding.

SKYX PLATFORMS CORP.

Form 10-Q

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") of SKYX Platforms Corp. (the "Company," "we," "us," or "our") contains forward-looking statements that are based on management's beliefs and assumptions and on information currently available to management. All statements other than statements of historical facts contained in this Form 10-Q, including statements regarding our strategy, future financial condition, future operations, projected costs, prospects, plans, objectives of management, outlook, and expected market growth, are forward-looking statements. In some cases, you can identify forward-looking statements by the following words: "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "aim," "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing," "target," "seek" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve risks, uncertainties, and other factors, many of which have been outcomes that are difficult to predict and may be outside our control, which may cause actual results, levels of activity, performance, or achievements to be materially different from the information expressed or implied by these forward-looking statements. Forward-looking statements in this Form 10-Q include, but are not limited to, statements about:

- our ability to successfully launch, develop additional features and achieve market acceptance of our smart products and technologies, access and integrate our products and technologies with third-party platforms or technologies, respond to rapidly changing technology and customer demands, and compete in our industry;
- our ability to successfully integrate and manage the operations of Belami, Inc. ("Belami") with our business;
- our ability to expand, operate and successfully manage our operations, including managing our business transformation in connection with evolving our business strategy to focus on smart products and technologies and integrating new lines of business;
- our ability to raise additional financing to support our operations as needed;
- our ability to comply with the terms of, and timely repay, our current debt financing;
- the impact of the COVID-19 pandemic on our business and operations, including the potential impact on manufacturing operations in China;
- our reliance on a limited number of third-party manufacturers and suppliers and our ability to successfully reduce our production costs;
- our potential dependence upon a limited number of customers and/or on contracts awarded through competitive bidding processes;
- any downturn in the cyclical industries in which our customers operate;
- our ability to acquire other businesses, license rights, form alliances or dispose of operations when desired;
- our ability to comply with regulations relating to applicable quality standards;
- our ability to maintain our license agreement with General Electric ("GE");
- our ability to maintain, protect and enhance our intellectual property and retain rights to use intellectual property owned by third parties;
- the potential outcome of any legal proceedings;
- compliance with various tax laws and regulations, including income and sale tax;
- our ability to successfully sell and distribute our products and technologies;
- our ability to attract and retain key executives and qualified personnel;
- guidance provided by management, which may differ from our actual operating results;
- our ability to successfully manage our planned development and expansion, including the additional costs of being a public company;
- our ability to maintain effective internal control over financial reporting and disclosure controls and procedures;
- the potential impact of unstable market and economic conditions on our business, financial condition, and stock price, including the effects of governmental regulations, geopolitical conflicts, including the Israel-Hamas war and potentially deteriorating relationships with China, inflation, labor shortages, supply chain constraints and shortages, including availability of affordable electronic microchips, instability in the global banking system and the possibility of an economic recession;
- the potential impact of cybersecurity breaches or disruptions to our information systems, including our cloud-based infrastructure;
- the potential impact of natural disasters and other catastrophic events;
- risks related to ownership of our common stock; and
- the potential impact of anti-takeover and director and officer liability provisions in our charter documents and under Florida law.

These forward-looking statements represent our intentions, plans, expectations, assumptions, and beliefs about future events and are subject to risks, uncertainties, and other factors, including unpredictable or unanticipated factors that we have not discussed in this Form 10-Q. Investors should refer to the heading "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of other important factors, many of which are outside of our control, that may cause actual results to differ materially from those expressed or implied by the forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Form 10-Q will prove to be accurate. Furthermore, if the forward-looking statements prove to be inaccurate, the inaccuracy may be material. Considering the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. The forward-looking statements in this Form 10-Q represent our views as of the date of this Form 10-Q. We anticipate that subsequent events and developments will cause our views to change; however, we undertake no obligation to publicly update any forward-looking statements, whether because of new information, future events or otherwise, except as required by U.S. federal securities laws. You should, therefore, not rely on these forward-looking statements as representing our views as of any date after the date of this Form 10-Q.

Part I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SKYX PLATFORMS CORP.
Consolidated Balance Sheets

		(Unaudited) September 30, 2023		(Audited) December 31, 2022
Assets				
Current assets:				
Cash and cash equivalents	$	16,479,393	$	6,720,543
Restricted cash		2,750,000		—
Accounts receivable		3,034,585		—
Investments, available-for-sale		—		7,373,956
Inventory		5,385,039		1,923,540
Deferred cost of revenues		282,165		
Prepaid expenses and other assets		408,427		311,618
Total current assets		28,339,609		16,329,657
Other assets:				
Furniture and equipment, net		592,520		215,998
Restricted cash		2,881,726		2,741,054
Right of use assets, net		22,072,530		23,045,293
Intangible assets, definite life, net		8,436,398		662,802
Goodwill		15,799,725		—
Other assets		220,747		182,306
Total other assets		50,003,646		26,847,453
Total Assets	**$**	**78,343,255**	**$**	**43,177,110**
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued expenses	$	10,784,874	$	1,949,823
Notes payable, current		3,627,273		405,931
Operating lease liabilities, current		2,223,318		1,130,624
Royalty obligation		2,638,000		2,638,000
Consideration payable		8,905,315		-
Deferred revenues		1,854,922		-
Convertible notes, related parties		950,000		950,000
Convertible notes, current		350,000		350,000
Total current liabilities		31,333,702		7,424,378
Long term liabilities:				
Accounts payable		523,797		—
Notes payable		1,142,875		4,867,004
Operating lease liabilities		22,806,894		22,758,496
Convertible notes, net		5,480,279		—
Total long-term liabilities		29,953,845		27,625,500
Total liabilities		61,287,547		35,049,878
Commitments and Contingent Liabilities:				
Redeemable preferred stock - subject to redemption: $ 0 par value; 20,000,000 shares authorized; none and 580,400 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively		—		220,099
Stockholders' Equity:				
Common stock and additional paid-in-capital: $ 0 par value, 500,000,000 shares authorized; and 91,846,065 and 82,907,541shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively		150,538,326		114,039,638
Accumulated deficit		(133,482,618)		(106,070,358)
Accumulated other comprehensive loss		—		(62,147)
Total stockholders' equity		17,055,708		7,907,133
Non-controlling interest		—		—
Total equity		17,055,708		7,907,133
Total Liabilities and Stockholders' Equity	**$**	**78,343,255**	**$**	**43,177,110**

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

SKYX Platforms Corp.
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	For the three months ended September 30,				For the nine months ended September 30,			
		2023		2022		2023		2022
Revenue	$	21,617,579	$	8,556	$	36,611,659	$	22,916
Cost of revenues		14,917,493		5,914		25,207,604		17,676
Gross income		6,700,086		2,642		11,404,055		5,240
Sales and marketing		5,702,647		993,232		12,546,736		3,839,175

General and administrative	7,519,042	4,615,887	24,869,910	18,282,472
Operating expenses	13,221,689	5,609,119	37,416,646	22,121,647
Loss from operations	(6,521,603)	(5,606,477)	(26,012,591)	(22,116,407)
Other income / (expense)				
Interest expense, net	(662,173)	(52,189)	(2,601,526)	(224,610)
Other income	—	—	—	—
Gain on extinguishment of debt	—	—	1,201,857	178,250
Total other income (expense), net	(662,173)	(52,189)	(1,399,669)	(46,360)
Net loss	(7,183,776)	(5,658,666)	(27,412,260)	(22,162,767)
Common stock issued pursuant to antidilutive provisions	—	—	—	4,691,022
Preferred dividends	—	4,627	—	32,504
Non-controlling interest	—	—	—	—
Net loss attributed to common shareholders	$ (7,183,776)	$ (5,663,293)	$ (27,412,260)	$ (26,886,293)
Other comprehensive loss:	—	(108,817)	62,147	(108,817)
Net Comprehensive loss attributed to common stockholders	$ (7,183,776)	$ (5,772,110)	$ (27,350,113)	$ (26,995,110)
Net loss per share - basic and diluted	$ (0.08)	$ (0.07)	$ (0.31)	$ (0.34)
Weighted average number of common shares outstanding during the period – basic and diluted	91,081,313	81,562,681	87,055,643	78,350,946

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

SKYX Platforms Corp.
Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Shares of Common stock				
Balance, beginning of period	90,660,148	81,053,486	82,907,541	66,295,288
Common stock issued pursuant to offerings	592,150	—	3,576,458	1,650,000
Common stock issued pursuant to services	593,767	322,579	2,283,668	865,528
Common stock issued pursuant to conversion of preferred stock	—	1,000,000	580,400	12,376,536
Common stock issued pursuant to exercise of options and warrants	—	180,000	—	1,033,640
Common stock issued pursuant to acquisition	—	—	1,923,285	—
Common stock issued pursuant to antidilutive provisions	—	—	—	335,073
Common stock issued pursuant to extinguishment of debt	—	—	574,713	—
Balance, September 30	91,846,065	82,556,065	91,846,065	82,556,065
Common stock and paid-in capital				
Balance, beginning of period	$ 147,282,469	$ 110,444,367	$ 114,039,638	$ 70,880,386
Common stock issued pursuant to stock offering	785,256	—	8,231,529	20,552,000
Common stock issued pursuant to services	2,470,601	2,762,945	13,109,135	13,957,145
Common stock issued pursuant to conversion of preferred stock	—	250,000	220,099	3,094,134
Common stock issued pursuant to exercise of options and warrants	—	107,999	—	390,624
Debt discount	—	—	5,569,978	—
Common stock issued pursuant to acquisition	—	—	7,327,716	—
Common stock issued pursuant to extinguishment of debt	—	—	2,040,231	—
Common stock issued pursuant to antidilutive provisions	—	—	—	4,691,022
Balance, September 30	$ 150,538,326	$ 113,565,311	$ 150,538,326	$ 113,565,311
Accumulated Deficit				
Balance, beginning of period	$ (126,298,842)	$ (95,528,340)	$ (106,070,358)	$ (74,269,898)
Net loss	(7,183,776)	(5,658,666)	(27,412,260)	(22,162,767)
Non-controlling interest	—	—	—	(35,442)
Common stock issued pursuant to antidilutive provisions	—	—	—	(4,691,022)
Preferred dividends	—	(4,627)	—	(32,504)
Balance, end of period	$ (133,482,618)	$ (101,191,633)	$ (133,482,618)	$ (101,191,633)
Accumulated other comprehensive loss				
Balance, beginning of period	$ —	$ —	$ (62,147)	$ —
Other comprehensive income	—	(108,817)	62,147	(108,817)
Balance, end of period	—	(108,817)	—	(108,817)
Total stockholders' equity	**$ 17,055,708**	**$ 12,264,861**	**$ 17,055,708**	**$ 12,264,861**

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

SKYX Platforms Corp.
Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended September 30, 2023	2022
Cash flows from operating activities:		
Net loss	$ (27,412,260)	$ (22,162,767)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,098,935	194,698
Gain on forgiveness of debt	(1,201,857)	(178,250)
Amortization of debt discount	867,572	—
Share-based payments	13,109,135	13,957,145
Change in operating assets and liabilities:		
Inventory	(1,675,394)	(549,825)
Accounts receivable	(512,826)	—
Prepaid expenses and other assets	79,224	(795,365)
Deferred charges	1,200,916	—
Deferred revenues	(74,111)	—
Operating lease liabilities	(215,743)	(28,521)
Accretion operating lease liabilities	890,474	—
Other assets	—	(161,358)
Royalty obligation	—	(900,000)
Accounts payable and accrued expenses	2,753,572	897,256
Net cash used in operating activities	**(10,092,363)**	**(9,726,987)**
Cash flows from investing activities:		
Purchase of debt securities	(136,033)	(7,441,617)
Proceeds from disposition of debt securities	7,572,136	—
Acquisition, net of cash acquired	(4,206,200)	—
Purchase of property and equipment	(119,942)	(257,907)
Payment of patent costs and other intangibles	—	(137,645)
Net cash provided by (used in) investing activities	**3,109,961**	**(7,837,169)**
Cash flows from financing activities:		
Proceeds from issuance of common stock- offerings	8,723,461	23,100,000
Placement costs	(491,932)	(2,548,000)
Proceeds from exercise of options and warrants	—	390,624
Proceeds from line of credit	6,197,695	—
Proceeds from issuance of convertible notes	10,350,000	—
Dividends paid	—	(32,504)
Principal repayments of notes payable	(5,147,300)	(202,503)
Net cash provided by financing activities	**19,631,924**	**20,707,617**
Increase in cash, cash equivalents and restricted cash	12,649,522	3,143,461
Cash, cash equivalents, and restricted cash at beginning of period	9,461,597	10,426,249
Cash, cash equivalents and restricted cash at end of period	$ 22,111,119	$ 13,569,710
Supplementary disclosure of non-cash financing activities:		
Preferred stock conversion to common	$ 220,099	$ 3,094,134
Business acquisition:		
Assets acquired excluding identifiable intangible assets and goodwill and cash	7,090,094	—
Liabilities assumed and consideration payable	19,755,903	—
Identifiable intangible assets and goodwill, net of cash outlay	19,993,525	—
Debt discount	5,569,978	—
Fair value of shares issued pursuant to antidilutive provisions	—	4,691,022
Fair value of shares issued pursuant to acquisition	7,327,716	—
Fair value of shares issued pursuant to extinguishment of debt	2,040,231	—
Right-of-use assets and operating lease liabilities		23,621,267
Cash paid during the period for:		
Interest	$ 666,539	$ 303,957

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

SKYX Platforms Corp.
Notes to Consolidated Financial Statements
(Unaudited)

NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS

SKYX Platforms Corp., a corporation (the "Company"), was incorporated in Florida in May 2004.

The Company maintains offices in Sacramento, California, Johns Creek, Georgia, Miami and Pompano Beach, Florida, New York City, and Guangdong Province, China.

The Company has a series of advanced-safe smart platform technologies. The Company's first-generation technologies enable light fixtures, ceiling fans and other electrically wired products to be installed safely and plugged-in into a ceiling's electrical outlet box within seconds, and without the need to touch hazardous wires. The plug and play technology method is a universal power-plug device that has a matching receptacle that is simply connected to the electrical outlet box on the ceiling, enabling a safe and quick plug and play installation of light fixtures and ceiling fans in just seconds. The plug and play power-plug technology eliminates the need to touch hazardous electrical wires while installing light fixtures, ceiling fans and other hard wired electrical products. In recent years, the Company has expanded the capabilities of its power-plug product, to include advanced safe and quick universal installation methods, as well as advanced smart capabilities. The smart features include control of light fixtures and ceiling fans by the SkyHome App, through WIFI, Bluetooth Low Energy and voice control. It allows scheduling, energy savings eco mode, dimming, back-up emergency light, night light, light color changing and much more. The Company's second-generation technology is an all-in-one safe and smart advanced platform that is designed to enhance all-around safety and lifestyle of homes and other buildings.

Since April 2023, the Company also markets home lighting, ceiling fans, and other home furnishings from third-parties.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all the information and disclosures required for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The consolidated financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 are unaudited. The results of operations for the interim periods are not necessarily indicative of the results of operations for the respective fiscal years. The consolidated statement of financial condition at December 31, 2022 has been derived from the audited financial statements at that date but does not include all the information and notes required by GAAP for complete financial statement presentation. The accompanying consolidated financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for additional disclosures and accounting policies.

Reclassifications

For comparability, reclassifications of certain prior-year balances were made to conform with current-year presentations, such as certain expenses previously included in cost of revenues and reclassified as general, and administrative expenses in 2022 and sales and marketing expenses which were previously included in selling, general, and administrative expenses in 2022.

Basis of Consolidation

The unaudited consolidated financial statements include the results of the Company and one of its subsidiaries, SQL Lighting and Fans LLC from January 1, 2022 and the results from its remaining subsidiaries, Belami, Inc., BEC, CA 1, Inc., BEC CA 2, LLC, Luna BEC, Inc., and Confero Group LLC from April 28 to September 30, 2023. All intercompany balances and transactions have been eliminated in consolidation.

Business Combination

The Company accounts for its business acquisitions under the acquisition method of accounting. This method requires recording of acquired assets and assumed liabilities at their acquisition date fair values. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. Results of operations related to the business combination are included prospectively beginning with the date of acquisition and transaction costs and transaction costs related to business combinations are recorded within selling, general, and administrative expenses.

The Company acquired the outstanding units of Belami, Inc ("Belami") and its subsidiaries on April 28, 2023. Belami is an online retailer and e-commerce provider specializing in home lighting, ceiling fans, and other home furnishings. The initial allocation of purchase price is subject to adjustment through April 2024. The allocation of purchase price may vary based on the number and fair value of the shares to be issued in April 2024. The initial allocation of the purchase price is as follows:

Assets acquired excluding identifiable intangible assets and goodwill	$	7,090,094
Customer relationships		4,500,000
E-commerce technology platforms		3,900,000
Goodwill		15,799,725
Assumed liabilities		(10,949,178)
	$	20,340,641
Consideration:		
Cash outlay, net of cash acquired	$	4,206,200
Consideration payable		8,806,725
Shares of common stock issued at initial closing		7,327,716
	$	20,340,641

Consideration payable primarily consists of the fair value of cash and shares of the Company's common stock amounting to $ 3.2 million and $5.6 million payable in April 2024 and $750,000 cash, held in escrow, payable in July 2024. The consideration payable is discounted using an effective rate of 6%.

The goodwill recognized, none of which is deductible for income tax purposes, is attributable to the assembled workforce of Belami and to expected synergies and other benefits that the Company believes will result from combining its operations with Belami's. The intangible assets recognized are primarily attributable to expected increased margins that the Company believes will result from Belami's existing customer relationships and increased margins from the e-commerce technology platforms Belami has developed over the years.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid securities with original maturities of three months or less when acquired to be cash equivalents. At September 30, 2023 and December 31, 2022, the Company's cash composition was as follows:

		September 30, 2023		December 31, 2022
Cash and cash equivalents	$	16,479,393	$	6,720,543
Restricted cash		5,631,726		2,741,054
Total cash, cash equivalents and restricted cash	$	22,111,119	$	9,461,597

Restricted Assets

The Company issued a letter of credit of $ 2.7 million in September 2022 to use as collateral for certain obligations to one of its lessors. The letter of credit was issued by a financial institution and was secured by cash of $2.7 million as of September 30, 2023 and December 31, 2022. Additionally, pursuant to the Company's acquisition of Belami, Inc., the Company placed $750,000 in an escrow account. Furthermore, the Company secured a line of credit of $2.0 million with cash of the equivalent amount.

Customer Contracts Balances

Accounts receivable are recorded in the period when the right to receive payment or other consideration becomes unconditional. Accounts receivable are recorded at the invoiced amount and are not interest bearing. The Company maintains an allowance for doubtful accounts based upon an estimate of probable credit losses in existing accounts receivable. The majority of the Company's accounts receivable are from third-party payers and are paid within a few days from the order date. The Company determines the allowance based upon individual accounts when information indicates the customers may have an inability to meet their financial obligations, historical experience, and currently available evidence. As of September 30, 2023, and December 31, 2022, the Company's allowance for doubtful accounts was $54,987 and $0, respectively. The Company determines an allowance for sales returns based upon historical experience. As of September 30, 2023 and December 31, 2022, the Company's allowance for sales returns was $439,180 and $0, respectively and is recorded as an accrued expenses in the accompanying consolidated financial statements.

The Company defers the revenue related to undelivered customer orders for which it was paid or has a right to be paid at each measurement date. Such amounts are recognized as deferred revenues in the accompanying unaudited balance sheet. As of September 30, 2023, the deferred revenues amounted to $1,854,922. There were no deferred revenues as of December 31, 2022.

The costs associated with such deferred revenues are recognized as deferred charges in the accompanying unaudited balance sheet. Such charges include the carrying value of related inventory, freight, and sales charges. The deferred charges amounted to $ 282,165 as of September 30, 2023. There were no deferred charges as of December 31, 2022.

Inventory

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) method. Cost principally consists of the purchase price (adjusted for lower of cost or market), customs, duties, and freight. The Company periodically reviews historical sales activity to determine potentially obsolete items and evaluates the impact of any anticipated changes in future demand.

	September 30, 2023	December 31, 2022
Inventory, component parts	$ 2,682,219	$ 1,923,540
Inventory, finished goods	2,702,820	—
Total inventory	$ 5,385,039	$ 1,923,540

Intangible Assets

Intangible assets were recorded in connection with the acquisition of Belami. Intangible assets with finite lives, which consist of customer relationships and e-commerce technology platforms, are being amortized over their estimated useful lives on a straight-line basis. Such intangible assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses the recoverability of its intangible assets by determining whether the unamortized balance can be recovered over the assets' remaining estimated useful life through undiscounted estimated future cash flows. If undiscounted estimated future cash flows indicate that the unamortized amounts will not be recovered, an adjustment will be made to reduce such amounts to fair value based on estimated future cash flows discounted at a rate commensurate with the risk associated with achieving such cash flows. Estimated future cash flows are based on trends of historical performance and the Company's estimate of future performance, considering existing and anticipated competitive and economic conditions.

Goodwill

Goodwill, which was recorded in connection with the acquisition of Belami, is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill represents the excess of the purchase price of Belami over the fair value of its identifiable net assets acquired. Goodwill is tested for impairment at the reporting unit level. Fair value is typically based upon estimated future cash flows discounted at a rate commensurate with the risk involved or market-based comparables. If the carrying amount of the reporting unit's net assets exceeds its fair value, then an analysis will be performed to compare the implied fair value of goodwill with the carrying amount of goodwill. An impairment loss will be recognized in an amount equal to the excess of the carrying amount over its implied fair value. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis. Accounting guidance on the testing of goodwill for impairment allows entities testing goodwill for impairment the option of performing a qualitative assessment to determine the likelihood of goodwill impairment and whether it is necessary to perform such two-step impairment test.

The initial carrying value of goodwill associated with the Belami acquisition may vary during the first year of initial purchase (through April 2024) if the carrying value of the assets acquired or assumed liabilities or the fair value of the shares issuable in April 2024 varies from the initial allocation of assets previously performed or based on the number of shares the Company has to issue in April 2024.

Revenue Recognition

The Company currently generates revenues substantially from home lighting, ceiling fans, and smart products through its family of internet sites and marketplaces. A substantial portion of the Company's customers' orders are made and paid contemporaneously by credit card and shipped through third-party delivery providers. The Company recognizes revenues once it concludes that the control of the product is transferred to the customer, which is upon delivery.

The Company records reductions to revenue for estimated customer sales returns and replacements, net of sales tax. The Company receives rebate and cooperative allowances based on a percentage of periodic purchases from certain vendors. These vendor considerations are reflected as a reduction of costs of revenues. The vendor considerations, the rights of returns and replacements are based upon estimates that are determined by historical experience, contractual terms, and current market conditions. The primary factors affecting the Company's accrual for estimated customer rights of returns include estimated customer return rates as well as the number of units shipped that have a right of return that have not expired as of the measurement date.

Loss Per Share

Basic net earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of common stock, common stock equivalents and potentially dilutive securities outstanding during each period.

The Company uses the “treasury stock” method to determine whether there is a dilutive effect of outstanding convertible debt, option, and warrant contracts. For the three and nine months ended September 30, 2023 and 2022, the Company recognized net loss and a dilutive net loss, and the effect of considering any common stock equivalents would have been antidilutive for the period. Therefore, a separate computation of diluted earnings (loss) per share is not presented for the periods presented.

The Company had the following anti-dilutive common stock equivalents at September 30, 2023 and 2022:

	September 30, 2023	**September 30, 2022**
Stock warrants	2,063,522	939,895
Stock options	35,084,598	33,390,500
Convertible notes	3,920,005	86,668
Preferred stock	-	880,400
Total	41,068,125	35,297,463

Recently Issued Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on its consolidated financial statements.

Change in Accounting Principles

Historically, the Company recognized its revenues of products shipped by third-party providers upon shipment. During the second quarter of 2023, the Company changed its revenue recognition policy as it believes that it is preferable to recognize the revenues of products shipped by such third-party providers upon delivery. This revenue recognition method is consistent with the method used by Belami. The change in accounting principle does not significantly impact on the revenues historically recorded by the Company.

NOTE 3 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

	September 30, 2023	**December 31, 2022**
Machinery and equipment	$ 317,462	$ 67,419
Computer equipment	6,846	6,846
Furniture and fixtures	36,059	36,059
Tooling and production	577,559	534,204
Leasehold improvements	30,553	30,553
Software development costs net	150,713	-
Total	1,119,192	675,081
Less: accumulated depreciation	(526,672)	(459,083)
Total, net	**$ 592,520**	**$ 215,998**

Depreciation expense amounted to $ 67,897 and $32,648 for the nine months ended September 30, 2023 and 2022, respectively.

NOTE 4 INTANGIBLE ASSETS

The Company’s definite-lived intangible assets were as follows:

		September 30, 2023			December 31, 2022		
	Useful life	Carrying Value	Accumulated Amortization	Net carrying value	Carrying Value	Accumulated Amortization	Net carrying value
Customer relationships	7	$4,500,000	$ (267,857)	$4,232,143	$ -	$ -	$ -
E-commerce technology platforms	4	3,900,000	(406,250)	3,493,750	-	-	-
Patents and other	20	886,381	(175,856)	710,505	869,822	(207,020)	662,802
		$9,286,381	$ (849,963)	$8,436,398	$869,822	$ (207,020)	$662,802

The amortization expense of intangible assets was $ 642,943 and $37,753 for the nine months ended September 30, 2023, and 2022, respectively.

The following table sets forth the estimated amortization expense for the following five years:

Twelve months ended September 30, 2024	$ 1,673,613
2025	1,673,613
2026	1,673,613
2027	1,511,113
2028	698,613

NOTE 5 DEBTS

The following table presents the details of the principal outstanding:

	September 30, 2023	**December 31, 2022**	**APR September 30, 2023 %**	**Maturity**	**Collateral**

Notes payable	$ -	$ 5,115,000	N/A	September 2026	Substantially all company assets
Line of credit (a)	2,697,695	-	8.5	August 2024	-
Loan	1,500,000	-	7.93	August 2026	-
Convertible Notes [(b)]	11,650,000	1,300,000	6.00-10.00	September 2023-March 2026	Substantially all company assets
Notes payable to Belami sellers	239,266	-	4.86	April 2025	-
SBA-related loans (c)	153,187	157,835	3.75	April 2025=November 2052	Substantially all company assets
Total	**$ 16,240,148**	**$ 6,572,835**			
Unamortized debt discount	$ (4,689,721)	$ -			
Debt, net of Unamortized debt Discount	**$ 11,550,427**	**$ 6,572,835**			

	For the nine-month period ended September 30,	
	2023	**2022**
Interest expense associated with debt	1,214,920	172,421

As of September 30, 2023, the expected future principal payments for the Company's debt are due as follows:

Remainder of 2023	1,565,436
2024	3,423,751
2025	526,685
2026	10,583,359
2027	3,040
2028 and thereafter	137,877
	$ 16,240,148

(a) The unpaid principal bears annual interest at the Wall Street Journal prime rate.

(b) Included in Convertible Notes are loans provided to the Company from one director, two officers and two investors. The notes each have the following terms: three-year subordinated convertible promissory note of principal face amounts. Subject to other customary terms, the Convertible Notes mature between October 2023 and January 2024 and bear interest at an annual rate of 6%, which is payable annually in cash or common stock, at the holder's discretion. At any time after issuance and prior to or on the maturity date, the note is convertible at the option of the holder into shares of common stock at a conversion price ranging of $15 per share.

All convertible notes are convertible at a price ranging between $2.70 and $15 per share.

During the nine-month period ended September 30, 2023, the Company issued convertible promissory notes for $10.4 million. As an inducement to enter the financing transactions, the Company issued 1,391,667 warrants to the note holders at an adjusted exercise price of $ 2.70 per warrant. The Company recorded a debt discount aggregating $5.6 million which was recognized as debt discount and additional paid-in capital in the accompanying balance sheet. The Company recognized $700,000 as amortized debt discount during the nine-month period ended September 30, 2023, and it is reflected as interest expense in the accompanying unaudited consolidated statement of operations. Only the convertible promissory notes issued during fiscal 2023 are secured by substantially all of the assets of the Company.

(c) The Small Business Administration forgave approximately $178,000 of PPP loans during the nine-month period ended September 30, 2022, which was recognized as other income.

NOTE 6 OPERATING LEASE LIABILITIES

In April 2022, the Company entered a 58-month lease related to certain office and showroom space pursuant to a sublease that expires in February 2027. The Company recognized a right-of-use asset and a liability of $1,428,764 pursuant to this lease.

In September 2022, the Company entered a 124-month lease related to its future headquarters offices and showrooms space. The Company recognized a right-of-use asset and a liability of $22.2 million pursuant to this lease. In connection with the execution of lease, the Company was required to provide the landlord with a letter of credit in the amount of $2.7 million, which is secured with cash.

The following table outlines the total lease cost for the Company's operating leases as well as weighted average information for these leases as of September 30, 2023:

	September 30, 2023
Lease costs:	
Cash paid for operating lease liabilities	$ 710,135
Right-of-use assets obtained in exchange for new operating lease obligations	$ 22,072,530
Fixed rent payment	$ 746,652
Lease – Depreciation expense	$ 1,404,634

	September 30, 2023
Other information:	
Weighted-average discount rate	6.41%
Weighted-average remaining lease term (in months)	105

Minimum Lease obligation	
2024	$ 3,716,661
2025	3,527,956

2026	3,568,891
2027	3,446,601
2028 and thereafter	19,159,060
Total	**$ 33,419,169**

NOTE 7 ROYALTY OBLIGATIONS

The Company has a license agreement with General Electric ("GE") which provides, among other things, for rights to market certain of the Company's products displaying the GE brand in consideration of royalty payments to GE. The Company cannot assign the agreement or sublicense the stated rights. The agreement imposes certain manufacturing and quality control conditions to continue to use the GE brand. The agreement expires in November 2023.

In the event the Company receives significant funding rounds of at least $ 50 million, the Company is required to use a portion of such funding to pay certain amounts to GE. The Company must make certain fixed and variable royalty payments through the terms of the agreement.

Variable royalty payments are due quarterly, using a December 1 – November 30 contract year and based upon the prior quarter's sales. Royalty payments will be paid from sales of GE branded product subject to the following repayment schedule:

Net Sales in Contract Year	Percentage of Contract Year Net Sales owed to GE
$0 to $50,000,000	7%
$50,000,001 to $100,000,000	6%
$100,000,000+	5%

As of September 30, 2023 and December 31, 2022, the outstanding balance of the aggregate Minimum Payment was $ 2,638,000 and it is payable by December 31, 2023.

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	September 30, 2023	December 31, 2022
Accrued interest	$ 523,796	$ 104,735
Trade payables	10,346,558	1,369,701
Accrued compensation	438,317	475,417
Total	$ 11,308,671	$ 1,949,823

NOTE 9 RELATED PARTY TRANSACTIONS

Convertible Notes Due to Related Parties

Convertible notes due to related parties represent amounts provided to the Company from a director and the Company's Co-Chief Executive Officers. The outstanding principal on the convertible promissory notes, associated with related parties was $950,000 as of September 30, 2023 and December 31, 2022 and accrued interest of $127,595 and $104,375, respectively.

Initial Public Offering

The Company issued 455,353 shares of its common stock to certain directors, officers and greater than 5% stockholders which generated gross proceeds of $6,374,942 during the nine-month period ended September 30, 2022.

The Company issued 95,386 shares of its common stock to affiliates of certain directors and greater than 5% stockholders pursuant to certain anti-dilutive provisions during the nine-month period ended September 30, 2022. The issuance of such shares was triggered based on the Company's effective price of its initial public offering in February 2022.

NOTE 10 STOCKHOLDERS' EQUITY

Common Stock

The Company issued the following common stock during the nine months ended September 30, 2023 and 2022:

Transaction Type	Shares Issued	Valuation $	Range of Value Per Share
2023 Equity Transactions			
Common stock issued, pursuant to services provided	2,238,668	13,109,135	$1.22-3.82
Common stock issued pursuant to stock at the market offering, gross	3,576,458	8,231,529	2.55-3.25
Common stock issued pursuant to conversion of preferred stock	580,400	220,099	0.25
Common stock issued pursuant to acquisition	1,923,285	7,327,716	3.81
Common stock issued pursuant to extinguishment of debt	574,713	2,040,231	3.55

Transaction Type	Shares Issued	Valuation $ (Issued)	Range of Value Per Share
2022 Equity Transactions			
Common stock issued per exercise of options and warrants	1,033,640	$ 390,624	$ 0.10 – 14.0

Common stock issued, pursuant to services provided	865,528	13,957,145	2.0 – 14.0
Conversion of preferred stock	12,376,536	3,094,134	0.25
Issuance of common stock pursuant to offering, net	1,650,000	20,552,000	14.0
Issuance of common stock, pursuant to anti-dilutive provisions	335,073	4,691,022	14.0

The Company issued 335,073 shares of its common stock to certain stockholders during the nine-month period ended September 30, 2022. The issuance of such shares was triggered based on the Company's effective price of its initial public offering. The shares were recorded as an increase in common stock and additional paid-in capital and accumulated deficit during the period, using the fair value of the shares at the date of issuance.

The Company satisfied its obligations under a note payable, initially maturing in September 2026, amounting to $ 6.2 million during April 2023. The Company paid $2 million and issued 574,713 shares of its common stock to satisfy such obligations, which generated a gain on extinguishment of debt of $1,201,857.

Preferred Stock

The Series A Preferred Stock was convertible at the holder's option. The Company could repurchase shares of the Preferred Stock for $ 3.50 per share. Holders also have a put option, allowing them to sell their shares of Preferred Stock back to the Company at $0.25 per share, and therefore the stock is classified as Mezzanine equity rather than permanent equity.

Holders of preferred stock converted 580,400 shares and 12,376,536 shares of preferred stock in the shares of common stock during the nine-month ended September 30, 2023 and 2022, respectively. There were no shares of Series A Preferred Stock outstanding at September 30, 2023 and the Company terminated its designation of the Series A Preferred Stock. The Company has not designated any other preferred stock as of September 30, 2023.

Restricted Stock

A summary of the Company's non-vested restricted stock units during the nine-month ended September 30, 2023 and 2022 are as follows **:**

	Shares	Weighted Average Grant Due Fair Value
Non-vested restricted stock units, January 1, 2023	$ 2,516,461	$ 8.39
Granted	4,110,924	2.21
Vested	(2,325,308)	4.25
Forfeited	(256,402)	10.70
Non-Vested restricted stock units, September 30, 2023	4,045,675	5.27
Non-vested restricted stock units, January 1, 2022	770,500	3.31
Granted	2,179,121	10.60
Vested	(770,121)	7.07
Forfeited	-	-
Non-vested restricted stock units on September 30, 2022	2,179,500	9.27

One RSU and RSA gives the right to one share of the Company's common stock. RSU and RSAs that vest based on service and performance are measured based on the fair values of the underlying stock on the date of grant. The Company used a Lattice model to determine the fair value of the RSU with a market condition. Compensation with respect to RSU and RSA awards is expensed on a straight-line basis over the vesting period.

Stock Options

The following is a summary of the Company's stock option activity during the nine-month periods ended September 30, 2023 and 2022:

Options	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (In Years)**	**Aggregate Intrinsic Value**
Outstanding, January 1, 2023	33,289,250	$ 7.7	-	$ 2,370,800
Granted	2,221,350	2.85	-	-
Forfeited	(426,002)	$ 4.0	-	-
		-	-	-
Outstanding, September 30, 2023	35,084,598	$ 7.5	2.9	$ 2,379,800
Exercisable, September 30, 2023	13,247,370	$ 4.4	2.31	$ 2,373,050

Options	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (In Years)**	**Aggregate Intrinsic Value**
Outstanding, January 1, 2022	15,050,500	$ 3.81	4.07	$ 14,055,450
Exercised	(661,250)	1.66	—	$ -
Granted	19,632,500	10.35	—	
Forfeited	(593,750)	3.03		$ -
Outstanding, September 30, 2022	33,428,000	$ 7.71	3.67	$ 12,255,963
Exercisable, September 30, 2022	12,276,789	$ 3.91	2.93	$ 12,049,538

Warrants Issued

The following is a summary of the Company's warrant activity during the nine-month periods ended September 30, 2023 and 2022:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2023	671,855	**$ 11.5**
Issued	1,391,667	3.0
Exercised	—	—
Forfeited	—	—
Balance, September 30, 2023	2,063,522	**$ 5.76**

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2022	2,127,895	**$ 5.4**
Exercised	(535,000)	3.3
Issued	132,000	18.2
Forfeited	(785,000)	3.01
Balance, September 30, 2022	939,895	**$ 9.16**

Assumptions- Fair Value of Warrants and Options

The Company issued options in connection for services during the nine-month period ended September 30, 2023 and September 30, 2022. The Company issued warrants in connection with certain convertible promissory notes during the nine-month period ended September 30, 2023, which are considered inducements to enter in debt transactions and are recognized as debt discount at fair value. The following table summarizes the range of the Black Scholes pricing model assumptions used by the Company to value certain warrants issued during the nine-month period ended September 30, 2023 and options granted during the nine-month period ended September 30, 2023 and 2022:

	September 30, 2023	September 30, 2022
	Range	Range
Stock price	$ 3.74-3.84	$ 6.00 - 12.34
Exercise price	$ 3.74-3.84	$ 6.00 - 14.00
Expected life (in years)	3.5-5 yrs.	1.5 – 10.0
Volatility	48-54%	37% - 54%
Risk-fee interest rate	3.51-5.02%	1.37% - 2.97%
Dividend yield	—	—

The Company cannot use its historical volatility as expected volatility because there is not enough liquidity in the trades of common stock during a term comparable to the expected term of stock option issued. The Company relies on the expected volatility of comparable publicly traded companies within its industry sector, which is deemed more relevant, to compute its expected volatility.

Unamortized future option expense was $37.4 million at September 30, 2023 and it is expected to be recognized over a weighted-average period of 3.3 years.

Share-based payments amounted to $13,109,035 and $ 13,957,145 during the nine-month periods ended September 30, 2023 and 2022, respectively.

NOTE 11 CONCENTRATIONS OF RISKS

Major Customers

The Company had no customers whose revenue individually represented 10% or more of the Company's total revenue. The Company had one third-party payor accounts receivable balance representing 24% of the Company's total accounts receivable at September 30, 2023.

Liquidity

The Company's cash and cash equivalents are held primarily with two financial institutions. The Company has deposits which exceed the amount insured by the FDIC. To reduce the risk associated with the failure of such counterparties, the Company periodically evaluates the credit quality of the financial institutions in which it holds deposits.

Product and Geographic Markets

The Company generates its income primarily from its lighting and heating products sold primarily in the United States.

NOTE 12 PROFORMA FINANCIAL STATEMENTS (unaudited)

The following pro forma consolidated results of operations have been prepared as if the acquisition occurred on January 1, 2022:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2023	2022	2023	2022
Revenues	$ 21,617,579	$ 20,803,141	$ 60,649,120	$ 66,457,914
Net loss	$ (7,627,777)	$ (6,208,867)	$ (26,430,206)	$ (23,061,755)
Basic and diluted loss per share	$ (0.08)	$ (0.07)	$ (0.28)	$ (0.27)
Weighted average number of shares outstanding- basic and diluted	96,794,462	87,275,830	92,768,792	84,064,095

These pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results to reflect, among other things, 1) additional amortization that would have been charged assuming the fair value adjustments to amortizable intangible assets had been applied, 2) the shares issued and issuable by the Company to acquire Belami, 3) fair value of the initial grant and options to Belami employees, and 4) the increase in interest expense related to the issuance of convertible notes payable, including amortization of debt discount. Furthermore, it excludes transaction costs related to the Belami acquisition. These pro forma results of operations have been prepared for comparative purposes only, and they do not purport to be indicative of the results of operations that would have resulted had the acquisition occurred on the date indicated or that may result in the future.

NOTE 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2023, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and related notes included elsewhere in this Form 10-Q and our audited financial statements and related notes thereto for the year ended December 31, 2022 included in our Annual Report on Form 10-K for the year ended December 31, 2022. This discussion and analysis and other parts of this Form 10-Q contain forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties, and assumptions, such as statements regarding our plans, objectives, strategy, expectations, outlook, intentions, and projections. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth in "Part I. Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022 and in other filings with the Securities and Exchange Commission (the "SEC"). Please also see the section entitled "Cautionary Note Regarding Forward-Looking Statements" contained in this Form 10-Q.

Overview

We have a series of advanced-safe-smart platform technologies. Our first-generation technologies enable light fixtures, ceiling fans and other electrically wired products to be installed safely and plugged in to a ceiling's electrical outlet box within seconds, and without the need to touch hazardous wires. The plug and play technology method is a universal power-plug device that has a matching receptacle that is simply connected to the electrical outlet box on the ceiling, enabling a safe and quick plug and play installation of light fixtures and ceiling fans in just seconds. The plug and play power-plug technology eliminates the need of touching hazardous electrical wires while installing light fixtures, ceiling fans and other hard wired electrical products. In recent years, we have expanded the capabilities of our power-plug product to include advanced-safe and quick universal installation methods, as well as advanced-smart capabilities. The smart features include control of light fixtures and ceiling fans by the SkyHome App, through WIFI, BLE and voice control. It allows scheduling, energy savings eco mode, dimming, back-up emergency light, night light, light color changing and much more. Our second-generation technology is an all-in-one safe and smart-advanced platform that is designed to enhance all-around safety and lifestyle of homes and other buildings. Our products are designed to improve all around home and building safety and lifestyle. We are continuing to refine our products and began manufacturing certain advanced and smart products during the first half of 2023. We expect to manufacture the additional product offerings in the second half of 2023. We hold over 75 U.S. and global patents and patent applications and have received a variety of final electrical code approvals, including UL, United Laboratories of Canada (cUL) and Conformité Européenne (CE), and 2017 and 2020 inclusion in the NEC Code Book.

We filed an application with the National Electrical Code (NEC) seeking mandatory safety standardization for our ceiling outlet receptacle platform in September 2023. The filing of the Company's application for a mandatory safety standardization with the National Electrical Code does not guarantee approval within any specific timeframe or at all.

We believe our total addressable market in the United States exceeds $500 billion, based on the Company's internal calculations derived from the estimation of the total target user pool, projected average selling price, and projected units per household. We believe there are billions of installations of light and other electrical fixtures globally. Our estimates of the addressable market for our products may prove to be incorrect. The projected demand for our products could differ materially from actual demand. Even if the total addressable market for our products is as large as we have estimated and even if we are able to gain market awareness and acceptance, we may not be able to penetrate the existing market to capture additional market share.

Inflation and related risk of recession increased during 2022 and have continued to impact operations during 2023. Inflationary factors, such as increases in interest rates, supply and overhead costs and transportation costs, may adversely affect our operating results, and we may not be able to offset increased costs with increased sales price per unit, particularly as we work toward commercial manufacturing of our products. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, we may experience some effect in the near future (especially if inflation rates continue to rise). In addition, we may be negatively impacted because of supply chain constraints, consequences associated with government regulations, ongoing and potential geopolitical conflicts, instability in the global banking system, employee availability and wage increases.

The Israel-Hamas war may adversely impact our operations in the near future. We have a number of developers working in Israel. If such individuals are called for service or this war escalates regionally, it may create work interruptions leading to longer periods between releases of offering improvements and increased costs.

During April 2023, we completed the previously announced acquisition of all the issued and outstanding shares of Belami, a strategic e-commerce lighting and home décor conglomerate. The Company paid cash and issued an aggregate of 1,923,285 shares of common stock as consideration for the acquisition. The Company expects that Belami will serve as a marketing and growth platform and should provide several distribution channels, including to retail customers, builders, and professionals.

In connection with the acquisition, the Company engaged in private placements of its securities during the first quarter of 2023, pursuant to which the Company issued and sold (i) subordinated secured convertible promissory notes in the aggregate principal amount of $10.35 million and (ii) warrants to purchase an aggregate of up to 1,391,667 shares of the Company's common stock. The proceeds were used to fund the cash component of the Belami acquisition and to pay certain transaction expenses in connection with the acquisition and the private placements.

In addition, in March 2023, the Company acquired 50% of the equity of a strategic e-commerce private label lighting website, for $225,000, and acquired the other 50% of the equity, which is owned by Belami, as part of the Belami acquisition. Following completion of the Belami acquisition, the Company transferred the equity it previously acquired to Belami, and Belami now holds 100% of the outstanding equity of such entity. The Company expects that this acquisition will serve as another marketing and growth platform for the Company and should provide additional distribution to both professional and retail channels for the Company's products.

During the second quarter of 2023, the Company repaid in full approximately $5.2 million in principal and interest due under the Company's five-year secured promissory note, dated December 14, 2021, previously issued to Nielsen & Bainbridge, LLC, by issuing 574,713 shares of the Company's common stock and paying $2.0 million. The Company also entered a $2.0 million secured revolving line of credit with First-Citizens Bank & Trust Company, which matures in May 2024.

During the third quarter of 2023, we entered a credit facility aggregating $4.5 million with Farmers & Merchants Bank of Central California. The line of credit amounting to $3.0 million matures in September 2024 and the term loan matures in September 2026.

During the second quarter of 2023, we began our at the market offering ("ATM") pursuant to which we may sell up to $20 million of shares of our common stock.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2023 and 2022

Consolidated Operating Results

	For the Three Months Ended September 30,				**For the Nine Months Ended September 30,**			
	2023	**2022**	**Increase/ (Decrease) $**	**Increase/ Decrease %**	**2023**	**2022**	**Increase/ (Decrease) $**	**Increase/ Decrease %**
Revenues	$ 21,617,579	$ 8,556	$21,609,023	NM	$ 36,611,659	$ 22,916	$36,588,743	NM
Cost of revenues	(14,917,493)	(5,914)	14,911,579	NM	(25,207,604)	(17,676)	25,189,928	NM
Gross income	6,700,086	2,642	6,697,444	NM	11,404,055	5,240	11,398,815	NM
Sales and marketing	5,702,647	993,232	4,709,415	NM	12,546,736	3,839,175	8,707,561	NM
General and administrative	7,519,042	4,615,887	2,903,155	63%	24,869,910	18,282,472	6,587,438	36%
Operating expenses	13,221,689	5,609,119	7,612,570	136%	37,416,646	22,121,647	15,294,999	69%
Operating loss	(6,521,603)	(5,606,477)	915,126	NM	(26,012,591)	(22,116,407)	3,896,184	18%
Other income (expense)								
Interest expense, net	(662,173)	(52,189)	609,984	NM	(2,601,526)	(224,610)	2,376,916	NM
Gain on extinguishment of debt	-	-	-	0%	1,201,857	178,250	1,023,607	NM
Total other income (expense)	(662,173)	(52,189)	609,984	NM	(1,399,669)	(46,360)	1,353,309	NM
Net loss	$ (7,183,776)	$(5,658,666)	$ 1,525,110	-27%	$(27,412,260)	$(22,162,767)	$ 5,249,493	NM

NM: Not meaningful

Revenue

The increase in revenues during the three and nine-month periods ended September 30, 2023 when compared to the prior year periods, is primarily due to revenues from products marketed by Belami which was acquired on April 28, 2023.

We believe that revenues will be higher in 2023 than in 2022, primarily resulting from revenues from Belami, which was acquired in April 2023 and the sale of our advanced and smart products.

Cost of Revenues

The cost of revenues consists primarily of costs associated with selling the products marketed by Belami. The increase in cost of revenues during the three and nine-month periods ended September 30, 2023 when compared to the prior year periods, is primarily due to costs associated with revenues from products marketed by Belami which was acquired on April 28, 2023.

We believe that cost of revenues will increase in 2023 compared to 2022, commensurate with an anticipated increase in revenues.

Sales and Marketing Expenses

Sales and marketing expenses consist primarily of sales and marketing compensation as well as sales and marketing programs.

The increase in sales and marketing expenses is primarily due to such expenses following the acquisition of Belami aggregating $4.8 million and $7.7 million during the three-month and nine-month periods ended September 30, 2023, respectively.

General and Administrative Expenses

General and administrative expenses consist primarily of an allocation of product development, finance, legal, human resources, including salaries, wages, and benefits, and depreciation and amortization, including share-based payments.

The increase in general, and administrative expenses during the three months and nine months ended September 30, 2023 when compared to the prior year periods was primarily due to the following:

- Increase in general and administrative expenses following the acquisition of Belami aggregating $3.0 million and $5.0 million, respectively;
    - Increase of depreciation and amortization expenses of $1.0 million and $2.1 million, respectively, primarily related to increase in intangibles acquired during the second quarter of 2023 and right-of-use assets acquired during the third quarter of 2022.

We believe that our operating expenses will be higher during 2023 when compared to 2022 as we continue to invest to support our anticipated growth and now includes such expenses related to Belami's operations following its acquisition.

Other Income (Expense)

The increase in interest expense in the three and nine-month periods ended September 30, 2023 when compared to the prior year periods resulted primarily from interest charges related to operating lease liabilities and debt which were entered into the latter part of 2022 and convertible debt (including amortization of debt discount, which were entered into the first quarter of 2023. The debt discount is related to inducements the Company granted to holders of convertible debt.

The variations in gain on extinguishment debt is due to two separate transactions: the forgiveness of the PPP loan recognized in the nine-month period ended September 30, 2022 and a gain on forgiveness of debt in April 2023 as the debt forgiven to a lender exceeded the consideration we paid.

Liquidity and Capital Resources

We have raised additional funds through the sale of our common stock and securities convertible into our common stock and issuance of debt, including completing our initial public offering in February 2022 for gross proceeds of $23.1 million and placements and offerings during the nine-month period ended September 30, 2023 in a combination of convertible notes payable and shares of our common stock aggregating $19.1 million.

These offerings included shares sold pursuant to our ATM offering program which provides us with additional access to capital, as needed, subject to market conditions. During the three months ended September 30, 2023, we issued 592,150 shares of common stock under such program for net proceeds of $897,000, net of brokerage fees and legal expenses of approximately $18,000. In aggregate, from the start of the ATM offering program through November 13, 2023, we sold 3,576,458 shares of common stock, generating approximately $8.2 million of proceeds, net of brokerage fees and legal expenses of $164,000. As of November 13, 2023, we had the remaining capacity to issue shares of common stock with a consideration of up to $11.3 million under the offering program.

We believe that our existing cash, cash equivalents and restricted cash will be sufficient to support our working capital and capital expenditure requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including the Belami acquisition and integration of operations, our revenue growth rate, expenditures related to our headcount growth and manufacturing, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, the timing and extent of spending to support development efforts, the price at which we are able to purchase parts to incorporate in our product offerings, the introduction of platform enhancements, and the market adoption of our platforms. We may continue to enter arrangements to acquire or invest in complementary businesses, products, and technologies. We may, because of those arrangements, or the general expansion of our business, be required to seek additional equity or debt financing. If we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, results of operations, and financial condition.

During April and May 2023, the Company repaid in full approximately $6.2 million due to a lender by issuing 574,713 shares of the Company's common stock and paying $2.0 million in cash. The Company also obtained an aggregate $6.5 million in revolving lines of credits and a term loan with two financial institutions during the nine-month period ended September 30, 2023. The lines of credit mature in 2024 and the term loan matures in 2026.

Nine-months period ended September 30, 2023:

We had $24.4 million in cash available which includes cash, cash equivalents, and restricted cash and unused lines of credit of $2.3 million as of September 30, 2023. Our working capital amounts to $2.6 million as of September 30, 2023, adjusted for consideration payable in shares of the Company's common stock valued at $5.6 million.

We used $10.1 million in our operating activities which consists of a net loss of $27.4 million adjusted for the following:

- Stock-based compensation of $13.1 million.
- Depreciation and amortization of $3.0 million;

  - Offset by a gain on extinguishment of debt of $1.2 million;
  - Additionally, accounts payable and accrued expenses increased by $3.5 million.

We generated cash from investing activities of $3.1 million which primarily consisted of proceeds from disposition of investments in debt securities of $7.6 million offset by the cash acquisition price of Belami, net of cash acquired of $4.2 million.

We generated cash from financing activities of $19.6 million which were primarily related to net proceeds of $19.1 million we generated from the issuance of convertible promissory notes, shares of common stock, and, to a lesser extent, net proceeds from lines of credit.

Nine-months period ended September 30, 2022:

We had $13.6 million in cash, cash equivalents, and restricted cash as of September 30, 2022.

We used $9.7 million in our operating activities which consists of a net loss of $22.2 million adjusted for the following:

- Stock-based compensation of $14 million.

We used $7.8 million in our investing activities which primarily consisted of the purchase of marketable securities.

We generated cash from financing activities of $20.7 million which were primarily related to proceeds generated from the issuance of shares of common stock pursuant to our initial public offering.

Non-GAAP Financial Measures

Management considers earnings (loss) before interest, taxes, depreciation and amortization, or EBITDA, as adjusted, an important indicator in evaluating our business on a consistent basis across various periods. Due to the significance of non-recurring items, EBITDA, as adjusted, enables our management to monitor and evaluate our business on a consistent basis. We use EBITDA, as adjusted, as a primary measure, among others, to analyze and evaluate financial and strategic planning decisions regarding future operating investments and potential acquisitions. We believe that EBITDA, as adjusted, eliminates items that are not part of our core operations, such as interest expense and amortization expense associated with intangible assets, or items that do not involve a cash outlay, such as share-based payments and non-recurring items, such as transaction costs. EBITDA, as adjusted, should be considered in addition to, rather than as a substitute for, pre-tax income (loss), net income (loss) and cash flows used in operating activities. This non-GAAP financial measure excludes significant expenses that are required by GAAP to be recorded in our financial statements and is subject to inherent limitations. Investors should review the reconciliation of this non-GAAP financial measure to the comparable GAAP financial measure included below. Investors should not rely on any single financial measure to evaluate our business.

	For the three-months ended September 30,		For the nine-months ended September 30	
	2023	2022	2023	2022
Net loss	$ (7,183,776)	$ (5,658,666)	$ (27,412,260)	$ (22,162,767)
Share-based payments	2,470,501	2,762,945	13,109,035	13,957,145
Interest expense	662,173	52,189	2,601,526	224,610
Depreciation, amortization	1,601,562	21,900	2,098,935	194,698
Transaction costs	-	-	516,601	-
EBITDA, as adjusted	$ (2,449,540)	$ (2,821,632)	$ (9,086,163)	$ (7,786,314)

Critical Accounting Policies

Our significant accounting policies are disclosed in Note 2 to our consolidated financial statements for the year ended December 31, 2022, contained in our Annual Report on Form 10-K for the year ended December 31, 2022. The following is a summary of those accounting policies that involve significant estimates and judgment of management.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes.

Such estimates and assumptions impact both assets and liabilities, including but not limited to: net realizable value of accounts receivable and inventory, estimated useful lives and potential impairment of property and equipment, the valuation of intangible assets, estimate of fair value of share based payments and derivative liabilities, estimates of fair value of warrants issued and recorded as debt discount, estimates of tax liabilities and estimates of the probability and potential magnitude of contingent liabilities.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate could change in the near term due to one or more future non-conforming events. Accordingly, actual results could differ significantly from estimates.

Fair Value of Financial Instruments

Disclosures about fair value of financial instruments require disclosure of the fair value information, whether recognized in the balance sheet, where it is practicable to estimate that value. As of September 30, 2023 and December 31, 2022, we believe the amounts reported for cash, prepaid expenses, accounts payable and accrued expenses and other current liabilities, accrued interest, notes payable and convertible note payable approximate fair value because of their short maturities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Stock-Based Compensation

Stock-based compensation is accounted for based on the requirements of ASC 718 – *“Compensation–Stock Compensation*”, which requires recognition in the financial statements of the cost of employee, non-employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Stock-based compensation is measured at the grant date based on the value of the award granted using the Black- Scholes option pricing model based on projections of various potential future outcomes and recognized over the period in which the award vests. For stock awards no longer expected to vest, any previously recognized stock compensation expense is reversed in the period of termination. The stock-based compensation expense is included in general and administrative expenses.

Revenue Recognition

We account for revenues in accordance with Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers” (Topic 606).

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;

- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Recent Accounting Pronouncements

Although there are new accounting pronouncements issued or proposed by the Financial Accounting Standards Board, which we have adopted or will adopt, as applicable, we do not believe any of these accounting pronouncements has had or will have a material impact on our financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a "smaller reporting company", we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures and any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving their control objectives.

As of the end of the period covered by this report, management, including our Principal Executive Officers and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures. Based upon the evaluation, our Principal Executive Officers and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023.

Changes in Internal Controls Over Financial Reporting:

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the following:

We adopted the policies and procedures of Belami as they relate to internal controls over financial reporting upon acquisition and supplemented them with certain key internal controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings or arbitration proceedings currently pending against our Company. From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. As of the date of this Form 10-Q, we are not a party to any material legal matters or claims. In the future, we may become party to material legal matters and claims, Legal proceedings are inherently uncertain and the outcome of a particular matter or a combination of matters may be material to our results of operations for a particular period, depending upon the size of the loss or our income for that period.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors set forth in "Part I. Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, other than as noted below. Our business, operations and financial results are subject to various risks and uncertainties that could materially adversely affect our business, results of operations, financial condition, and the trading price of our common stock. You should carefully read and consider the risks and uncertainties included in the report referenced above, together with all of the other information in such report and this Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, and other documents that we file with the SEC. The risks and uncertainties described in these reports may not be the only ones we face, and the disclosure of any risk factor should not be interpreted to imply that the risk has not already materialized. The factors discussed in these reports, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors, and oral statements.

Global economic conditions and the effect of economic pressures and other business factors on discretionary consumer spending and consumer preferences may have a material adverse effect on our business, results of operations and financial condition.

Uncertainties in global economic conditions that are beyond our control could materially adversely affect our business, results of operations, financial condition, and stock price. These adverse economic conditions include inflation, slower growth or recession, new or increased tariffs and other changes to fiscal and monetary policy, higher interest rates, high unemployment, decreased consumer confidence in the economy, armed hostilities, such as the ongoing military conflict between Russia and Ukraine and the Israel-Hamas war, foreign currency exchange rate fluctuations, conditions affecting the retail environment for products we sell, and other matters that influence consumer spending and preferences. In addition, consumer confidence and spending can be materially adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, including home equity loans and consumer credit, changes in net worth based on market changes and uncertainty, energy shortages and cost increases, labor and healthcare costs, government actions and general uncertainty regarding the overall future economic environment.

Consumers may view a substantial portion of the products we offer as discretionary items rather than necessities. As a result, our operating results are sensitive to changes in macroeconomic conditions that impact consumer spending, including discretionary spending. Declines in consumer spending have resulted in, and could in the future result in, decreased demand for our products and services, which has adversely affected the results of our operations and may do so in the future.

***Our marketing efforts to help grow our business may not be effective, and failure to effectively develop and expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our e-commerce channel*.**

If the online market for home goods does not continue to gain acceptance, a sizable portion of our business may suffer. Our success will depend, in part, on our ability to attract consumers who have historically purchased home goods through traditional retailers. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures to attract additional online consumers to our sites and convert them into purchasing customers online. Specific factors that could impact consumers' willingness to purchase home goods from us online, especially in markets where we do not have physical stores, include concerns about buying products without a physical storefront, face-to-face interaction with sales personnel and the inability to physically handle, examine and compare products; delivery time associated with online orders; actual or perceived lack of security of online transactions and concerns regarding the privacy or protection of personal information; delayed shipments or shipments of incorrect or damaged products; inconvenience associated with returning or exchanging items purchased online; usability, functionality and features of our sites; and our reputation and brand strength. In addition, if we do not have a clear and relevant promotional calendar to engage our customers, especially in the current macroeconomic environment, our customers may purchase fewer goods from us, or we may have to increase our promotional activities. If the shopping experience we provide does not appeal to consumers or meet the expectations of existing customers, we may not acquire new customers at sustainable rates, acquired customers may not become repeat customers and existing customers' buying patterns and levels may decrease. In addition, we may experience surges in online traffic and orders associated with promotional activities and seasonal trends, which could cause fluctuations in our results of operations from quarter to quarter.

Conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and Israel's war against them, may adversely affect our operations, which could negatively impact our revenues and cash flows.

With a number of our individuals working on the development of our product offerings located in Israel, our business and operations are directly affected by economic, political, geopolitical, and military conditions affecting Israel.

In October 2023, Israel declared war against Hamas. The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's economic implications on the Company's business and operations and on Israel's economy in general.

It is possible that other terrorist organizations will join the hostilities as well, including Hezbollah in Lebanon, and Palestinian military organizations in the West Bank. The individuals working on developing and improving our product offerings are not only within the range of rockets from the Gaza Strip, but also within the range of rockets that can be fired from Lebanon, Syria or elsewhere in the Middle East. If hostile action or hostilities otherwise disrupt our Israeli operations, our ability to improve timely our product offerings could be materially and adversely affected.

As a result of the Israeli security cabinet's decision to declare war against Hamas, several hundred thousand Israeli reservists were drafted to perform immediate military service. If some of the individuals working on improving our product offerings are called for service in the current war with Hamas we expect such persons would be absent for an extended period. As a result, our operations may be disrupted by such absences, which could materially and adversely affect our business and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, and ISSUER PURCHASES OF EQUITY SECURITIES

Recent Sales of Unregistered Securities

There are no unregistered sales of equity securities during the period covered by this report that were not previously reported in a Current Report on Form 8-K:

Issuer Repurchases
During the third quarter ended September 30, 2023, we withheld 64,949 shares of our common stock at a weighted-average price of $1.91 per share to satisfy tax withholdings obligations due upon vesting of restricted stock held by certain employees. We did not pay cash to repurchase these shares, nor were these repurchases part of a publicly announced plan or program.

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs
July 1, 2023 – July 31, 2023	791	$ 2.43	—	—
August 1, 2023 – August 31, 2023	12,545	2.17	—	—
September 1, 2023 – September 30, 2023	51,613	1.84	—	—
Total	64,949	$ 1.91	—	—

(1) Shares were repurchased to satisfy tax withholdings obligations due upon the vesting of restricted stock held by certain employees. We did not pay cash to repurchase these shares, nor were these repurchases part of a publicly announced plan or program.

Use of Proceeds

On February 14, 2022, we completed our initial public offering. We received approximately $20.5 million in net proceeds after deducting underwriting discounts and commissions of $1.8 million and offering expenses of approximately $700,000. There has been no material change in the use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) of the Securities Act of 1933, as amended, and other periodic reports previously filed with the SEC.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the quarter ended September 30, 2023, none of the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description of Exhibit
1.1	Sales Agreement by and between SKYX Platforms Corp. and The Benchmark Company, LLC, dated May 26, 2023 (incorporated herein by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on May 26, 2023).
2.1	Stock Purchase Agreement, dated February 6, 2023, by and among the Company and Mihran Berejikian, Nancy Berejikian, and Michael Lack (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 7, 2023).
2.2	First Amendment to Stock Purchase Agreement, dated April 28, 2023, by and among SKYX Platforms Corp. and Mihran Berejikian, Nancy Berejikian, and Michael Lack (incorporated herein by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2023).
3.1	Articles of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
3.2	Articles of Amendment to Articles of Incorporation, including the Certificate of Designation of Rights, Preferences and Privileges of Series A Convertible Preferred Stock (effective August 12, 2016) (incorporated herein by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-261829) filed with the SEC on December 22, 2021).
3.3	Articles of Amendment to Articles of Incorporation (effective February 7, 2022) (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2022).
3.4	Articles of Amendment to Articles of Incorporation (effective June 14, 2022) (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 14, 2022).
3.5	Articles of Amendment to Articles of Incorporation (effective May 2, 2023) (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2023).
3.6	Second Amended and Restated Bylaws of the Company (effective June 14, 2022) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 14, 2022).
10.1*	Executive Employment Agreement, dated September 12, 2023, by and between SKYX Platforms Corp. and Leonard J. Sokolow (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 13, 2023).
10.2+	Line of Credit Promissory Note, Business Loan Agreement (Asset Based), and Commercial Security Agreement, signed September 18, 2023, by and between Belami, Inc., as borrower and grantor, and Farmers & Merchants Bank of Central California, as lender (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2023).
10.3+	Term Loan Promissory Note and Business Loan Agreement, signed September 18, 2023, by and between Belami, Inc., as borrower, and Farmers & Merchants Bank of Central California, as lender (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2023).
10.4	Commercial Guaranty, signed September 18, 2023, by and among Belami, Inc., as borrower, SKYX Platforms Corp., as guarantor, and Farmers & Merchants Bank of Central California, as lender (incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 22, 2023).
31.1	Certification by Co-Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification by Co-Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.3	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification by Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification by Co-Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.3	Certification by Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Loss, (iii) Consolidated Statements of Stockholders' Equity (Deficit), (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Indicates management contract or any compensatory plan, contract, or arrangement.

+ Certain of the exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

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.

SKYX PLATFORMS CORP.

Date:	November 13, 2023	By:	*/s/ John P. Campi*
			John P. Campi, Co- Chief Executive Officer *(Principal Executive Officer)*
Date:	November 13, 2023	By:	*/s/ Leonard J. Sokolow*

Leonard J. Sokolow, Co-Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023

By: */s/ Marc-Andre Boisseau*
Marc-Andre Boisseau, Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, John P. Campi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SKYX Platforms Corp.;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 13, 2023

By: */s/ John P. Campi*
John P. Campi
Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Leonard J. Sokolow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SKYX Platforms Corp.;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 13, 2023

By: */s/ Leonard J. Sokolow*
Leonard J. Sokolow
Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.3

CERTIFICATION

I, Marc-Andre Boisseau, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SKYX Platforms Corp.;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 13, 2023

By: */s/ Marc-Andre Boisseau*
Marc-Andre Boisseau
Chief Financial Officer
(Principal Financial and Accounting Officer)

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 on Form 10-Q of SKYX Platforms Corp. (the “Company”) for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, 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 13, 2023

By: */s/ John P. Campi*
John P. Campi
Co-Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of SKYX Platforms Corp. (the “Company”) for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, 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 13, 2023	By: */s/ Leonard J. Sokolow*
	Leonard J. Sokolow Co-Chief Executive Officer (Principal Executive Officer)

Exhibit 32.3

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 on Form 10-Q of SKYX Platforms Corp. (the “Company”) for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, 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 13, 2023

By: */s/ Marc-Andre Boisseau*
Marc-Andre Boisseau
Chief Financial Officer
(Principal Financial and Accounting Officer)