

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

**FORM 10-K**

**Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended: December 31, 2025

or

**Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File No. 001-35927**

**AIR INDUSTRIES GROUP**

(Name of small business issuer in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

80-0948413

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

1460 Fifth Avenue, Bay Shore, New York 11706

(Address of Principal Executive Offices)

(631) 968-5000

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol	Name of each Exchange on which Registered
Common Stock, par value \$0.001	AIRI	NYSE-American

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 and post such files). Yes  No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

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

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

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

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

As of June 30, 2025, the aggregate market value of our common stock held by non-affiliates was \$9,972,403, based on 2,967,977 shares of outstanding common stock held by non-affiliates, and a price of \$3.36 per share, which was the last reported sale price of our common stock on the NYSE American on that date.

There were 4,781,054 shares of the registrant's common stock outstanding as of March 26, 2026.

DOCUMENTS INCORPORATED BY REFERENCE: None

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**AIR INDUSTRIES GROUP**  
**FORM 10-K**  
**For the Fiscal Year Ended December 31, 2025**

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## Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K filed by Air Industries Group (herein referred to as “Air Industries”, the “company”, “we”, “us”, or “our”) contains forward-looking statements. Certain of the matters discussed herein concerning, among other items, our operations, cash flows, financial position and economic performance including, in particular, future sales, product demand, competition and the effect of economic conditions, include forward-looking statements.

Forward-looking statements are predictive in nature and can be identified by the fact that they do not relate strictly to historical or current facts and generally include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and similar expressions. Although we believe that these statements are based upon reasonable assumptions, including projections of orders, sales, operating margins, earnings, cash flow, research and development costs, working capital, capital expenditures, distribution channels, profitability, new products, adequacy of funds from operations, and general economic conditions, these statements and other projections contained herein expressing opinions about future outcomes and non-historical information, are subject to uncertainties and, therefore, there is no assurance that the outcomes expressed in these statements will be achieved.

Investors are cautioned that forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from the expectations expressed in forward-looking statements contained herein. Given these uncertainties, you should not place any reliance on these forward-looking statements which speak only as of the date hereof. See “Risk factors” for a discussion of factors that could cause our actual results to differ from those expressed or implied by forward-looking statements.

We do not intend to update, or revise publicly and undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. You are advised, however, to consult any additional disclosures we make in our reports filed with the Securities and Exchange Commission (“SEC”).

## PART I

### ITEM 1. BUSINESS

#### Introduction

We believe we are one of the leading manufacturers of precision components and assemblies for large aerospace and defense prime contractors. Our products include landing gears, flight controls, engine mounts and components for aircraft jet engines, ground turbines and other complex machines. The ultimate end-user for most of our products is the U.S. Government, international governments, and commercial global airlines. Whether it is a small individual component for assembly by others or complete assemblies we manufacture ourselves, our high quality and extremely reliable products are used in mission critical operations that are essential for safety of military personnel and civilians.

We specialize in the aerospace and defense markets, operating within a hierarchical network of suppliers. At the top of the supply chain pyramid is the prime contractor, also known as an Original Equipment Manufacturer (“OEM”). A prime contractor designs, develops and produces the final product for the end-user. We play a critical role in this ecosystem, operating as a “Tier One” supplier, delivering our products directly to prime contractors, or as a “Tier Two” supplier, providing larger complex components to others. In some cases, we ship products directly to the U.S. Government. Our strategic position has made us a key partner for many prominent defense prime contractors and global commercial aviation manufacturers, often leading us to become the exclusive or primary supplier for certain high precision parts and assemblies. We often receive Long-Term Agreements (“LTAs”) from our customers, demonstrating their commitment to us.

We are renowned for our unwavering commitment to genuine quality and exceptional reliability. Our rich history dates to 1941, producing parts for World War II fighter aircraft. Since then, we have maintained an impeccable record with no known incidents of part failure leading to a mission failure resulting in a fatality. In an era plagued by foreign counterfeit parts, we strategically operate all our facilities within the United States. Our two state-of-the-art manufacturing centers located in Long Island, New York, and Barkhamsted, Connecticut, allow for rigorous oversight of production and adherence to stringent quality standards. Spanning over 150,000 square feet, our manufacturing centers serve as the operational hubs for our three legal subsidiaries, Air Industries Machining, (“AIM”) Nassau Tool Works (“NTW”) and Sterling Engineering Company (“STE”).

For the past several years we have strategically invested substantial amounts in new capital equipment, tooling, and processes to bolster our competitive position. Additionally, we expanded our sales and marketing efforts, with a sharp focus on expanding relationships with customers and cultivating new ones.

We finished 2025 with \$47.9 million of net sales. Our backlog, which represents the value of all funded orders received, stood at \$136.8 million an increase of 16.0% as compared to our backlog on December 31, 2024. On the bottom-line, we reported a net loss of \$1.3 million. As we enter fiscal 2026, we believe our future is looking brighter.

Our business strategy is geared towards competing and winning contracts that enable us to achieve sustainable and profitable business growth and delivering high quality reliable products to our customers. At its core, lies a highly trained and close-knit team of 160 individuals committed to driving excellence and precision in every aspect of our operations. We are firmly focused on securing new contract awards, improving operations and successful execution. As of December 31, 2025, we have total unfilled contract values amounting to \$270.1 million (including our \$136.8 million in funded backlog and all potential orders against LTA agreements previously awarded to us).

As discussed below under “Recent Developments” our go-forward business may materially change.

#### Recent Developments

On February 17, 2026, we filed a Current Report on Form 8-K (the “Merger 8-K”) with respect to the Agreement and Plan of Merger (the “Merger Agreement”) we and Transitory Air Sub LLC, our wholly owned subsidiary (“Merger Sub”), entered into on February 16, 2026, with Tenax Aerospace Acquisition, LLC, a Delaware limited liability company (“Tenax”). Upon consummation of the Merger Agreement, Tenax will become a wholly owned Subsidiary of AIR. Tenax is a leading provider of special mission aviation solutions that combine aircraft sourcing, financing and modification with aviation services including pilots, maintenance and other types of program support. Additionally, they have long standing relationships with key government customers.

Pursuant to the Merger Agreement, we will issue shares of our common stock (the “Merger Consideration”) to the holders of the membership interests of Tenax at the Closing (the “Tenax Members”). A portion of the Merger Consideration allocated in respect of membership interests of Tenax underlying certain Tenax warrants that remain unexercised as of the Closing, if any, will be reserved by us for future issuance upon the exercise of such warrants. The number of shares of our common stock to be issued to the Tenax Members will be adjusted based on a calculation of AIR Net Indebtedness (as defined in the Merger Agreement). Based on the amount of Air Net Indebtedness as of December 31, 2025, the calculation would result in the issuance of approximately 112.5 million shares of AIR Common Stock. Consequently, based upon the calculation of the Merger Consideration as of December 31, 2025, following the closing of the Merger, the Tenax Members will collectively own approximately 95% of the outstanding shares of our Common stock.

For a more complete description of the Merger Agreement, transactions to be consummated, actions to be taken and agreements entered into or to be entered in connection therewith, reference is made to the Merger 8-K and the full text of the Merger Agreement and the documents that are exhibits thereto which are incorporated herein by reference.

The closing of the merger contemplated by the Merger Agreement (the “Merger”) is subject to risks and uncertainties and certain specified conditions, including, among other things: (a) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act, (b) the listing of the Merger Consideration on the NYSE American, and (c) other customary conditions for a transaction such as the Merger, such as the absence of any legal restraint prohibiting the consummation of the Merger and there not having occurred with respect to AIR or Tenax’s business a material adverse event, subject to certain customary exceptions.

Except where specifically noted, the discussion of our business, operations, management team and financial results contained herein, gives no effect to changes that would occur as a result of or subsequent to the consummation of the Merger.

### **Customer Profiles**

In 2025 and 2024, approximately 58.3% and 69.9% of our net sales were attributed to customers who use our products for end-use on military aircraft. The rest of our net sales are attributable to commercial aviation uses and, to a much lesser extent, ground power electricity generation and other uses.

We have cultivated long-standing relationships with many large and well-known customers including:

- RTX Corporation (“RTX”) – a multinational aerospace and defense conglomerate and a major player in the aerospace and defense industry. We sell to several business units and/or subsidiaries of RTX, including Collins Aerospace (which includes Collins Landing Systems and Collins Aerostructures) and Pratt Whitney. RTX was formerly known as Raytheon Technologies Corporation and prior to that United Technologies Corporation.
- Lockheed Martin Corporation (“Lockheed Martin”) – Lockheed Martin is a leading global security and aerospace company with its principal customers being agencies of the U.S. Government. We sell directly to one of its subsidiaries, Sikorsky Aircraft Corporation (“Sikorsky”).
- Northrop Grumman (“Northrop”) – We supply product used on the E2-D Hawkeye, airborne warning and control aircraft.
- General Electric Aerospace (“GE”) – We supply GE Aerospace with high precision components that are used in jet turbine aircraft engines that are used on several commercial aircraft platforms.
- GE Verona – We supply GE Verona with precision components that are used in ground-based turbines for electrical power generation.
- The U.S. Government – We supply certain components and assemblies directly to the Defense Logistics Agency (“DLA”), a combat support agency within the U.S. Department of Defense (“DoD”). The DLA’s mission is to manage the end-to-end global defense supply chain and deliver readiness to the warfighter. It supports all five U.S. military services, federal, state, and local agencies, as well as partner and allied nations. The DLA procures items from us and provides them, as it deems fit, to other suppliers who assemble them into finished products.

## Platform and Program Profiles

Most of our machined components and assemblies are integral to high-profile platforms and named programs. Platforms generally refer to equipment that is utilized in missions or operations whereas programs are broader initiatives and can encompass the development and production of new platforms, upgrades to existing systems and other initiatives. The following platforms and programs (ranked in descending order by their 2025 net sales), accounted for 79.7% and 79.3% of our net sales in 2025 and 2024, respectfully:

- Pratt & Whitney Geared Turbo-Fan Engine (“GTF”): Used in commercial aviation, the GTF represents a new generation of jet engines that offer improved fuel efficiency, reduced emissions, and lower noise levels compared to traditional turbofan engines. We manufacture Thrust Struts, a critical component that essentially absorbs and distributes the forward thrust produced by the jet engine, ensuring that the force is evenly applied across the structure of the aircraft to maintain stability and integrity during takeoff, cruising and landing. We supply our Thrust Struts to Collins Aerostructures for integration into Geared Turbofan engines, utilized by smaller airlines such as those operating the Airbus A220 and Embraer E2 aircraft. Demand for these engines increased in 2025, thus reducing the concentration in the net sales attributable to military end users. Demand for these engines is anticipated to increase over the next few years.
- UH-60 Black Hawk Helicopter: We supply flight critical components, such as the primary flight control assembly and the tail-rotor gearbox, for the UH-60 Black Hawk Helicopter. Serving as the primary helicopter for the U.S. Army, it fulfills essential roles in transport, troop movement, medical evacuation and cargo lift operations. Manufactured by Sikorsky, it includes many variants and is also utilized by other branches of the U.S. military and U.S. allied countries. Since entering service in 1979, over 4,000 helicopters have been produced. Deployment of new helicopters is projected to continue through at least 2027, with ongoing sustainment activities anticipated for many years thereafter.
- The CH-53 Helicopter (including the CH53K variant): Developed in the 1960s and manufactured by Sikorsky, the CH-53 is recognized as the largest and most powerful helicopter in the U.S. military. It has evolved through several variants, with hundreds delivered and used by the U.S. Marine Corps. In 2021, we secured a LTA to supply Chaff Pods for the CH-53K, the latest iteration in the CH-53 series. These pods deploy metallized strips to generate false radar targets, safeguarding the helicopters from missile threats. The CH-53K plays a crucial role in the U.S. Marine Corps’ plans to support a wide range of current and future operations. In 2024 we received a purchase order to manufacture Swashplates and Hubs to be used on the CH-53K.
- The E-2D Hawkeye: We provide the main and nose landing gear, as well as the arresting gear for the E-2D Hawkeye, a twin-engine, tactical aircraft utilized for providing advanced airborne warning and control for carrier-based operations. Often referred to as the “digital quarterback,” it conducts battlefield management and command and control operations for aircraft carrier strike groups. While primarily used by the U.S. Navy, a small number have been sold to U.S. allies, notably Japan.
- The F-35 Lightning II (also known as the Joint Strike Fighter): Manufactured by Lockheed Martin, the Joint Strike Fighter is a stealth fighter aircraft designed to replace the U.S. Air Force F-15 and the U.S. Navy and Marine Corps F-18 fighters. It includes three variants: the conventional take-off and landing F-35A, the short take-off and vertical landing F-35B, and the carrier based variant F-35C. We have produced landing gear components for all three variants and currently manufacture landing gear components for the US Navy version. The production of this aircraft is expected to continue for many years, with the DoD aiming for an inventory objective of 2,456 aircrafts, in addition to expected demand from other countries.

- *F-18 Hornet*: The F-18 Hornet, the U.S. Navy’s primary fighter aircraft, principally operates from aircraft carriers and enjoys international use, notably in Finland and Australia. Originating in the late 1960s, it has seen numerous upgrades and enhancements over the years. We manufacture complete landing gear components for several variants, supplying these to the U.S. government or Tier 1 or other suppliers for spares that go on the aircraft that were originally produced by Boeing.
- *The F-15 Eagle Tactical Fighter*: We provide landing gear components for the F-15 Eagle Tactical Fighter. Originally designed for the U.S. Air Force, it is known as a dedicated air superiority fighter. Currently manufactured by Boeing, it was designed in the late 1960s with over 600 aircraft estimated to be in service. The F-15 has been exported to various countries including Israel, Saudi Arabia and Japan. Although it is anticipated that this plane will be ultimately replaced by the Joint Strike Fighter, we believe it will be flying for years to come. It boasts an impeccable combat record. We ship most of our components directly to the U.S. DoD.

### ***Our Market***

The aerospace and defense industry is dominated by a select few large prime contractors including Airbus, Boeing, General Electric, Lockheed Martin, Northrop Grumman, and RTX. These prime contractors oversee large platforms and programs for ultimate end-user, the U.S. government, foreign governments or global aviation companies.

Once a supplier is chosen and integrated into a platform or selected for a specific program, replacing them becomes a complex challenge. In many cases, suppliers often become the sole or single source. Being a sole source means being chosen as the exclusive supplier by the customer, whereas being a single source indicates that, despite the availability of other potential manufacturers, only one supplier is currently used. This scenario of single or sole sourcing is especially prevalent with legacy aircraft. While prime contractors generally prefer multiple sources for new aircraft production lines to mitigate single points of failure, utilizing a single vendor can lead to higher production volumes, lower average unit costs, and opportunities for quality improvements.

Demand for both defense and commercial aviation components is based on new production and subsequent maintenance, repair and overhaul (“MRO”). Flight critical components are frequently replaced on aircraft on a flight time, or flight cycle basis. The demand for MRO and after-market products can continue for many years, even decades, after the production line for new aircraft is shut down.

At a high level, we are able to monitor the DoD budget for both new production and operations and maintenance components as well as industry reports to gauge overall industry spending. While large U.S. Government programs are managed through specific budget lines and oversight structures, most, if not all, of our machine parts and assemblies are not explicitly identified in the U.S. Government budget. Therefore, predicting period-to-period demand with precision is challenging. While we primarily rely on our customers to help us project short-term and long-term demand, the timing of receipt of contract awards and related orders is difficult to predict. Consequently, comparative period-to-period net sales for any customer or program may not be meaningful.

### ***Sales and Marketing***

Sales and marketing activities during 2025 were robust, resulting in a book-to-bill ratio of 1.36x, growth in our funded backlog to \$136.8 million and total unfilled contract values amounting to \$270.1 million (including our \$136.8 million funded backlog and all potential orders against LTA agreements).

We primarily rely upon a small team of highly skilled sales and business development professionals with extensive industry experience with hands-on support from management. Our goal is to cultivate customer relationships akin to partnerships and the concept of customer alignment. For example, our customers heavily rely on suppliers to deliver high-quality parts that meet specifications in a timely and cost-effective manner. They regularly assess suppliers based on various quantitative criteria such as on-time delivery performance, defect rates, adherence to specifications, cost performance, lead times, order processing time, stockout rates, and similar metrics. Therefore, one of our primary objectives is to maintain high ratings and leverage these metrics in our sales and marketing activities.

Our sales cycle varies significantly, ranging from a few weeks to over a year, depending on the complexity of the product and manufacturing steps involved. While customers may occasionally engage in spot buys, most of our orders (also known as bookings) stem from LTAs. LTAs outline the quantity and price of products the customer may order within a specified time frame. When actual products are needed, the customer places a funded order against the LTA. The value of this funded order is included in our funded backlog until we ship it. Although cancellations of funded orders are possible, customers are usually subject to termination liability, necessitating payment to us for costs incurred up to the termination date. In certain termination cases, the customer is also required to pay us a reasonable profit.

We secure new or follow-on LTAs through competitive bidding in response to a customer's Request for Quotation ("RFQ"). These proposals detail prices based on quantities, which may vary annually, for shipments over multiple years. The bidding process typically entails several rounds of submissions and negotiations before an award is granted. For defense products, in certain cases, LTAs may be awarded or extended without an RFQ or competitive bidding. In such cases, pricing may be determined through cost analysis or audit with ultimate approval by the customer or the U.S. government.

### ***Bookings and Backlog***

Bookings represent funded orders secured during a given financial period. In fiscal 2025, bookings were \$65,000,000, a 8.5% decrease compared to \$71,000,000 in 2024. Our "book-to-bill" ratio, which is our bookings divided by net sales, was 1.36x for 2025, an improvement over the 1.29x ratio of 2024. Although bookings are subject to wide variations in timing, resulting in period-to-period comparisons not necessarily being meaningful, we do use bookings and our book-to-bill as a gauge of future net sales.

Our backlog, which can be considered our "funded backlog," stood at \$136.8 million as of December 31, 2025, marking a 16.0% increase from \$117.9 million on December 31, 2024. This represents the net sales we expect to realize from funded orders received and is equivalent to our remaining performance obligations pursuant to Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. These funded orders, approved by customers, come from LTAs, spot-buys, or other contracts and are for essential machined components and assemblies used in the key platforms and programs we serve. Our definition provides visibility into the value of all firm orders. The bulk of our \$136.8 million backlog is expected to ship over the next 24 months, but does not include possible or probable future orders pursuant to existing LTAs or probable contract renewals that would also contribute sales during such period. The total potential net sales under contracts actually awarded to us as of December 31, 2025, was \$270.1 million, including the value of our existing funded backlog of \$136.8 million.

### ***Competition***

Winning a new contract award is highly competitive. Not only must we have the capabilities to manufacture to customer design specifications, but we compete against companies that have greater financial, physical and technical resources. Our ability to win new contracts generally requires us to become a trusted partner to the customer by having the capabilities to deliver superior quality product, more quickly and with lower pricing than our competitors. Accordingly, we must continually invest in process improvements and capital equipment.

In recent years, we have strategically made significant investments to enhance our competitiveness and market position. For example, in fiscal 2025 and 2024, we invested \$3,322,000 and \$2,301,000 in new property and equipment to support our goals. These investments have enabled us to increase production efficiency and speed, while maintaining closer tolerances, have expanded the size of products we can manufacture and have been appreciated by our customers. Any investment in 2026 will be at a much lower level.

Our competitors include: Monitor Aerospace, a division of GKN Aerospace; Hydromil, a division of Triumph Aerospace Group; Heroux Devetec and Ellanef Manufacturing, a division of Magellan Corporation.

### ***Manufacturing, Raw Materials and Replacement Parts***

Our production cycle spanning from ordering raw materials to delivering finished products, can vary from several weeks to over a year. Consequently, for certain products, especially those involving finished assemblies, we must procure significant amounts of raw materials and begin processing well ahead of actual ship dates. This underscores the importance of efficient subcontract management in meeting customer delivery deadlines. In some cases, customers may provide us with raw materials as they may be able to obtain better processing or delivery schedules from other suppliers and in other cases the customer chooses to rely on us to manage suppliers.

The price and availability of many raw materials in the aerospace industry are susceptible to fluctuations in global markets and political conditions. Most raw material suppliers are hesitant to commit to long-term contracts at fixed prices, posing a substantial risk given our strategy often entails entering into LTA agreements which require us to commit to long-term price commitments. However, many of our LTAs provide pricing protection when there is a large increase in the cost of raw materials.

### ***Employees***

As of March 7, 2026, we employed 160 people. Of these, 89 were involved in manufacturing and production activities, 20 were in quality control, 45 were in administration, and the remaining 6 were in sales and procurement. All of our employees are covered under a co-employment agreement with Insperty Services, LLC, a professional employer organization. This arrangement allows us to provide employees with comprehensive benefits at a lower cost than we could provide.

Our AIM subsidiary has a collective bargaining agreement with the United Service Workers, IUJAT, Local 355 (the “Union”). This agreement is effective until December 31, 2027 and covers the majority of AIM’s 125 personnel. The agreement requires us to make specified contributions to the Union’s United Welfare Fund and United Service Worker’s Security Fund which provide pension benefits to our employees. We are not obligated to provide any additional pension benefits to our employees. Additionally, the collective bargaining agreement contains a “no-strike” clause, and a “no-lock-out” clause. We believe we maintain good relationships with the Union.

### ***Regulations***

We believe that we are in compliance with all federal, state and local laws and regulations governing our operations and have obtained all material licenses and permits required for the operation of our business. The key regulations impacting our business are further discussed below:

**Environmental Regulation and Employee Safety:** We are subject to regulations administered by the United States Environmental Protection Agency, the Occupational Safety and Health Administration, various state agencies and county and local authorities acting in cooperation with federal and state authorities. Among other things, these regulatory bodies impose restrictions that require us to control air, soil and water pollution, to protect against occupational exposure to chemicals, including health and safety risks, and require notification or reporting of the storage, use and release of certain hazardous chemicals and substances. This regulatory framework imposes compliance burdens and financial and operating risks on us. Governmental authorities have the power to enforce compliance with these regulations and to obtain injunctions or impose civil and criminal fines in the case of violations.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”) imposes strict, joint and several liabilities on the present and former owners and operators of facilities that release hazardous substances into the environment. The Resource Conservation and Recovery Act of 1976 (“RCRA”) regulates the generation, transportation, treatment, storage and disposal of hazardous waste. New York and Connecticut, the states where our production facilities are located, also have stringent laws and regulations governing the handling, storage and disposal of hazardous substances, counterparts of CERCLA and RCRA. In addition, the Occupational Safety and Health Act, which requires employers to provide a place of employment that is free from recognized and preventable hazards that are likely to cause serious physical harm to employees, obligates employers to provide notice to employees regarding the presence of hazardous chemicals and to train employees in the use of such substances.

**Federal Aviation Administration:** We are subject to regulation by the Federal Aviation Administration (“FAA”) under the provisions of the Federal Aviation Act of 1958, as amended. The FAA prescribes standards and licensing requirements for aircraft and aircraft components. We are subject to inspections by the FAA and may be subjected to fines and other penalties (including orders to cease production) for noncompliance with FAA regulations. Our failure to comply with applicable regulations could result in the termination of or our disqualification from some of our contracts, which could have a material adverse effect on our operations. We have never been subject to such fines or disqualifications.

**Federal Acquisition Regulations:** All our U.S government contracts and those of many of our customers are subject to the procurement rules and regulations of the Federal Acquisition Regulations. As such, many of our LTA agreements require us to adhere to these rules and regulations. During and after the fulfillment of a government contract, we may be audited in respect of the direct and allocated indirect costs attributed to the project. These audits may result in adjustments to our contract costs. Additionally, we may be subject to U.S. government inquiries and investigations because of our participation in government procurement. Any inquiry or investigation can result in fines or limitations on our ability to continue to bid for government contracts and fulfill existing contracts.

#### ***More Information About Our Business and Where to Find It***

Our Internet website is AirIndustriesGroup.com, at which you can find our filings with the SEC, including press releases, annual reports, quarterly reports, current reports, and any amendments to those filings. We also use our website to disseminate other material information to our investors. We also make announcements regarding company developments and financial and operating performance through social media channels such as at LinkedIn.com/company/air-industries-group to communicate with customers and the public about our Company, our products, services, and other issues. Among other things, we post on our website and social media channels information about our public conference calls (including the scheduled dates, times and the methods by which investors and others can listen to those calls), and we make available for replay webcasts of those calls and other presentations for a limited time. Information and updates about our Annual Meetings will also be posted on our website including on the “Home Page” and in the “Investor Relations” section. None of the information on our website, blog or any other website identified herein is incorporated by reference in this annual report and such information should not be considered a part of this annual report.

#### **ITEM 1A. RISK FACTORS**

The purchase of our common stock involves a very high degree of risk.

In evaluating our common stock and our business, you should carefully consider the risks and uncertainties described below and the other information and our consolidated financial statements and related notes included herein. If any of the events described in the risks below actually occurs, our financial condition or operating results may be materially and adversely affected, the price of our common stock may decline, perhaps significantly, and you could lose all or a part of your investment.

The risks below can be characterized into four groups:

- 1) Risks related to our business, including risks specific to the defense and aerospace industry;
- 2) Risks related to our indebtedness;
- 3) Risks related to the proposed Merger with Tenax Aerospace Acquisition, LLC; and
- 4) Risks related to our status as a public company and our common stock.

#### ***Risks Related to Our Business***

***We have a history of net losses, have recently increased our debt to support ongoing business operations, need to refinance our debt and the opinion of our auditor contains an explanatory paragraph as to our ability to continue as a going concern.***

We incurred net losses for the years ended December 31, 2025 and 2024 of \$1,305,000 and \$1,366,000, respectively. During the year ended December 31, 2025, we used \$1,352,000 to support our operations and our total indebtedness grew from \$20,121,000 as of December 31, 2024, to \$25,233,000 as of December 31, 2025. As of December 31, 2025, we had approximately \$23,473,000 of indebtedness outstanding pursuant to our Current Credit Facility that matures on September 30, 2026 with Webster Bank (“Current Credit Facility”) and approximately \$4,871,000 of subordinated notes (“Related Party Notes”) that mature on October 1, 2026, which are held by two directors Michael N. Taglich and Robert F. Taglich. We must pay or refinance this indebtedness on or prior to its respective due dates. Further, Webster has indicated that it does not want to renew the Current Credit Facility. Since it is not likely that we will be able to pay this debt, we have initiated steps to satisfy portions and refinance the balance. These steps included the sale of shares of our common stock pursuant to our Registration Statement that was declared effective on December 19, 2024, and the entry into a Merger Agreement with Tenax with respect to a proposed merger that would cause Tenax to become our wholly-owned subsidiary. Our financial statements included in this Report have been prepared on the assumption that we will continue as a going concern. Because of the uncertainty regarding our ability to refinance our indebtedness our auditors have included an explanatory paragraph in their opinion as to our ability to continue as a going concern. Our financial statements included in this Report do not include any adjustments that might result if we were not to continue as a going concern. If we were not to consummate the Merger Agreement with Tenax, refinancing our indebtedness may require us to pay higher interest rates than we currently pay, agree to more restrictive business or financial covenants or involve the issuance of debt, equity or new securities convertible into or exercisable or exchangeable for our common stock. Any failure to refinance our existing debt or obtain additional working capital when required would have a material adverse effect on our business and financial condition.

***We may need additional financing to fund operations and to invest in new or upgraded property or equipment.***

During fiscal 2025 we used \$1,352,000 to fund ongoing business operations and used in excess of \$3,000,000 to purchase new equipment to improve our operating efficiencies. As a result, the amount of our indebtedness grew from \$20,121,000 as of December 31, 2024, to \$25,233,000 as of December 31, 2025. We will require additional financing to fund operations and investments in new or upgraded property or equipment in order to remain competitive and will need to obtain the agreement of holders of portions of our debt to incur new debt or otherwise refinance our existing debt. In order to gain their consent, we may need to offer these holders increases in the rates of interest they receive or otherwise compensate them through payments of cash or issuances of our equity securities. Such additional financing or refinancing may involve the issuance of debt, equity or securities convertible into or exercisable or exchangeable for our equity securities and may not be available to us on reasonable terms, if at all. If we are unable to obtain additional financing or refinance our existing debt, the trading price of our common stock could be adversely affected. If we are able to obtain additional financing or refinance our existing debt, the terms of such financing may adversely affect the interests of our existing stockholders. Any failure to fund working capital when required would have a material adverse effect on our business and financial condition and may result in a decline in our stock price. Additionally, we may need to consider other types of restructuring including seeking protection under U.S. bankruptcy law. Any issuances of our common stock, preferred stock, or securities such as warrants or notes that are convertible into, exercisable or exchangeable for, our capital stock, would have a dilutive effect on the voting and economic interest of our existing stockholders.

***A reduction in budgeted or actual U.S. government spending for defense or changes in the mix of defense products could materially adversely impact our business strategy, revenues, operating results and financial condition.***

The ultimate end-user for a significant portion of our products is the U.S. Government, with significant emphasis on military aircraft. In certain instances, our products may be exported to allied foreign governments by the U.S. Government. Although we expect to generate sales from all of our key aerospace and defense platforms and programs for many years, they are subject to significant risk. Congressional appropriation and presidential approval are required for funding, leaving our platforms and programs vulnerable to potential budget reductions at any point. For instance, a decrease in U.S. government defense spending or a strategy shift to rocket and drone platforms instead of helicopters and large military aircraft platforms, could curtail demand for landing gear parts and other components we provide which would likely have a materially adverse effect on our business strategy, revenues, operating results and financial condition.

Our operations have historically been subject to the fluctuations in government procurement cycles and spending patterns by our customers. There can be no assurance that our financial condition and future results of operations will not be materially adversely impacted by volatility in defense spending or changes in the mix of product favored by the U.S. Government or other nations, or the perception among our customers regarding the likelihood of such shifts.

***Although we have cultivated long-standing relationships with many of our customers, the aerospace and defense industry is characterized by a small number of large and well-known prime customers. A majority of our revenue is derived from sales to a limited number of customers and any loss, cancellation, reduction, or interruption in these relationships could harm our business.***

Our products are purchased by a relatively small number of large aerospace and defense customers who incorporate them into larger products for ultimate end-use by the U.S. Government, international governments, and commercial global airlines. A majority of our revenue is derived from sales to a limited number of customers. Consequently, we have a high degree of sales concentration among specific customers making it challenging to diversify our customer base. In fiscal years 2025 and 2024, four customers, two of which were part of the same corporate group, accounted for approximately 75.2% and 73.4% of net sales, respectively.

Our future success relies heavily on nurturing, expanding and effectively managing these relationships. Nevertheless, we cannot assure retention of these customers or their continuing to purchase at previous levels. The loss of any key customer, a decline or interruption in sales to them, or our inability to establish relationships with new customers, could significantly impact our business.

***We depend on revenues from components for a few aircraft programs and platforms and the cancellation or reduction of funding of them will harm our business.***

We derive a significant portion of our net sales from supplying components for select aircraft programs and platforms, such as the F-18 Hornet, the E-2D Hawkeye, the UH-60 Black Hawk Helicopter, Pratt & Whitney Geared Turbo-Fan Engine, the CH-53 Helicopter, the F-35 Lightning II (also known as the Joint Strike Fighter) and the F-15 Eagle Tactical Fighter. A decrease in demand for our products, stemming from reduced aircraft production or diminished aircraft utilization, would adversely affect our future operating results and financial condition.

***Changes in outsourcing strategies and intense competition in our markets may lead to a reduction in our revenues and market share.***

The defense and aerospace component manufacturing market is highly competitive. Competition has been increasing and is expected to intensify further. Our large aerospace and defense prime customers, Tier One suppliers and many of our competitors have significantly greater technical, manufacturing, financial and marketing resources than we do. In the future, our defense and aerospace customers could make changes in their supply chain strategies that could adversely impact us. For instance, they could decide to in-source manufacturing, stop purchasing pursuant to existing LTA agreements or seek other sources at any time. If they seek other suppliers, we may not be able to compete successfully against either current or future competitors, including commercial manufacturers that wish to diversify their revenues and expand into the defense supply chain. Increased competition could result in reduced revenue, lower margins or loss of market share, any of which could significantly harm our business, our operating results and financial condition.

***We may lose sales if we fail to timely meet the specifications and requirements of our customers.***

Most of our customers incorporate our products into larger products such as aircraft assemblies or completed aircraft. They rely upon us to deliver products pursuant to existing LTA agreements that include detailed specifications and requirements. If a customer were to conclude that it could not rely upon us for any reason, it could look to dual source a product or rely upon another party altogether. We could be informed of a change in sourcing decisions with limited notice or not at all. Any decision by a customer to rely upon an alternate supplier for some or all of its needs could significantly harm our business, our operating results and our financial condition.

***We may lose sales if our suppliers fail to meet our needs or ship raw materials to us on schedule.***

We must deliver our products timely with high quality to ensure smooth operation of our customers' production lines. In order to do so, we attempt to procure our raw materials, parts and components as well as subcontracted services from various sources and utilize multiple subcontractors. However, certain materials, components and services are exclusively available from a sole or limited number of suppliers and we are reliant upon them. Additionally, materials sourced from overseas are susceptible to supply chain disruptions stemming from global events and political decisions. While we believe that, in many cases, alternative supplies, components, assemblies, or subcontractors could be secured, sourcing substitutes may necessitate the development of new suppliers or require product re-engineering and qualification, potentially leading to shipment delays. Any interruptions in raw material shipments or subcontracted service performance could significantly harm our business, our operating results and our financial condition.

***We may not be able to improve our gross margin and a reduction in future sales levels could have a disproportionate effect on our gross profit as a percentage of our net sales.***

Our state-of-the-art manufacturing facilities currently have a large percentage of fixed factory overhead relative to our overall expenses. Consequently, our gross profit as a percentage of sales is highly linked with sales volume. If we do not increase our sales volume, it will be difficult to materially improve our gross profit margin. Although we have plans to improve operating efficiencies at our current sales levels, we may not be able to do so. Further, any reduction in sales volume would likely cause us to absorb the fixed overhead costs over a smaller base of sales, causing our gross profit as a percentage of sales to decline from current levels. Any reduction in our profit margin adversely impacts our reported performance and would have a material adverse impact on results of operation and our financial position.

***There are risks associated with the bidding processes in which we compete.***

We obtain many LTA and other contracts through a competitive bidding process. We must devote substantial time and resources to prepare bids and proposals which may not result in contract awards to us. Even if we win contracts, there can be no assurance that the prices that we bid will be sufficient to allow us to generate a profit from any particular contract. On occasion, we may submit a bid for an initial contract award that will generate negative or minimal gross margin in anticipation of price increases or operational efficiencies which lead to improved gross margins on subsequent orders. There are significant costs involved with producing a small number of initial units of any new product and it may not be possible to recoup such costs on later production runs.

***Due to fixed contract pricing, increasing contract costs expose us to reduced profitability and the potential loss of business.***

The cost estimation process requires significant judgment and expertise. Reasons for cost growth include unavailability and productivity of labor, the nature and complexity of the work to be performed, the effect of change orders, the availability of materials, the ability of subcontractors to meet their commitments, the effect of delays in performance, availability and timing of funding from the customer, natural disasters, supply chain disruptions and the inability to recover any claims for added services necessary to complete production. A significant change in costs from those on which we based our estimates on one or more programs could have a material effect on our consolidated financial position or results of operations.

***The prices of raw materials we use are volatile.***

The prices of raw materials used in our manufacturing processes are volatile. Some LTA agreements with customers allow us to increase our prices due to increases in the price of raw materials. However, these LTA agreements generally require that we first absorb all or a portion of the price increases before being able to pass on the increase to the customer. For some LTA agreements, we are at full risk for future price agreements. If the prices of raw materials rise, we may not be able to pass along all of such increases to our customers and this could have an adverse impact on our financial position and results of operations. It is possible that some of the raw materials we use might become subject to new or increased tariffs. Significant increases in the prices of raw materials could adversely impact our customers' demand for certain products which could lead to a reduction in our revenues and have a material adverse impact on our revenues and on our financial position and results of operations.

***Some of the products we produce have long lead times.***

Some of the products we produce require months to produce and we sometimes produce products in excess of the number ordered intending to sell the excess as spares when orders arise. As a result, our inventory turns slowly and ties up our working capital. Our inventory represented approximately 58.7% of our assets as of December 31, 2025. Any requirement to write down the value of our inventory due to obsolescence, excess and slow moving quantities or a drop in the price of materials could have a material adverse effect on our consolidated financial position and results of operations.

***We do not own the intellectual property rights to products we produce.***

Although we develop internal production processes, nearly all the parts and subassemblies we produce are built to customer specifications and the customer owns the intellectual property, if any, related to the product. Consequently, if a customer desires to use another manufacturer to fabricate its part or subassembly, it is free to do so, which could have a material adverse effect on our business, our operating results and financial condition.

***There are risks associated with new programs.***

New programs typically carry risks associated with design changes, acquisition of new production tools, funding commitments, imprecise or changing specifications, timing delays and the accuracy of cost estimates associated with such programs. In addition, any new program may experience delays for a variety of reasons after significant expenditures are made. If we were unable to perform under new programs to the customers' satisfaction or if a new program in which we made a significant investment was terminated or experienced weak demand, delays or other problems, then our business, financial condition and results of operations could be materially adversely affected. This could result in low margin or forward loss contracts, and the risk of having to write-off costs and estimated earnings in excess of billings on uncompleted contracts if it were deemed to be unrecoverable over the life of the program.

To perform on new programs, we may be required to incur material up-front costs which may not have been separately negotiated and may not be recoverable. Such charges and the loss of up-front costs could have a material impact on our liquidity.

The need to control our expenses places a significant strain on our management and operational resources. If we are unable to control our expenses effectively, our business, results of operations and financial condition may be adversely affected.

***There are risks associated with offering new services to our customers.***

From time-to-time, to reduce our dependence on subcontractors, increase our customers' reliance upon us or increase our gross margins we offer new services to our customers, such as painting and finishing products we manufacture. There are risks associated with offering new products and services and even if performed timely and correctly, it is likely that our margins for these new services will be relatively low, or even negative, in the initial phases when volume is low. We may not be successful in achieving positive gross margins for new services or be able to ultimately meet our customer requirements. If we are unsuccessful, it could hurt our relationship with our customers.

***Attracting and retaining executive talent and other key personnel is an essential element of our future success.***

Our future success depends to a significant extent upon our ability to attract executive talent, as well as the continued service of our existing executive officers and other key management and technical personnel. We are a relatively small company and experienced management and technical, marketing and support personnel in the defense and aerospace industries are in demand and competition for their talents is intense. Our failure to attract or retain executive, key management and technical personnel could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to intense competition for the skilled machinists necessary to manufacture our products.***

We are subject to intense competition for the services of skilled machinists necessary to manufacture our products and those of other companies in the aerospace and defense industry. In recent years, the competition for skilled employees has intensified and we have experienced wage inflation. We have strategically located our operations in the U.S. and many companies are expanding their domestic production. As such, there is currently a shortage of skilled workers in the U.S. In order to increase production levels, we must hire new employees and machinists for our two state-of-the-art manufacturing facilities and we may not be able to do so or the costs to hire and/or train them may significantly exceed our budget. If the U.S. economy continues to experience inflation, our labor costs may further increase which could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to strict governmental regulations relating to the environment, which could result in fines and remediation expense in the event of non-compliance.***

We are required to comply with extensive and frequently changing environmental regulations at the federal, state and local levels. Among other things, these regulatory bodies impose restrictions to control air, soil and water pollution, to protect against occupational exposure to chemicals, including health and safety risks, and to require notification or reporting of the storage, use and release of certain hazardous substances into the environment. This extensive regulatory framework imposes significant compliance burdens and risks on us. In addition, these regulations may impose liability for the cost of removal or remediation of certain hazardous substances released on or in our facilities without regard to whether we knew of, or caused, the release of such substances.

We are also required to provide a place of employment that is free from recognized and preventable hazards that are likely to cause serious physical harm to employees, provide notice to employees regarding the presence of hazardous chemicals and to train employees in the use of such substances. Our operations require the use of chemicals and other materials for painting and cleaning that are classified under applicable laws as hazardous chemicals and substances. If we are found to be in violation of any of these rules, regulations or permits, we may be subject to fines, remediation expenses and the obligation to change our business practice, any of which could result in substantial costs that would adversely impact our business operations and financial condition.

***We may be subject to fines and disqualification for non-compliance with Federal Aviation Administration regulations.***

We are subject to regulation by the FAA under the provisions of the Federal Aviation Act of 1958, as amended. The FAA prescribes standards and licensing requirements for aircraft and aircraft components. We are subject to inspections by the FAA and may be subjected to fines and other penalties (including orders to cease production) for noncompliance with FAA regulations. Our failure to comply with applicable regulations could result in the termination of or our disqualification from some of our contracts, which could have a material adverse effect on our operations. We have never been subject to such fines or disqualification.

***Cyber security attacks, internal system or service failures, and any unauthorized access to our customer data will have an adverse effect on our business and reputation.***

Most of our products are used by large aerospace and prime contractors who ultimately provide them to the U.S. Government, foreign governments and commercial airlines. As such, in most cases, we are required to maintain confidential and proprietary information on our information systems. Hackers, whether they be individuals, entities or hostile enemies, may attempt to penetrate our network or those of our third-party hosting and storage providers, to gain access to confidential and proprietary data. If any of this data is hacked or leaked, obtained by others or destroyed without authorization, it could harm our reputation, we could be exposed to civil and criminal liability, which will materially impact our financial results and financial condition. Any system or service disruptions caused by hackers or those caused by projects to improve our information technology capabilities, if not mitigated, could significantly disrupt our production and assembly and could have an immediate material adverse effect on our business. We could also be subject to systems failures, including network, software or hardware failures, whether caused by us or third-party service providers, computer viruses, natural disasters or power shortages.

If hackers gain access to sensitive, confidential or otherwise protected information, they may attempt to force us to pay a ransom before stopping their attack. Any hacker penetration could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs or subject us to claims and damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Although we utilize various procedures and controls to monitor and mitigate the risk of these threats and have increased recent investment to improve our cyber-security posture, there can be no assurance that these procedures and controls or new investments will be sufficient. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption which would adversely affect our business, results of operations and financial condition. Moreover, expenditures incurred in implementing cyber security and other procedures and controls could adversely affect our results of operations and financial condition.

***We are subject to an extensive and evolving regulatory landscape and requirements imposed by our customers to secure our communications, and any adverse changes to, or our failure to comply with, any laws and regulations or requirements of our clients could adversely affect our brand, reputation, business, operating results, and financial condition.***

We are subject to extensive laws, rules and regulations directed to those who conduct business over the internet, in addition to security requirements imposed by our clients, including those governing privacy, data governance, data protection and cybersecurity. Many LTAs that we sign with our customers require us to comply with strict vendor clauses including replications of specific sections of the FAR. These legal and regulatory regimes, including the laws, rules, and regulations thereunder, may be modified, interpreted, and applied in an inconsistent manner. To the extent we have not complied with such laws, rules, and regulations, or requirements imposed by our LTAs, we could be subject to significant fines, limitations on the products and services we provide, reputational harm, and other regulatory consequences, each of which may be significant and could adversely affect our business, operating results, and financial condition.

Complying with the requirements imposed by the U.S. Government and our customers with respect to privacy, data governance, data protection and cybersecurity is costly and requires a significant amount of attention from management.

***Any disruptive national or international events, such as potential future public health crises, ongoing or new conflicts, domestic or foreign terrorist activities, banking crises, the imposition of tariffs, shifts in government alliances, and responses from the U.S. Government, other nations, and the public to such occurrences, could significantly disrupt the operations of us or our suppliers and impede our ability to procure, receive, or replenish inventory (including raw materials). These disruptions may also present challenges in communication and lead to sudden and unexpected shifts in product demand by our customers. Furthermore, global financial markets could experience disruptions, affecting our business and our ability to secure future financing, including accessing debt or equity. The occurrence of any of these events could result in lost sales and otherwise adversely affect our business, operating results, and financial condition.***

Conflicts between nations (such as the ongoing Russia-Ukraine conflict or the conflict with Iran), or between nations and terrorist organizations (such as the ongoing conflict between terrorist groups and Israel), as well as terrorist attacks, natural disasters (such as hurricanes, fires, floods and earthquakes), unusually adverse weather conditions, pandemic outbreaks or a banking crisis, the imposition of tariffs, or shifts in government alliances, could adversely affect our operations and financial performance. If any of these events impact us or our suppliers, it could result in an inability on our part to manufacture products and/or result in lost sales, materially affecting our operations and financial performance.

Additionally, such events could disrupt travel, making it a challenge to communicate with our customers, as evidenced during the coronavirus pandemic. Moreover, they could lead to increases in fuel or other energy prices, fuel shortages, temporary labor shortages, temporary or long-term disruptions in delivery of products from our suppliers and disruption to our information systems, any of which could have an adverse impact on our business, operating results and financial condition. Disruptive events could make it difficult for us to access debt and equity capital on attractive terms, or at all, and impact our ability to service or refinance our debt, fund business activities, and repay debt on a timely basis.

***Russia's ongoing war with Ukraine, the conflict in the Middle East (including the ongoing U.S. military operations in Iran), continued tensions between the US and the European Union with China and Russia, and tension between the US and the European Union with respect to funding Ukraine's war effort, tariffs and other issues, may alter countries' willingness to rely on others as the source of certain products and material.***

Historically, prime contractors and the entire U.S. aerospace and defense supply chain have relied upon parts, components, and raw materials from foreign suppliers including those located in Russia and China. Conversely, many nations chose to rely upon U.S. manufacturers as their primary source for defense products, such as helicopters and fighter aircraft. Geo-political tensions have increased during the past several years and we expect them to continue. Supply chain disruptions resulting from escalating political tensions and the economic disruption resulting from retaliatory measures between countries could result in production delays and cancellations of programs.

Additionally, any material changes to the current aerospace and defense supplier structure resulting from geo-political tensions or otherwise could disrupt the markets for raw materials and supplies and our ability and the ability of our suppliers to obtain raw materials, may be significantly impacted. We cannot forecast with any certainty whether such disruptions, restrictions imposed by various governments in response thereto and resulting changes in business practices, may materially impact our ability and the ability of our suppliers to obtain necessary raw material, our business and our consolidated financial position, results of operations, and cash flows.

## ***Risks Related to Our Indebtedness***

***As of December 31, 2025, we have total indebtedness of approximately \$30.1million, large portions of which must be paid or refinanced prior to September 30, 2026. We have been advised by Webster Bank, our principal lender, that it will not renew our Current Credit Facility. Although Tenax has agreed in the Merger Agreement that it or an affiliate, will pay or cause us to pay our indebtedness, if the Merger with Tenax is not consummated, we may not be able to refinance our existing loans prior to their respective maturity dates. Failure to do so would materially impact our business and our stock price, and we could be forced to cease or suspend our operations or become insolvent.***

As of December 31, 2025, we had approximately \$23,473,000 of indebtedness outstanding pursuant to the Current Credit Facility with Webster Bank, as amended (“Current Credit Facility”), that matures September 30, 2026. This indebtedness is secured by a lien on substantially all our assets. Additionally, as of December 31, 2025, we had approximately \$4,871,000 of Related Party Notes that mature October 1, 2026, which are held by two directors, Michael N. Taglich and Robert F. Taglich. In addition to approximately \$784,000 of finance lease obligations, at December 31, 2025, we also had \$971,000 of borrowings for the solar energy systems installed at our Barkhamsted facility pursuant to a 20-year level payment term loan with CT Green Bank (“Solar Facility”).

If we are unable to pay or refinance our indebtedness when due, our operations may be materially and adversely affected. We must pay or refinance large portions of our indebtedness prior to September 30, 2026. Since it is unlikely that we will be able to pay this debt, we have initiated steps to satisfy portions and refinance the balance, including entering into a Merger Agreement with Tenax. If we were not to consummate the Merger Agreement, refinancing our indebtedness may require us to pay higher interest rates than we currently pay, agree to more restrictive business or financial covenants or involve the issuance of debt, equity or new securities convertible into or exercisable or exchangeable for our common stock which may adversely affect the trading price of our common stock and the interests of our existing stockholders. Any failure to refinance our existing debt or obtain additional working capital when required would have a material adverse effect on our business and financial condition and may result in a decline in our stock price. Any issuances of our common stock, preferred stock, or securities such as warrants or notes that are convertible into, exercisable or exchangeable for, our capital stock, would have a dilutive effect on the voting and economic interest of our existing stockholders.

Our current or future leverage may adversely affect our ability to finance future operations and capital needs, may limit our ability to pursue business opportunities and may make our results of operations more susceptible to adverse economic conditions. Ultimately, we may not be able to successfully refinance our indebtedness and if we cannot, we would become insolvent.

***The weighted average interest rate we paid in 2025 on borrowings outstanding on the Current Credit Facility was 6.72% and this interest rate may increase in the future. Further, we agreed to pay Webster \$40,000 as a condition to its agreement to extend the due date of the Current Credit Facility from December 31, 2025, to March 31, 2026, and an additional \$175,000 for its agreement to extend the due date to September 30, 2026.***

The weighted average interest rate paid during the year-ended December 31, 2025 and 2024, on borrowings outstanding on the Current Credit Facility was 6.72% and 7.66%, respectively. Under the terms of our Current Credit Facility, amounts due bear interest at a per annum rate equal to the greater of (i) 3.50% and (ii) a rate per annum equal to the rate per annum published from time to time in the “Money Rates” table of the Wall Street Journal (or such other presentation within The Wall Street Journal as may be adopted hereafter for such information) as the base or prime rate for corporate loans at the nation’s largest commercial bank, less sixty-five hundredths (-0.65%) of one percent per annum. Consequently, we may be susceptible to future rate increases if the Federal Reserve chooses to increase its target rate of interest. Further, Webster Bank has indicated that it will not refinance the Current Credit Facility and advised us to seek a new lender. If we were not to consummate the Merger Agreement with Tenax and seek to refinance our debt, it is likely that the interest rate and other consideration we would have to pay would exceed the rates and amounts payable pursuant to the Current Credit Agreement. In addition, in consideration for its agreement to extend the due date of the Current Credit Facility first from December 31, 2025, to March 31, 2026, and subsequently, to September 30, 2026, we agreed to pay Webster Bank fees of \$40,000 and \$175,000 respectively. If we are unable to refinance the Current Credit Facility and Webster Bank was to continue to fund us pursuant to the Current Credit Facility, it is likely that the rate of interest and other consideration we pay to Webster Bank would increase.

***We may not be able to comply with the covenants of the Current Credit Facility and our debt could be called.***

As a result of our Merger Agreement (see additional risks below), the Current Credit Facility has been amended to extend the Maturity Date of the loans to September 30, 2026. Under the terms of the Current Credit Facility, we are required to maintain certain business and financial covenants. If we fail to maintain compliance with the covenants of the Current Credit Facility, we would have to seek a waiver from our lender, which may not be given. If we fail to maintain compliance with the covenants of the Current Credit Facility and are unable to obtain a waiver, we may have to pay increased interest rates or other compensation to Webster, may be required to immediately pay any outstanding debt or Webster could retain amounts deposited in the Collection Account and refuse to make advances under the revolving portion of the credit facility. An increase in the interest rate would likely have a material adverse impact on our consolidated financial position and results of operations. If we were required to make immediate repayment or Webster were to refuse to make advances under the revolving portion of the credit facility, we may not be able to obtain financing to repay the amounts due or maintain our operations and would become insolvent.

***The terms of our Current Credit Facility limit our ability to pay dividends.***

The terms and covenants of our Current Credit Facility do not allow us to pay dividends. In the future, should we decide to pay dividends, we would need covenant changes or a waiver under our Current Credit Facility. There can be no assurance our lender would agree to covenant changes or grant a waiver. In addition, we may in the future incur additional indebtedness or otherwise become subject to agreements whose terms restrict our ability to pay dividends in the future.

***Risks Related to the Merger***

***Consummation of the Merger Agreement with Tenax is subject to conditions, including certain conditions that may not be satisfied on a timely basis, if at all.***

Unless waived by the parties to the Merger Agreement, and subject to applicable law, the consummation of the Merger Agreement is subject to a number of conditions set forth in the Merger Agreement.

- o Stockholder approval of the proposal to increase our authorized common stock;
- o Stockholder approval of the proposal to permit action in lieu of a stockholders meeting by consent only if Majority Ownership (as defined in the Merger Agreement) exists;
- o Stockholder approval of the proposal, in compliance with Section 713(b) of the NYSE American Guide, authorizing the issuance of the Merger Consideration to the Tenax members resulting in a “change in control;”
- o The absence of any AIR Material Adverse Effect or Tenax Material Adverse Effect (each as defined in the Merger Agreement);
- o No litigation or regulatory issue threatening to affect the Merger;
- o The expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act;
- o The listing of the shares of our common stock to be issued to the Tenax Members on the NYSE American.

If any of the conditions to the obligation of Tenax to consummate the Merger is not satisfied, Tenax could elect to decline to consummate the Merger or seek to adjust the merger consideration to be received by the Tenax Members.

***We have incurred and we will continue to incur significant transaction and transition costs in connection with the Merger.***

We have incurred and expect to incur significant, non-recurring costs in connection with our efforts to consummate the Merger. Certain transaction costs incurred in connection with the Merger Agreement will only be paid if the Merger is consummated. Nevertheless, there are significant costs, including legal, accounting, consulting, and other fees, expenses and costs, and under certain conditions, breakup fees, that will be paid by the Company even if the Merger is not consummated and which, in the aggregate, may have a material adverse impact on our business, operating results, and financial condition.

***Management has devoted significant time and effort to the negotiation of the Merger Agreement, responding to due diligence requests and seeking to consummate the Merger and will continue to do so until the Merger is consummated or abandoned.***

Our management and other personnel have devoted a substantial amount of time and resources to negotiation and execution of the Merger Agreement and will devote significant time and efforts seeking to consummate the Merger diverting time and attention from revenue generating business activities which could have an adverse impact on our business, operating results, and financial condition.

***Consummation of the Merger requires the consent of our shareholders to certain actions prior to the Merger and the Merger Agreement may be amended without shareholder approval.***

While our shareholders will not be asked to approve the merger agreement, approval of our shareholders is required for certain actions which must be taken in order to consummate the Merger, including a proposal to increase our authorized stock, a proposal to permit action in lieu of a stockholders meeting by consent only if Majority Ownership (as defined in the Merger Agreement) exists and of the proposal, in compliance with Section 713(b) of the NYSE American Guide, authorizing the issuance of the Merger Consideration to the Tenax members resulting in a “change in control.” The Merger Agreement contains provisions relating to the issuance of the Company’s shares, the payment of certain obligations of the Company, including the Related Party Notes, a tender offer for a portion of the shares of the Company currently outstanding, and the redemption on the first anniversary of the date on which the Merger is consummated (the “Closing Date”) of all of the shares of the Company outstanding prior to consummation of the Merger. The Merger Agreement may be amended by the parties thereto, without approval of the shareholders of the Company. While the Company does not expect the Company’s Board of Directors to approve any amendment to the Merger Agreement prior to the Merger, it may be possible that the Company’s Board, in exercising its business judgment and subject to its fiduciary duties and any restrictions under the Merger Agreement, chooses to approve one or more amendments to such agreement. Any such amendment may have an adverse effect on the trading price of the Company’s common stock or the prices at which the tender offer is to be conducted and to be paid upon redemption of the shares of the Company outstanding prior to consummation of the Merger or the likelihood that the Merger will be consummated.

***The Directors and Officers of the Company have entered into an agreement with Tenax to vote in favor of the Merger, regardless of how the Company’s other shareholders vote.***

The Directors and Officers of the Company have agreed, among other things, to vote in favor of all proposals to be presented to our shareholders at the meeting which must be held to approve certain actions which must be taken to consummate the Merger (the “Shareholders Meeting”), including proposals to increase the number of shares of common stock we are authorized to issue from 20 million to 200 million, authorize stockholder action by written consent in lieu of a shareholders meeting at any time while Majority Ownership (as defined in the proposed Charter Amendment) exists and in order to comply with Section 713(b) of the NYSE American Company Guide, to approve the issuance of the shares of common stock pursuant to the Merger Agreement to the Tenax Members resulting in a change of control. Accordingly, such proposals, which are a condition to consummation of the Merger, could be approved even if the majority of the votes cast by the public shareholders are against it. Further, the directors and officers have agreed to vote against any Competing Proposal, as defined, and any other action, agreement or transaction involving the Company that is intended, or would reasonably be expected, to impede, interfere with, delay, postpone, adversely affect or prevent the consummation of the Merger.

***The exercise of the Company's directors' and executive officers' discretion in agreeing to the Merger Agreement or changes or waivers in the terms of the Merger Agreement may be impacted by conflicts of interest.***

In the period leading up to the Closing of the Merger, events may occur that, pursuant to the Merger Agreement, would require the Company to agree to amend the Merger Agreement, to consent to certain actions taken by Tenax, or to waive rights to which the Company is entitled to under the Merger Agreement. Such events could arise because of changes in the Company's business, a request by the Company to undertake actions that would otherwise be prohibited by the terms of the Merger Agreement, or the occurrence of other events that would have a material adverse effect on the Company's business and which would entitle Tenax to terminate the Merger Agreement. In any of such circumstances, it would be at the Company's discretion, acting through the Company's Board, to grant its consent or waive those rights. The existence of financial and personal interests of one or more of the directors in the consummation of the Merger may result in a conflict of interest on the part of such director(s) between what he or they may believe is best for the Company and the Company's shareholders and what he or they may believe is best for himself or themselves in determining whether or not to take the requested action.

***The announcement of the proposed Merger could disrupt our relationships with our customers, suppliers, business partners and others, as well as our operating results and business generally.***

Whether or not the Merger is ultimately consummated, as a result of uncertainty related to the proposed transaction, risks relating to the impact of the announcement of the Merger on our business include the following:

- our employees may experience uncertainty about their future roles, which might adversely affect their performance and the Company's ability to retain and hire key personnel and other employees; and
- customers, suppliers, business partners and other parties with which we maintain business relationships may experience uncertainty about our future and seek alternative relationships with third parties, seek to alter their business relationships with us or fail to extend an existing relationship with us; and

If any of the aforementioned risks were to materialize, they could lead to significant costs or impacts on our business which may impact us and could have an adverse impact on our business, operating results, and financial condition.

***Our issuance of shares of common stock in the Merger will dilute your ownership and could adversely affect our stock price.***

Pursuant to the Merger Agreement, based upon our Indebtedness as of December 31, 2025, we will issue approximately 112.5 million shares of our common stock to the Members of Tenax and entities holding warrants to acquire membership interests in Tenax. As a result, the interests of current holders of our common stock will be substantially diluted and they will own in the aggregate, less than 5% of the number of shares of common stock outstanding immediately after consummation of the Merger.

***The number of shares of our common stock to be issued in the Merger is subject to adjustment and likely to increase.***

The number of shares of our common stock to be issued to the members of Tenax is subject to adjustment based upon our operating performance between the date hereof and the end of the month preceding the month in which the Merger is consummated. Specifically, the number of shares to be issued will increase pursuant to the formula set forth in the Merger Agreement if our indebtedness, as defined in the Merger Agreement, increases ("Indebtedness"). Our Indebtedness increased during the year ended December 31, 2025, and likely will increase during the period commencing January 1, 2026, until the Merger is consummated or abandoned.

***There is currently no meaningful information regarding the business, operations and historical financial operating results of Tenax available to prospective purchasers of our common stock in the public markets.***

Tenax is a privately held company and is not obligated to and does not make information regarding its business and financial results available to the public. Although information including historical financial results of Tenax will be made available in the proxy statement (“Proxy”) to be distributed to our shareholders prior to the Shareholders Meeting, the historical financial results of Tenax do not reflect the financial condition, results of operations or cash flows it would have achieved as a public company during the periods presented or those we will achieve in the future. Our financial condition and future results of operations could be materially different from amounts reflected in the historical financial statements of Tenax included in the Proxy. Such information as is currently publicly available regarding Tenax and as may become available, will be limited and may not be sufficient for an investor to make an informed decision regarding the future prospects of our Company if the Merger is consummated.

#### **Risks of Being a Public Company**

***There is only a limited public market for our common stock.***

Although our common stock is listed on the NYSE American, there is only a limited number of our common shares available in the public float and the related market capitalization of our float is relatively small. Further, the proportion of our shares in the float will represent a very minor portion of our outstanding shares immediately following consummation of the Merger. The trading volume for our common stock has been limited and a more active public market for our common stock may not develop or be sustained over time. The lack of a robust market may impair a stockholder’s ability to sell shares of our common stock. In the absence of a more active trading market, any attempt to sell our shares could result in a decrease in the price of our stock. Specifically, our shareholders may not be able to resell their shares of common stock at or above the price paid for such shares or at all.

***The ownership of our common stock is highly concentrated amongst related parties, and their interests may conflict with the interests of other stockholders.***

Two of our directors, Michael N. Taglich and Robert F. Taglich, and their affiliates own a significant portion of our outstanding shares of common stock. They also held \$4,871,000 of Related Party Notes as of December 31, 2025, some of which are convertible into our common stock. Although the Related Party Notes are subordinate to our debt pursuant to the Current Credit Facility, we may require additional concessions from the holders of the Related Party Notes and Tenax if we seek to refinance the Current Credit Facility or issue new debt. These related parties have significant influence over the outcome of corporate actions, including those actions requiring stockholder approval to permit the Merger to be consummated. The interests of these related parties may be different from the interests of other stockholders on these and other matters. Additionally, this concentration of ownership could also have the effect of delaying or preventing a change in our control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could reduce the price of our common stock.

***Future sales, or the perception of future sales, of our common stock by us or our existing stockholders in the public market could cause the market price for our common stock to decline.***

The sale of substantial amounts of shares of our common stock in the public market or the perception that such sales could occur, could negatively impact the market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us or our shareholders to sell equity securities in the future at a time and at a price that we or they deem appropriate.

In connection with the Merger, our directors and officers agreed that they will not, during the period beginning upon execution of the Merger Agreement and terminating on the date on which the Merger is consummated or the Merger Agreement is terminated, directly or indirectly, offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale, or otherwise dispose of any shares of our common stock, or any options or warrants to purchase any shares of our common stock, or any securities convertible into, exchangeable for, or that represent the right to receive shares of our common stock, or any interest in any of the foregoing.

Upon consummation of the Merger or termination of the Merger Agreement, shares held by our directors and officers will be eligible for resale, subject to, in the case of stockholders who are our affiliates, volume, manner of sale, and other limitations under Rule 144 promulgated under the Securities Act. In addition, shares of our common stock issuable upon exercise or vesting of incentive awards under our incentive plans are, once issued, eligible for sale in the public market, subject, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144. Furthermore, shares of our common stock reserved for future issuance under our Equity Incentive Plans may become available for sale in future.

The market price of our common stock could drop significantly if the holders of the shares described above sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of shares of our common stock or other securities.

***The market price of our common stock is highly volatile, which could result in substantial losses to investors.***

The market price of our common stock has historically been volatile and is likely to continue to be volatile. The market price of our common stock could fluctuate widely due to factors relating to our operations, the terms of our Merger Agreement with Tenax, as well as those beyond our control, including public perception of the business prospects of Tenax and the likelihood of consummation of the Merger with Tenax. Because our common stock is thinly traded, the trading price may be volatile due to factors concerning our operations, such as variations in our operating results, failure to meet the covenants under the Current Credit Facility, news regarding the loss of a major customer or termination or a reduction in funding for a program we are on, the loss of management personnel, the outcome or perception of the potential outcome of any litigation, public perception of the business prospects of Tenax and the likelihood of consummation of the Merger with Tenax, general industry conditions and significant industry developments. In addition, the market price of our common stock may be affected by factors unrelated to our operations, such as general economic factors, government budgeting decisions affecting our industry and developments in the financial markets and availability of credit.

***Our operating results and financial condition may fluctuate on a quarterly and annual basis.***

Our operating results and financial condition fluctuate from quarter-to-quarter and year-to-year and are likely to continue to vary due to a number of factors, many of which will not be within our control. Fluctuations in our operating results and financial condition may be due to a number of factors, including those set forth in these Risk Factors and in our discussion of our results of operations. Due to the risks discussed in these Risk factors and elsewhere in this Report, you should not rely on quarter-over-quarter and year-over-year comparisons of our operating results as an indicator of our future performance.

***Disruptive national and international events and the response of the United States, other countries and the public to such events, and the resulting macroeconomic disruption to the financial markets could lead to increased volume and price volatility for publicly traded securities which could adversely impact the price of our common stock.***

Disruptive national and international events, such as the outbreak of a public health crisis, conflicts between nations or between nations and terrorist organizations, terrorists acts, natural disasters, a banking crisis, the imposition of tariffs, shifts in international alliances, the possibility of default by the U.S. Government on its obligations due to its debt ceiling or the actuality of such an event, and the response of the U.S. Government, other countries and the public to such events, and the resulting macroeconomic disruption to the financial markets could lead to increased volume and price volatility for publicly traded securities which could adversely impact the price of our common stock.

***We are a “smaller reporting company” and the reduced disclosure requirements applicable to smaller reporting companies may make our common stock less attractive to investors.***

We are a “smaller reporting company.” As a smaller reporting company, we may follow reduced disclosure requirements and do not have to make all of the disclosures that are made by public companies that are not smaller reporting companies. For so long as we remain a smaller reporting company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our share price may be more volatile.

***We can provide no assurance that our common stock will continue to be listed on the NYSE American. If we fail to meet the continued listing standards of the NYSE American, our common stock could be delisted. The delisting of our common stock could impair your ability to purchase shares of our common stock or sell your common stock when you wish to do so which could have a negative effect on the price of our common stock.***

If we fail to satisfy the continued listing requirements of the NYSE American, it may take steps to delist our common stock. There are measures that can be taken to remain in compliance with certain of the listing requirements of NYSE American which often require the undertaking of a reverse stock split, selling common stock at prices below what the Board of Directors may believe is its true value or completing a merger to acquire a new business. There are other exchanges and trading platforms on which we could choose to list our common stock. Our Board periodically examines the costs and benefits of listing our common stock on the NYSE American with the costs and benefits that would result from an alternative trading platform. If our Board were to choose to seek another platform for the trading of our common stock, this could entail suspending our obligation to file periodic reports with the SEC and using other means to make information publicly available to shareholders and potential buyers of our common stock. There can be no assurance that any cost savings and other benefits we might achieve from trading on another platform would outweigh any negative impact to the trading market and price of our common stock that would result from delisting from the NYSE American.

If the NYSE delists the Company's securities from trading on its exchange and the Company is not able to list its securities on another national securities exchange, the Company's securities could be quoted on an over-the-counter market. If this were to occur, the Company could face significant material adverse consequences, including:

- a limited availability of market quotations for its securities;
- reduced liquidity for its securities;
- a determination that the Company's common stock is a "penny stock" which will require brokers trading in the common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for the Company's securities;
- a decreased ability to issue additional securities or obtain additional financing in the future.

***The NYSE American may require us to meet the requirements for an initial listing if we consummate the Merger with Tenax***

If we consummate the Merger with Tenax the NYSE American may require us to meet the requirements for an initial listing. The NYSE American has announced it intends to amend its initial listing rules to require, among other criteria, a per share price of at least \$4.00 per share and a market capitalization of at least \$15,000,000. If we are unable to satisfy such requirements, it may take steps to delist our common stock. There are measures that can be taken to comply with certain of the listing requirements of NYSE American, such as effecting a reverse stock split or selling shares of our common stock. We cannot assure you that the Company will be able to meet those initial listing requirements after the Merger.

***If we fail to meet the expectations of securities analysts or investors, our stock price could decline significantly.***

Our quarterly and annual operating results fluctuate significantly due to a variety of factors, some of which are outside our control. Accordingly, we believe period-to-period comparisons should not be relied upon as indications of future performance. Some of the factors that could cause quarterly or annual operating results to fluctuate include conditions inherent in government contracting and our business such as the timing of cost and expense recognition for contracts, the U.S. Government contracting and budget cycles, introduction of new government regulations and standards, contract closeouts, variations in manufacturing efficiencies, our ability to obtain components and subassemblies from contract manufacturers and suppliers, general economic conditions and economic conditions specific to the defense market and disruptions caused by global events. Because we base our operating expenses on anticipated revenue trends and a high percentage of our expenses are fixed in the short term, any delay in generating or recognizing forecasted revenues could significantly harm our business.

Fluctuations in quarterly results may cause earnings to fall below the expectations of securities analysts and investors. In this event, the trading price of our common stock could significantly decline. These fluctuations, as well as general economic and market conditions, may adversely affect the future market price of our common stock, as well as our overall operating results. Consequently, our share price may experience significant volatility and may not necessarily reflect the value of our expected performance.

***If securities or industry analysts publish inaccurate or unfavorable research or reports about our business, our stock price and trading volume could decline.***

The trading market for our common stock depends, in part, on the research and reports that third-party securities analysts publish about us and the industries in which we operate. Currently, there is limited analyst coverage of our Company. We may be unable or slow to attract research coverage and if one or more analysts cease coverage of us, the price and trading volume of our securities would likely be negatively impacted. If any of the analysts that may cover us change their recommendation regarding our common stock adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst that may cover us ceases covering us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline. Moreover, if one or more of the analysts who cover us downgrades our common stock, or if our reporting results do not meet their expectations, the market price of our common stock could decline.

***Future financings or acquisitions may adversely affect the market price of our common stock.***

Future sales or issuances of our common stock, including upon conversion of our outstanding convertible notes, upon exercise of our outstanding warrants and options, or as part of the Merger and other future financings or acquisitions, would be substantially dilutive to the outstanding shares of common stock. Any dilution or potential dilution may cause our stockholders to sell their shares, which would contribute to a downward movement in the price of common stock.

Issuing additional shares of our capital stock, other equity securities, or securities convertible into equity may dilute the economic and voting rights of our existing stockholders, reduce the market price of our common stock, or both. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, or nature of our future offerings. As a result, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their percentage ownership.

***We incur significant costs as a result of operating as a public company, and our management is required to devote substantial effort to compliance requirements, including establishing and maintaining internal controls over financial reporting, and we may be exposed to potential risks if we are unable to comply with these requirements. Costs to comply may increase in the future. The requirements of being a public company affect our ability to attract and retain qualified board members.***

We are and after completion of the Merger intend to continue to be, subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and any rules promulgated thereunder, as well as the rules of NYSE American. The requirements of these rules and regulations increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight are required, and, as a result, management's attention may be diverted from other business concerns. These rules and regulations can also make it more difficult for us to attract and retain qualified independent members of our board of directors. Additionally, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance. We may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. The increased costs of compliance with public company reporting requirements and our potential failure to satisfy these requirements can have a material adverse effect on our operations, business, financial condition, or results of operations.

The Sarbanes-Oxley Act, among other things, requires that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Compliance with Section 404 may require that we incur substantial accounting expenses and expend significant management efforts. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, the market price of our stock could decline if investors and others lose confidence in the reliability of our financial statements and we could be subject to sanctions or investigations by the SEC or other applicable regulatory authorities.

***If we are unable to effectively maintain a system of internal control over financial reporting, we may not be able to accurately or timely report our financial results and our stock price could be adversely affected.***

Our management determined that as of December 31, 2025, our disclosure controls and procedures and internal control over financial reporting were not effective due to a material weakness regarding appropriate segregation of duties with respect to and validation of data produced by certain modules of our financial IT systems. We first determined this weakness in fiscal 2022 and have not been able to address these weaknesses without incurring significant costs and/or process changes. Although improved controls have been implemented during fiscal 2023, 2024, and 2025, we will need to enhance and further formalize these controls during fiscal 2026. We expect to conclude our testing of effectiveness in fiscal 2026 but we may find that the remediations implemented were not effective and have to incur additional costs to adopt new controls. A significant increase in costs in 2026 or any failure to maintain our controls or operation of these controls, could harm our operations, decrease the reliability of our financial reporting, and cause us to fail to meet our financial reporting obligations, which could adversely affect our business and reduce our stock price.

***We do not expect to pay any cash dividends for the foreseeable future.***

We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, certain restrictions related to our indebtedness, industry trends, and other factors that our board of directors may deem relevant. In addition, we may incur additional indebtedness, the terms of which may further restrict or prevent us from paying dividends on our common stock. As a result, you may have to sell some or all of your common stock after price appreciation in order to generate cash flow from your investment, which you may not be able to do. Our inability or decision not to pay dividends, particularly when others in our industry have elected to do so, could also adversely affect the market price of our common stock.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 1C. CYBERSECURITY**

We regularly review our cybersecurity defenses to assess our vulnerability to cybersecurity attacks from viruses, malware and more sophisticated and targeted cyber-related attacks such as hackers looking to demand ransomware or access our systems to obtain information and data, as well as our vulnerability to cybersecurity failures resulting from human error and technological errors. We rely upon internal information technology (“IT”) personnel working in conjunction with specialized outside security consultants on a day-to-day basis to conduct reviews and upgrade our systems when determined to be necessary.

Our overall strategy in combatting cybersecurity risks includes a variety of measures, including:

- the use of antivirus software, virtual private networks, email security, as well as other software and system-wide measures such as multi-factor authorization to prevent and detect data intrusions;
- deployment of updates and patches as they become available from our software suppliers and consultants and maintaining the current versions of major software to reduce the exposure to vulnerabilities;
- the use of third-party services to conduct mandatory online training for all employees regarding identifying and avoiding cyber-security risks;
- the review of the security procedures used by third parties that may host or otherwise have access to our systems;
- the deployment of third-party cybersecurity experts to perform penetration testing on our internal and external networks and systems in an effort to identify potential vulnerabilities; and
- consideration of the cybersecurity risks posed by interacting with current and potential third-party service providers, suppliers and customers.

We are not aware of any vulnerability inherent in our systems or malware embedded in our systems that are likely to materially affect, or are reasonably likely to materially affect, our operations. We are in the process of implementing additional training and are in the process of engaging third parties to perform various testing as indicated above.

Day-to-day management of cybersecurity threats is conducted by our IT department in conjunction with outside service providers, which is charged with identifying and reporting threats to senior management. On a quarterly basis, cybersecurity is reviewed by our Chief Executive Officer and Chief Financial Officer, who are expected to report to the Audit Committee.

### **Board Oversight**

The Audit Committee of our Board of Directors, which is composed of all non-employee directors, is responsible for oversight of our efforts to eliminate cybersecurity risks. The Audit Committee meets regularly with our Chief Executive Officer and Chief Financial Officer and, in turn, reports its findings to the Board of Directors.

## **ITEM 2. PROPERTIES**

We have strategically located our properties in the U.S. We lease and maintain an approximately 81,000 square foot state-of-the-art manufacturing facility located in Bay Shore, New York. We maintain our corporate headquarters at this facility whose lease expires in September 2026.

We own a second 74,923 square foot state-of-the-art manufacturing facility located in Barkhamsted, Connecticut.

## **ITEM 3. LEGAL PROCEEDINGS**

On October 2, 2018, Contract Pharmacal Corp. (“Contract Pharmacal”) commenced an action, relating to a Sublease entered into between the Company and Contract Pharmacal in May 2018 with respect to the property that was formerly occupied by the Company’s former subsidiary WMI, at 110 Plant Avenue, Hauppauge, New York. In the action, Contract Pharmacal sought damages for an amount in excess of \$1,000,000 for the Company’s alleged violation of the terms of the subject sublease, specifically the failure to make the entire premises available by what it claims was the Sublease commencement date. The validity of the action is extremely suspect in that the subject sublease had no specific commencement date and Contract Pharmacal ultimately received all the space. Discovery was conducted and the Plaintiff moved for summary judgement and to amend its complaint to add a new cause of action all of which the company opposed. On July 8, 2021, the Court denied Contract Pharmacal’s motion for summary judgement and to add an additional cause of action. In the Order, the Court granted Contract Pharmacal’s Motions to drop its claim for specific performance and to amend its Complaint to reduce its claim for damages to \$700,000 both of which benefit the Company. Following the Court’s decision, Contract Pharmacal filed a Motion to reargue its original motion which the Company opposed. The Court denied that motion on November 30, 2021 and then on March 10, 2022, Contract Pharmacal filed an appeal of the Court’s decision with the Appellate Division of the State of New York. The Company opposed that action. The Company was again successful as the Appellate Division upheld the lower court’s denial of Contract Pharmacal’s motion for summary judgement and its motion to amend its Complaint. Contract Pharmacal has now submitted a motion to the Appellate Division requesting leave to reargue the court’s denial of its original appeal. The Company will oppose that motion. The Appellate Division has yet to act in respect to Contract Pharmacal’s most recent motion to reargue the Court’s denial of the original appeal. The Company continues to dispute the validity of the claims asserted by Contract Pharmacal and intends to contest them vigorously.

From time to time we may be engaged in various lawsuits and legal proceedings in the ordinary course of our business. We are currently not aware of any legal proceedings the ultimate outcome of which, in our judgment based on information currently available, would have a material adverse effect on our business, financial condition or operating results. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial stockholder of our common stock, is an adverse party or has a material interest adverse to our interest.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

#### Market for Our Common Stock

Our common stock is listed on the NYSE American under the symbol "AIRI."

#### Holders

On March 16, 2026, there were 91 stockholders of record of our common stock. The number of record holders does not include persons who held our Common Stock in nominee or "street name" accounts through brokers.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes shares of our Common Stock to be issued upon exercise of options and warrants, the weighted-average exercise price of outstanding options and warrants and options available for future issuance pursuant to our equity compensation plans as of December 31, 2025:

<b>Plan Category</b>	<b>Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Remaining Shares Available for Future Securities Issuance Under Equity Compensation Plans</b>
Equity compensation plans approved by security holders	455,360	\$ 6.01	364,044
Equity compensation plans not approved by security holders	None	0.00	None
<b>Total</b>	<b>455,360</b>		<b>364,044</b>

The provisions of each of our equity compensation plans provide that shares covered by an award that is forfeited, expires or is settled in cash, and shares that are retained by us upon exercise of an award to satisfy the exercise price of such award or withholding taxes due in respect of such award, are available for future issuance under such plan, provided the plan has not been terminated or expired. We anticipate that a portion of the option awards that have been granted will expire or be forfeited without having been exercised and will increase the number of shares remaining for issuance under our equity compensation plans.

#### Recent Sales of Unregistered Equity Securities

Except as previously reported in our periodic reports filed under the Exchange Act, we did not issue any unregistered equity securities during the fiscal year ended December 31, 2025.

#### Purchases of Our Equity Securities

No repurchases of our common stock were made during the fiscal year ended December 31, 2025.

### ITEM 6. [RESERVED]

Not required.

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

*The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2025 and 2024 and the notes to those statements included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. You should specifically consider the various risk factors identified in this report that could cause actual results to differ materially from those anticipated in these forward-looking statements.*

### **Business Overview**

We believe we are one of the leading manufacturers of precision components and assemblies for large aerospace and defense contractors. Our rich history dates to 1941, producing parts for World War II fighter aircraft. Since then, we have maintained an impeccable record with no known incidents of part failure leading to a fatal mission. We became a public company in 2005.

Our products include landing gear, flight controls, engine mounts and components for aircraft jet engines and ground turbines and other complex machines. The ultimate end-user for most of our products is the U.S. government, international governments, and commercial global airlines. Whether it is a small individual component for assembly by others or complete assemblies we manufacture ourselves, our high quality and extremely reliable products are used in mission critical operations that are essential for safety of military personnel and civilians.

Although our net sales are concentrated amongst a number of defense and aerospace prime contractors, we have cultivated long-standing relationships with a number of their subsidiaries and/or business units. Additionally, our net sales are generated across several high-profile platforms and programs including: the F-18 Hornet, the E-2 Hawkeye, the UH-60 Black Hawk Helicopters, Geared Turbo Engines (used on smaller aircraft such as the Airbus A220 and Embraer E2), the CH-53 Helicopter, the F-35 Lighting II and the F-15 Eagle Tactical Fighter. In many cases, we are the sole or single supplier of certain parts and components and receive LTAs from our customers, both demonstrating their commitment to us.

Winning a new contract award is highly competitive. Our ability to win new contract awards generally requires us to deliver superior quality products, more quickly and with lower pricing than our competitors. Accordingly, we must continually invest in process improvements and capital equipment. Recent investments in new equipment have improved the productive capacity of our employees, increased our efficiency and speed, and expanded the size of products we can manufacture. We strategically operate two state-of-the-art manufacturing centers in the U.S. This allows for rigorous oversight of production and the adherence to stringent quality standards. Although there is currently a shortage of skilled workers, we maintain a highly trained and close-knit team of over 160 professionals committed to driving excellence and precision in every aspect of our operations.

Our period-to-period net sales and operating results are significantly impacted by timing. In addition, our gross profit is affected by a variety of factors, including the mix and complexity of products, production efficiencies, price competition and general business operating environments. In some cases, our gross profit is impacted by our ability to deliver replacement parts on short notice. Our operations have a large percentage of fixed factory overhead. As a result, our profit margins are highly variable with sales volumes.

For the past several years, despite facing significant financial and operational challenges, we have strategically invested substantial amounts in new capital equipment, tooling, and processes to bolster our competitive position. Additionally, we expanded our sales and marketing efforts, with a sharp focus on expanding relationships with existing customers and cultivating new ones. Looking forward to fiscal 2026, we are focused on securing new contract awards, improving operations and successful completion of the Merger Agreement (as discussed elsewhere in this filing).

As of December 31, 2025, we have total unfilled contract values amounting to \$270.1 million (including our \$136.8 million in backlog and all potential orders against LTA agreements previously awarded to us).

## RESULTS OF OPERATIONS

Years ended December 31, 2025 and 2024:

### Selected Financial Information:

	2025	2025 Percentage of Net Sales	2024	2024 Percentage of Net Sales	Change 2025 vs 2024	Percent Change 2025 vs 2024
Net sales	\$ 47,921,000	100.0%	\$ 55,108,000	100.0%	\$ (7,187,000)	-13.04%
Cost of sales	39,734,000	82.9%	46,176,000	83.8%	(6,442,000)	-13.95%
Gross profit	8,187,000	17.1%	8,932,000	16.2%	(745,000)	-8.34%
Operating expenses	8,525,000	17.8%	8,473,000	15.4%	52,000	0.61%
Interest expense	1,841,000	3.8%	1,893,000	3.4%	(52,000)	-2.75%
Other income, net	743,000	1.6%	68,000	0.1%	675,000	992.65%
Benefit from income taxes	(131,000)	-0.3%	-	0.0%	(131,000)	
Net loss	<u>\$ (1,305,000)</u>	<u>-2.7%</u>	<u>\$ (1,366,000)</u>	<u>-2.5%</u>	<u>\$ 61,000</u>	<u>-4.47%</u>

### Balance Sheet Data:

	December 31, 2025	December 31, 2024	Change	Percent Change
Cash	\$ 680,000	\$ 753,000	\$ (73,000)	-9.69%
Working capital	\$ 5,238,000	\$ 11,776,000	\$ (6,532,000)	-55.47%
Total assets	\$ 58,329,000	\$ 51,011,000	\$ 7,318,000	14.35%
Total stockholders' equity	\$ 19,201,000	\$ 14,948,000	\$ 4,253,000	28.45%

### Comparison of Fiscal 2025 to 2024

**Net Sales:** Net sales in 2025 were \$47,921,000, a decrease of \$7,187,000 or 13.0%, compared with \$55,108,000 that we achieved in 2024. The year-over-year decrease in net sales was primarily due to timing and overall changes in the mix of products requested and delivered in response to customer orders.

The composition of customers that exceeded 10% of our net sales in either 2025 or 2024 are shown below:

Customer	Percentage of Net Sales	
	2025	2024
RTX (A)	36.2%	29.3%
Lockheed Martin	32.3%	25.1%
Northrop	6.7%	18.3%

(A) RTX includes Collins Landing Systems and Collins Aerostructures

The composition of our net sales by platform or program profiles for the years ended December 31, 2025 and 2024 are shown below:

Platform or Program	Percentage of Net Sales	
	2025	2024
GTF	31.4%	22.0%
UH-60 Black Hawk Helicopter	21.0%	23.1%
CH-53 Helicopter	12.0%	3.4%
E2-D Hawkeye	9.1%	24.0%
F-35 Lightning II	4.6%	3.7%
F-18 Hornet	1.5%	2.9%
All other platforms	20.4%	20.9%
Total	100.0%	100.0%

Period-to-period changes in customer mix and related platforms and programs are largely attributable to customer requirements, availability of parts, production capacity and timing.

**Gross Profit:** Gross profit for the year ended December 31, 2025, amounted to \$8,187,000, a decrease from the \$8,932,000 achieved in 2024. Our gross profit percentage in fiscal 2025 increased to 17.1% from the 16.2% we achieved in 2024. This improvement can be attributed to changes in sales across our major platforms, shifts in product mix, and cost reductions implemented during the period.

**Operating Expenses:** In fiscal 2025, operating expenses totaled \$8,525,000, an increase of \$52,000, from \$8,473,000 recorded in 2024. As a percentage of consolidated net sales, operating expenses rose to 17.8%, compared to 15.4% in fiscal 2024. The dollar increase was due primarily to stock compensation expense and information technology expenses offset by lower personnel costs. We continue to look for ways to reduce our operating expenses.

**Interest Expense:** Interest expense (which includes amortization of deferred financing costs) was \$1,841,000 in fiscal 2025, a decrease of \$52,000 or 2.8% from \$1,893,000 in 2024. The decrease is primarily attributable to lower levels of subordinated debt during a portion of the year and a decrease in the average interest rate on debt outstanding pursuant to our Current Credit Facility which decreased to 6.72% in 2025 as compared to 7.66% in 2024.

**Net Loss:** Net loss for the year ended December 31, 2025 was \$1,305,000, compared to a net loss of \$1,366,000 for the year ended December 31, 2024, for the reasons discussed above.

#### **LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2025, we have debt service requirements related to:

- 1) Outstanding indebtedness under our Current Credit Facility of \$23,473,000 (consisting of a Revolving Loan of \$17,618,000 and a Term Loan in the amount of \$5,855,000). This debt matures on September 30, 2026, and requires us to make monthly payments of approximately \$87,000 in 2026.
- 2) Related Party Notes of approximately \$4,871,000. This debt matures on October 1, 2026.
- 3) Various equipment leases and contractual obligations related to our business, including advances under our Solar Facility for the installation of solar energy systems including the replacement of the existing roof at our Sterling Facility.

The Current Credit Facility and Related Party Subordinated are classified as current liabilities on the consolidated balance sheet as of December 31, 2025. As a result of the due dates of this debt, there is substantial doubt about our ability to continue as a going concern for the twelve months following the date of filing of these consolidated financial statements. Webster Bank has advised us that it will not renew our Current Credit Facility. In addition to discussions with our lenders, as discussed in our Current Report on Form 8-K filed February 17, 2026, we entered into a Merger Agreement with Tenax.

To support current operations and strategic initiatives, beginning in December 2024 we raised capital through public market sales of our common stock and believe we can continue to access equity markets in future periods, though there is no assurance as to our ability to do so or as to the price and terms under which we could issue equity securities. During the year ended December 31, 2025, the Company sold 1,213,593 shares of common stock in the public market and generated gross proceeds of \$4,869,000, of which approximately \$3,930,000 is restricted for the benefit of the Current Credit Facility lender. Since initiating the sales in December 2024, we have sold a total of 1,330,444 shares for gross proceeds of \$5,375,000. In light of ongoing negotiations with our lenders and in accordance with the Merger Agreement with Tenax, we have temporarily paused all equity raising activity while evaluating the most effective capital structure going forward.

Under the terms of the Current Credit Facility, as amended, we are required to meet a prescribed Fixed Charge Coverage Ratio (as defined) that is determined at the end of each fiscal quarter. This ratio is a financial metric that we use to measure our ability to cover fixed charges such as interest and lease expenses as divided by EBITDA (as defined in the Current Credit Facility) which represents net income (loss) before interest, taxes, depreciation and amortization. We are also required to meet other business and financial covenants.

As of December 31, 2025, we were in compliance with all financial and business covenants contained in the Current Credit Facility.

The Current Credit Facility expires on September 30, 2026. In addition, we are required to maintain a collection account with our lender into which substantially all cash receipts are remitted. If we were to default under the Current Credit Facility, our lender could choose to increase the rate of interest or refuse to make loans under the revolving portion of the Current Credit Facility and keep the funds remitted to the collection account. If the lender were to raise the rate of interest, it would adversely impact our operating results. If the lender were to cease making new loans under the revolving facility, we would lack the funds to continue operations. The Current Credit Facility expiration date and the rights granted to the lender, combined with the reasonable possibility that we might fail to meet covenants in the future, raise substantial doubt about our ability to continue as a going concern for the one year commencing as of the date of filing this report.

The following is a brief discussion of recent amendments to the Current Credit Facility (all of which have been filed with the SEC):

- On May 31, 2024, we entered into a Seventh Amendment that waived the default caused by our failure to achieve the required Fixed Charge Coverage Ratio of the Sixth Amendment. This amendment further revised our Financial Covenants. For the six months ending June 30, 2025 our EBITDA shall not be less than \$740,000; for the nine months ending September 30, 2025 our EBITDA shall not be less than \$1,500,000; for the twelve months ending December 31, 2025 our EBITDA shall not be less than \$2,800,000. For the rolling twelve-month period ending March 31, 2025, we are required to achieve a Fixed Charge Coverage Ratio of 1.05x. Beginning with the rolling twelve-month period ending June 30, 2025 and going forward the Company is required to achieve a Fixed Charge Coverage Ratio of 1.25x. All other covenants remain unchanged. Additionally, this amendment increased the Term Loan by approximately \$1,000,000 to \$5,700,000, with monthly principal installments in the amount of \$68,000. In connection with these changes, the Company paid an amendment fee of \$20,000.
- On January 30, 2025, we entered into an Eighth Amendment to provide for an additional Term Loan in the amount of \$1,640,000 for the acquisition of additional equipment. The monthly principal installments on this additional Term Loan are \$19,524. This amendment further revised our Financial Covenants. For the rolling twelve-month period ending March 31, 2025 and June 30, 2025, we are required to achieve a Fixed Charge Coverage Ratio of 1.05x. Beginning with the rolling twelve-month period ending September 30, 2025 and going forward the Company is required to achieve a Fixed Charge Coverage Ratio of 1.25x. All other covenants remain unchanged. In connection with these changes, the Company paid an amendment fee of \$20,000.

- On September 10, 2025, we entered into a Ninth Amendment where it agreed that the \$3,930,000 of the proceeds from its ATM Offering would be maintained in an interest bearing account. The funds in this account serve as additional security for its obligations under the Current Credit Facility.
- On December 15, 2025, we entered into a Tenth Amendment which waived the defaults caused by the failure to achieve the required fixed charge coverage ratio for the fiscal quarter ended June 30, 2025, and for exceeding the permitted amount of capital expenditures for the fiscal year ending December 31, 2025. Additionally, the maturity date of the revolving credit and term loans were extended to March 31, 2026, and amended the capital expenditure covenant. We paid an amendment fee of \$40,000.
- On February 26, 2026, we entered into an Eleventh Amendment which extended the maturity date of the revolving credit and term loans to September 30, 2026. In connection with this Amendment, we paid an amendment fee of \$25,000 and agreed to pay \$150,000 when the loans are satisfied.

If we are unable to close the merger with Tenax contemplated by the Merger Agreement or obtain a new lender to replace the Current Credit Facility we may not be able meet our financial obligations. As of December 31, 2025, we have borrowing capacity of approximately \$2,382,000 under the Revolving Loan.

In addition to required Term Loan payments we may have to make additional payments under the Current Credit Facility. For so long as the Term Loan under the Current Credit Facility remains outstanding, if Excess Cash Flow (as defined) is a positive amount for any fiscal year, we are obligated to pay an amount equal to the lesser of (i) twenty-five percent (25%) of the Excess Cash Flow and (ii) the outstanding principal balance of the Term Loan. Such payment shall be applied to the outstanding principal balance of the Term loan, on or prior to the April 15 immediately following such fiscal year. For the fiscal year ended December 31, 2025, based on the calculation there is no Excess Cash Flow payment required.

In addition to the outstanding indebtedness under the Current Credit Facility and Related Party Notes, we have various equipment leases and contractual obligations of an ongoing nature which we service in the ordinary course out of our cash flow from operations.

Our material cash requirements are for debt service, capital expenditures and funding working capital. We have historically met these requirements with funds provided by a combination of cash generated from operating activities and cash generated from equity and debt financing transactions. Based on our current revenue visibility, strength of our backlog, and availability under our Current Credit Facility, we believe that we have sufficient liquidity to meet our day-to-day cash requirements for our operations. However, we must pay or refinance large portions of our indebtedness prior to September 30, 2026, and October 1, 2026. Further, as a condition to refinancing our Current Credit Facility prior to September 30, 2026, our lender or a new lender may require that the holders of our Related Party Notes extend or otherwise modify the subordination agreements they have given in favor of the lender.

If we do not close the contemplated Merger, it is unlikely we will be able to pay existing debt and will need to refinance our Current Credit Facility and Related Party Notes. We have engaged in discussions with Webster Bank and the holders of our Related Party Notes to explore potential extensions or refinancings of our obligations. Webster Bank has advised us that it will not extend our Current Credit Facility. Refinancing our indebtedness with other parties may require us to pay higher interest rates than we currently pay, agree to more restrictive business or financial covenants or involve the issuance of debt, equity and/or new securities convertible into or exercisable or exchangeable for our common stock. Any failure to refinance our existing debt or obtain additional working capital when required would have a material adverse effect on our business and financial condition.

## Cash Flow

The following table summarizes our net cash flow from operating, investing and financing activities for the periods indicated (in thousands):

	Year Ended	
	December 31,	
	2025	2024
Cash provided by (used in)		
Operating activities	\$ (1,352)	\$ 324
Investing activities	(3,122)	(2,285)
Financing activities	8,331	2,368
Net increase in cash	<u>\$ 3,857</u>	<u>\$ 407</u>

### ***Cash (Used in) Provided By Operating Activities***

For the year ended December 31, 2025, our operations absorbed \$1,352,000 of cash as compared to generating \$324,000 of cash in fiscal 2024. The use of cash was due to an increase in inventory of \$5,450,000, reflecting material and production costs incurred for product to be delivered in 2026. This was partially offset by non-cash expenses of depreciation and stock-based compensation in the amounts of \$2,499,000 and \$1,047,000, respectively, and by a reduction in accounts receivable of \$1,761,000.

For the year ended December 31, 2024, we generated cash flows from operations of \$324,000 as compared to \$4,862,000 for fiscal 2023. The decrease in cash flows was primarily due to the use of a portion, \$2,442,000, of customer deposits which had been advanced prior to 2024 for the procurement of long lead time raw materials expected to be utilized in 2024.

### ***Cash Used In Investing Activities***

During 2025 we continued to make significant investments to enhance our competitiveness and market position. Cash used in investing activities of \$3,122,000 and \$2,285,000, in 2025 and 2024, respectively, was for new property and equipment.

The investments in 2025 and 2024 increased production efficiency and speed, while maintaining closer tolerances. They also expanded the size of products we can manufacture. Any investment in 2026 will be at a much lower level.

### ***Cash Provided by Financing Activities***

For the year ended December 31, 2025, cash provided by financing activities was \$8,331,000. During fiscal 2025, we increased borrowings under our Current Credit Facility by \$5,343,000 (consisting of a net increase in Revolving Loan borrowings of \$4,713,000 and a net increase of \$630,000 against the Term Loan). We also sold an aggregate of 1,213,593 shares of common stock to the public for net proceeds of \$4,638,000. We used cash by paying \$1,291,000 of the Related Party Notes. We also made payments of \$223,000 pursuant to financing lease obligations and \$8,000 on a loan payable.

For the year ended December 31, 2024, cash provided by financing activities was \$2,368,000. During fiscal 2024, we increased borrowings under our Current Credit Facility by \$2,238,000 (consisting of a net increase in Revolving Loan borrowings of \$2,101,000 and a net increase of \$137,000 against the Term Loan) and received advances of \$8,000 against the Solar Facility. We also sold an aggregate of 116,851 shares of common stock to the public for net proceeds of \$327,000. Additionally, we made payments of \$196,000 pursuant to financing lease obligations and \$9,000 on a loan payable.

## **OFF-BALANCE SHEET ARRANGEMENTS**

We did not have any off-balance sheet arrangements as of December 31, 2025 and 2024.

### ***Critical Accounting Estimates***

A critical accounting estimate is one that is both important to the portrayal of a company's financial condition and results of operations and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Use of Estimates. The preparation of financial statements in accordance with generally accepted accounting principles in the U.S. requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The financial statements in this Report include estimates based on currently available information and our judgment as to the outcome of future conditions and circumstances. Significant estimates in these financial statements include, inventory valuation and income tax provision. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the financial statements and actual results could differ from the estimates and assumptions.

Below is a description of our critical accounting estimates:

- **Inventory Valuation**, which includes the estimates and methodology used in accounting for the transition of production costs to inventory costs. In our consolidated financial statements, inventory is reflected at the lower of cost or net realizable value. We periodically evaluate inventory items not secured by backlog and establishes write-downs to estimated net realizable value for excess quantities, slow-moving goods (defined as goods which do not have an open order and have not had movement for two years), obsolescence and for other impairments of value.
- **Income Taxes**. We account for income taxes under the asset and liability method, based on the income tax laws in the United States. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities using expected rates in effect for the tax year in which the differences are expected to reverse. Developing the provision for income taxes requires significant judgment and expertise in federal, international and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets. The Company has recorded a valuation allowance in the current and prior years to reduce deferred tax assets to zero. If we were to subsequently determine that we would be able to realize deferred tax assets in the future in excess of its net recorded amount, an adjustment to deferred tax assets would increase net income for the period in which such determination was made. We will continue to assess the adequacy of the valuation allowance on a quarterly basis. Our judgments and tax strategies are subject to audit by various taxing authorities.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

No disclosure is required in response to this Item.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Consolidated Financial Statements**

The financial statements required by this item begin on page F-1 hereof.

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

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### *Evaluation of Disclosure Controls and Procedures*

An evaluation was conducted under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”), our principal executive officer, and Chief Financial Officer (“CFO”), our principal financial officer (“PFO”), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act, as of December 31, 2025. Based on that evaluation, the CEO and CFO concluded for the reasons discussed below that our disclosure controls and procedures were not effective as of December 31, 2025 to ensure that the 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 required time periods, and that such information is accumulated and communicated to our management to allow timely decisions when required.

#### *Management’s Report on Internal Control over Financial Reporting*

Section 404 of the Sarbanes-Oxley Act of 2002 requires that management document and test the Company’s internal control over financial reporting and include in this Form 10-K a report on management’s assessment of the effectiveness of our internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting refers to those policies, procedures and processes that pertain to the maintenance of records that accurately and fairly reflect transactions with respect to our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures are made only in accordance with authorizations of our management; and provide reasonable assurance regarding the prevention and timely detection of unauthorized transactions with respect to our assets that could have a material effect on our financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2025. In making this assessment, management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013).

In connection with their review of our internal control over financial reporting as of December 31, 2025, our Chief Executive Officer and Chief Financial Officer have concluded that our internal controls over financial reporting were not effective as of December 31, 2025 as a result of a material weakness identified in 2022 that were not yet remediated.

Historically, we outsourced certain information technology (“IT”) related functions to a third-party vendor. In 2022, we identified a material weakness with respect to our IT systems in that we did not design and/or implement primary user access controls and program change management systems over key IT systems to validate that data produced by the relevant IT systems were complete and accurate and to ensure appropriate segregation of duties to adequately restrict user and privileged access to the financially relevant systems and data to the our personnel. Further, we identified a material weakness with respect to the activities of our vendor in connection with the design and operation of our IT systems in that because this vendor is unable to provide a SOC 1 (Standard Operating Control) Report, we were unable to verify and validate the effectiveness of the vendor’s control procedures when implementing changes to our IT systems, including systems affecting our financial IT applications and underlying data account records.

In fiscal 2024 and continuing in fiscal 2025, we implemented new IT controls that required our third-party vendor to make only changes to our IT systems with specific authorization and a requirement that such change be monitored, in real-time by an employee of our company that is familiar with the changes that are being made by our third-party vendor. Although we implemented a process to monitor users being granted privileged access and that such access is being monitored by a periodic user review process, additional enhancements and more formalized documentation is still required. As such, we consider this material weakness not to be remediated as of December 31, 2025.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. The rules of the Securities and Exchange Commission do not require an attestation of the Management's report by our registered public accounting firm in this annual report.

***Change in Internal Control over Financial Reporting***

During the fourth quarter of 2025, we implemented and enhanced our internal control over financial reporting to include additional processes to monitor users being granted privileged access and enhanced our periodic user reviews to ensure such privileged access continues to be appropriate. Except for these items, there have not been any changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter ended December 31, 2025, which is the subject of this report, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTION**

Not Applicable

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

*Our directors and executive officers are:*

<b>Name:</b>	<b>Age</b>	<b>Position</b>
Scott Glassman	48	Acting Chief Executive Officer and President (effective 03-18-2026)
Brian Drisgula	53	Vice President of Finance (effective 03-18-2026)
Michael N. Taglich	60	Director
Robert F. Taglich	59	Director
David J. Buonanno	70	Director
Peter D. Rettaliata	75	Chairman of the Board
Michael Brand	68	Director
Michael D. Porcelain	57	Director

Scott Glassman was appointed to the positions of Acting Chief Executive Officer and President of the Company on March 18, 2026. Mr. Glassman has been employed by the Company since March of 2019, most recently serving as the Chief Financial Officer, Principal Accounting Officer and Secretary of our Company since October 16, 2024. Prior to that he served as Chief Accounting Officer. Mr. Glassman previously had been employed by the Company from February of 2007 to February of 2015, serving in various senior positions in the Company's Financial Department. From March of 2015 to November of 2018, Mr. Glassman worked at a privately held distributor of commercial equipment where he served as Controller. Mr. Glassman holds a Bachelor of Science degree in Accounting from the State University of New York at Albany. Mr. Glassman has been a CPA licensed by the state of NY since 2002.

*Brian Drisgula* was appointed to the position of Vice President of Finance, Principal Accounting Officer and Secretary of our Company on March 18, 2026. Mr. Drisgula has been employed by the Company since October 14, 2024, most recently as the Director of Finance. From April 2023 to October 2024, Mr. Drisgula served as Senior Finance Manager at Circor International, Inc, a large aerospace and defense contractor listed on the New York Stock Exchange. Prior to joining Circor, from May of 2015 through February of 2023, he was Plant Controller for Akorn, Inc., a publicly held generic pharmaceutical manufacturer. Mr. Drisgula holds a Bachelor of Science degree in Accounting from the State University of New York at Binghamton and has been licensed as a CPA by the State of New York since 2000.

*Peter D. Rettaliata* has been a director of our Company since 2005 and was appointed Chairman of the Board on July 11, 2024. He served as our Acting President and Chief Executive Officer from March 2, 2017 to November 15, 2017 and served as our President and Chief Executive Officer from November 30, 2005 to December 31, 2014. He also served as the President of our wholly-owned subsidiary, AIM, from 1994 to 2008. Prior to his involvement at AIM, Mr. Rettaliata was employed by Grumman Aerospace Corporation for twenty-two years, as the Senior Procurement Officer. Professionally, Mr. Rettaliata has served as the Chairman of "ADDAPT", an organization of regional aerospace companies, as a member of the Board of Governors of the Aerospace Industries Association, and as a member of the Executive Committee of the AIA Supplier Council. He is a graduate of Niagara University where he received a B.A. in History and Harvard Business School where he completed the PMD Program.

*Michael N. Taglich* served as Chairman of our Board of Directors from September 22, 2008 until July 11, 2024. He is Chairman and President of Taglich Brothers, a New York City based securities firm which he co-founded in 1992. Mr. Taglich is currently Chairman of the Board of Mare Island Dry Dock LLC, a company engaged in ship repair services, He also serves as a Chairman of the Board of Intellinetics Inc., and is on the board of a number of private companies.

*Robert F. Taglich* has been a director of our Company since 2008. He is a Managing Director of Taglich Brothers, which he co-founded in 1992. Prior to founding Taglich Brothers, Mr. Taglich was a Vice President at Weatherly Securities. Mr. Taglich has served in various positions in the securities brokerage industry for the past 25 years Mr. Taglich holds a Bachelor's degree from New York University.

*David J. Buonanno* has been a director of our Company since 2008. He is the Founder and President of Buonanno Enterprises Consulting, providing strategic management, supply chain/operations and recruitment services to aerospace and defense industry clients. Mr. Buonanno has extensive experience in manufacturing, supply management and operations. He was employed by Sikorsky Aircraft, Inc., a subsidiary of United Technologies Corporation, as Vice President, Supply Management and International Offset (from January 1997 to July 2006) and as Director, Systems Subcontracts (from November 1992 to January 1997). From May 1987 to November 1992, he was employed by General Electric Company serving as Operations Manager and Manager, Program Materials Management of GE's Astro-Space Division. From June 1977 to May 1987, he was employed by RCA and affiliated companies. Mr. Buonanno attended Lehigh University College of Electrical Engineering and holds a B.S. in Business Administration from Rutgers University. He completed the Program for Management Development at Harvard Business School in 1996.

*Michael Brand* has been a director of our Company since 2012. He enjoyed a successful 32-year career in aerospace manufacturing primarily focused on jet engines and landing gear. In 2005, he joined Goodrich as President of Goodrich Landing Gear. Prior to joining Goodrich, he had senior management roles at GE Aircraft Engines and Teleflex Aerospace. Mr. Brand has a BS from Clarkson University, with advanced degrees and certificates from Xavier University and the Wharton School.

*Michael Porcelain* has been a director of our Company since October 23, 2017. Mr. Porcelain has been a CPA since 1996 and currently acts as a consultant and board member for The Independent Adviser Corporation. This privately held company operates various financial planning and advisory websites including TheAdviser.com, 1800ADVISER.com and IRSADVISER.com. In addition to managing these platforms, the company itself provides consulting services. Mr. Porcelain is also a private investor in a number of small and emerging companies. From 2006 through 2022, Mr. Porcelain served in several executive positions including service as a member of the Board of Directors of Comtech Telecommunications Corp. (“Comtech”), a publicly traded company and a leading global provider of next-generation 911 emergency systems and secure wireless communications technologies. He was appointed Chief Executive Officer of Comtech in January 2022 and President of Comtech in January 2020. He also served as Comtech’s Chief Operating Officer from October 2018 to January 2022. Prior to holding these positions, he served as Comtech’s Chief Financial Officer from 2006 through 2018, and from 2002 to March 2006, he served as Comtech’s Vice President of Finance and Internal Audit.

From 1998 to 2002, Mr. Porcelain was Director of Corporate Profit and Business Planning for Symbol Technologies, a mobile wireless information solutions company. Previously, he spent five years in public accounting holding various positions, including Manager in the Transaction Advisory Services Group of PricewaterhouseCoopers. In March 2021, Mr. Porcelain was elected to the Board of Directors of The Fund for Modern Court, an independent court reform organization that advocates for the improvements of the New York State Court system to ensure a diverse, highly qualified, and independent judiciary. Since 1998, he has owned and operated The Independent Adviser Corporation, a privately held company which holds the rights to use certain intellectual properties and trademarks (including various Internet websites) related to the financial planning and advisory industry.

Mr. Porcelain has served as an Adjunct Professor at both Adelphi University and St. John’s University located in New York where he taught graduate level accounting courses. Mr. Porcelain has a B.S. in Business Economics from State University of Oneonta, New York, a M.S. in Accounting and an M.B.A. degree from Binghamton University.

Michael N. Taglich and Robert F. Taglich are brothers.

All directors hold office until the next annual meeting of shareholders and until their successors have been duly elected and qualified. Officers are elected by and serve at the discretion of the Board of Directors. Employee directors do not receive any compensation for their services as directors. Non-employee directors are entitled to receive compensation for serving as directors and may receive option or stock grants from our company.

## **Information Concerning the Board of Directors**

### ***Board Leadership Structure and Risk Oversight***

The Board does not have a policy requiring separation of the roles of Chief Executive Officer and Chairman of the Board. The Board has determined that a non-employee director serving as Chairman is in the best interests of our stockholders at this time. This structure ensures a greater role of non-employee Directors in the active oversight of our business, including risk management oversight, and in setting agendas and establishing Board priorities and procedures. This structure also allows the Chief Executive Officer to focus to a greater extent on the management of our day-to-day operations.

The Board of Directors as a whole is responsible for consideration and oversight of the risks we face and is responsible for ensuring that material risks are identified and managed appropriately. Certain risks are overseen by committees of the Board of Directors and these committees make reports to the full Board of Directors, including reports on noteworthy risk-management issues. Members of the Company’s senior management team regularly report to the full Board about their areas of responsibility and a component of these reports is the risks within their areas of responsibility and the steps management has taken to monitor and control such exposures. Additional review or reporting on risks is conducted as needed or as requested by the Board or one of its committees.

### **Board Independence**

Our Board of Directors has determined that David Buonanno, Peter Rettaliata, Michael Brand and Michael Porcelain are “independent directors” within the meaning of NYSE American Rule 803A(2).

### **Director Compensation**

Non-employee Directors are entitled to receive compensation for serving as directors and may receive option grants from our company. Each Director also is entitled to be repaid or prepaid all traveling, hotel and incidental expenses reasonably incurred or expected to be incurred in attending meetings of our Board of Directors or committees of our Board of Directors or stockholder meetings or otherwise in connection with the discharge of his duties as a Director. The compensation committee will assist the directors in reviewing and approving the compensation structure for our directors.

The following table sets forth certain information regarding the compensation paid to, earned by or accrued for, our directors during the fiscal year ended December 31, 2025.

#### **DIRECTOR COMPENSATION**

<b>Name</b>	<b>Fees Earned or Paid In Cash (\$)</b>	<b>Stock Awards (\$)<sup>(1)</sup></b>	<b>Option Awards (\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Non-Qualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Michael Taglich	34,353	12,596	14,600	—	—	—	61,549
Robert Taglich	34,353	12,596	14,600	—	—	—	61,549
David Buonanno	37,500	—	14,600	—	—	—	52,100
Michael Brand	37,500	—	14,600	—	—	—	52,100
Michael Porcelain	—	57,223	14,600	—	—	—	71,823
Peter Rettaliata	63,252	—	14,600	—	—	—	77,852

(1) Director fees paid in shares.

### **Board Meetings; Committees and Membership**

The Board of Directors held eleven meetings during the fiscal year ended December 31, 2025 and each of the directors attended more than 75% of the aggregate of (i) the number of meetings of the Board of Directors and (ii) the number of meetings of all committees of the Board on which such director served.

We maintain the following committees of the Board of Directors: the Audit Committee, the Compensation Committee, the Nominating Committee and the Executive Committee. Each committee other than the Executive Committee is comprised entirely of directors who are “independent” within the meaning of NYSE American Rule 803A(2). Each committee acts pursuant to a separate written charter, and each such charter has been adopted and approved by the Board of Directors. Copies of the committee charters are available on our website at [airindustriesgroup.com](http://airindustriesgroup.com) under the heading “Investor Relations.”

**Audit Committee.** Messrs. Porcelain, Brand and Buonanno are members of the Audit Committee. Mr. Porcelain serves as Chairman of the Audit Committee and also qualifies as an “audit committee financial expert,” as that term is defined in Item 407(d)(5)(ii) of Regulation S-K. The Board has determined that each member of our Audit Committee meets the financial literacy requirements under the Sarbanes-Oxley Act and SEC rules and the independence requirements under NYSE American Rule 803A(2).

Our Audit Committee is responsible for preparing reports, statements and charters of audit committees required by the federal securities laws, as well as:

- overseeing and monitoring the integrity of our consolidated financial statements, our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters, and our internal accounting and financial controls;
- preparing the report that SEC rules require be included in our annual proxy statement;
- overseeing and monitoring our independent registered public accounting firm’s qualifications, independence and performance;
- providing the Board with the results of its monitoring and its recommendations; and
- providing to the Board additional information and materials as it deems necessary to make the Board aware of significant financial matters that require the attention of the Board.

The Audit Committee held five meetings during fiscal 2025.

**Compensation Committee.** Our Compensation Committee is composed of Messrs. Rettaliata, Brand and Buonanno.

The Compensation Committee is responsible for:

- establishing our company’s general compensation policy, in consultation with senior management, and overseeing the development and implementation of compensation programs;
- reviewing and approving corporate goals and objectives relevant to the compensation of the CEO, and evaluating the performance of the CEO at least annually in light of those goals and objectives and communicating the results of such evaluation to the CEO and the Board, and determining the CEO’s compensation level based on this evaluation, subject to ratification by the independent directors on the Board. In determining the incentive component of CEO compensation, the Committee will consider, among other factors, the performance of our company and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies, the awards given to the CEO in past years, and such other factors as the Committee may determine to be appropriate;
- reviewing and approving the compensation of all other executive officers of our company, such other managers as may be directed by the Board, and the directors of our company;
- overseeing the Board’s benefit and equity compensation plans, overseeing the activities of the individuals and committees responsible for administering these plans, and discharging any responsibilities imposed on the Committee by any of these plans;

- approving issuances under, or any material amendments to, any stock option or other similar plan pursuant to which a person not previously an employee or director of our company, as an inducement material to the individual's entering into employment with our company, will acquire stock or options;
- in consultation with management, overseeing regulatory compliance with respect to compensation matters, including overseeing the company's policies on structuring compensation programs to preserve related tax objectives;
- reviewing and approving any severance or similar termination payments proposed to be made to any current or former officer of our company; and
- preparing an annual report on executive compensation for inclusion in our proxy statement for the election of directors, if required under the applicable SEC rules.

The Compensation Committee held four meetings during fiscal 2025.

**Nominating Committee.** Our Nominating Committee is composed of Messrs. Rettaliata, Brand and Porcelain. The purpose of the Nominating Committee is to seek and nominate qualified candidates for election or appointment to our Board of Directors. The Nominating Committee held one meeting during fiscal 2025.

The Nominating Committee will seek candidates for election and appointment that possess the integrity, leadership skills and competency required to direct and oversee the Company's management in the best interests of its stockholders, customers, employees, communities it serves and other affected parties.

A candidate must be willing to regularly attend Committee and Board of Directors meetings, to develop a strong understanding of our company, its businesses and its requirements, to contribute his or her time and knowledge to our company and to be prepared to exercise his or her duties with skill and care. In addition, each candidate should have an understanding of all corporate governance concepts and the legal duties of a director of a public company.

Stockholders may contact the Nominating Committee Chairman, the Chairman of the Board or the Corporate Secretary in writing when proposing a nominee. This correspondence should include a detailed description of the proposed nominee's qualifications and a method to contact that nominee if the Nominating Committee so chooses.

**Executive Committee.** Our Executive Committee is composed of our Chairman, Peter Rettaliata, Michael Taglich and Robert Taglich. The purpose of the Executive Committee is to assist the Board in fulfilling its functions during the intervals between meetings of the Board. The Executive Committee has all the powers and authority of the Board in connection with the business of the Company and may act in its stead, except as set forth in the Executive Committee Charter.

#### ***Stockholder Communications***

Any stockholder who desires to contact any of our directors can write to Air Industries Group, 1460 Fifth Avenue, Bay Shore, New York 11706, Attention: Stockholder Relations. Your letter should indicate that you are an Air Industries Group stockholder. Depending on the subject matter, our stockholder relations personnel will:

- forward the communication to the Director(s) to whom it is addressed;
- forward the communication to the appropriate management personnel;
- attempt to handle the inquiry directly, for example where it is a request for information about the Company, or it is a stock-related matter; or
- not forward the communication if it is primarily commercial in nature or if it relates to an improper or irrelevant topic.

## Code of Ethics

We have adopted a written code of ethics that applies to our principal executive officers, senior financial officers and persons performing similar functions. Our code of ethics is available on our website and upon written request to our corporate secretary, we will provide you with a copy, without cost.

## ITEM 11. EXECUTIVE COMPENSATION

The following summary compensation table shows, for the periods indicated, information regarding the compensation awarded to, earned by or paid to each individual that served as our principal executive officer during the fiscal year ended December 31, 2025, each other individual that was serving as an executive officer as of December 31, 2025, and each other individual who served as executive officer during the two years ended December 31, 2025 whose compensation for either of such fiscal years exceeded \$100,000 for all services rendered in all capacities to our company and its subsidiaries. The individuals listed in the following table are referred to herein collectively as our “Named Executive Officers.”

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock awards (\$)	Option awards (\$)	Non-equity Incentive Plan Information (\$)	Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Luciano Melluzzo*	2025	389,758	—	—	—	—	—	10,800 <sup>(1)</sup>	400,558
President and CEO	2024	374,566	—	620,350	—	—	—	10,800 <sup>(1)</sup>	1,005,716
Scott Glassman	2025	233,331	—	—	—	—	—	—	233,331
CFO**	2024	224,231	—	371,363	—	—	—	—	595,594

(\*) Mr. Melluzzo resigned from his position effective March 11, 2026.

(\*\*) Mr. Glassman was appointed Acting Chief Executive Officer and President effective March 18, 2026.

(1) Represents car allowance.

Our executive officers named in the above table do not have employment agreements providing for a fixed term of employment. All are employees at will, terminable at any time without any severance, other than that payable to employees generally.

### Executive Compensation Policies as They Relate to Risk Management

The Compensation Committee and management have considered whether our compensation policies might encourage inappropriate risk taking by our executive officers and other employees. The Compensation Committee has determined that the current compensation structure aligns the interests of the executive officers with those of the Company without providing rewards for excessive risk taking by awarding a mix of fixed and performance based or discretionary bonuses with the performance-based compensation focused on profits as opposed to revenue growth.

The Compensation Committee working with management adopts a plan each year intended to award members of our management including executive officers for meeting or exceeding targeted goal. As these goals were not met for 2025, the Committee believes the amounts to be paid to Messrs. Melluzzo and Glassman for services rendered in fiscal 2025 are appropriate.

## Outstanding Equity Awards at 2025 Year-End

The following table shows certain information regarding outstanding equity awards held by our Named Executive Officers as of December 31, 2025.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (1) (\$)
Luciano Melluzzo	48,000	—	\$ 3.43	6/30/2028	68,245 <sup>(2)</sup>	\$ 209,512
	27,000	—	3.50	5/31/2028	—	—
	20,000	—	8.30	3/31/2027	—	—
	18,000	—	12.20	7/31/2026	—	—
	15,000	—	13.90	3/31/2026	—	—
Scott Glassman	5,000	—	\$ 3.50	5/31/2028	40,854 <sup>(2)</sup>	\$ 125,422
	4,100	—	3.43	6/30/2028	—	—
	3,000	—	8.40	3/31/2027	—	—
	2,000	—	12.20	7/31/2026	—	—
	2,250	—	13.90	3/31/2026	—	—

(1) The dollar amounts shown in this column are determined by multiplying the number of shares or units in the preceding column by \$3.07, the closing price of the Company's common stock on December 31, 2025.

(2) One-third of the RSUs subject to these awards were released on April 1, 2025, and subject to the terms of the award agreements, the remainder of the RSUs are scheduled to vest in two equal annual installments commencing on April 1, 2026. Based on Mr. Melluzzo's retirement, it was agreed that the awards to be received on April 1, 2026, would be released, and those for 2027 will be forfeited.

### Equity Incentive Plans

We have three equity incentive plans all of which are substantially identical except as to the number of awards which may be granted, pursuant to which we can grant awards with respect to an aggregate of 1,055,000 shares of our common stock. We have the right to grant awards pursuant to each plan until the tenth anniversary of the date on which it was approved by our stockholders. The 2022 Equity Incentive Plan was approved by our stockholders in June 2022; and amendments to the 2022 Equity Incentive Plan were approved by our stockholders at our Annual Meeting in 2023 and 2024, and most recently at our Annual Meeting in 2025 to increase the number of shares as to which grants may be awarded to 900,000; the 2017 Equity Incentive Plan authorizes grants as to 120,000 shares and was approved by our stockholders in October 2017; and the 2016 Equity Incentive Plan authorizes grants as to 35,000 shares and was approved by our stockholders in November 2016.

The Plans permit the Company to grant stock awards, non-qualified and incentive stock options, restricted stock units and other forms of rewards to employees, directors and consultants. The Plans are administered by the Compensation Committee of the Board and each has a term of ten years from the date it was adopted by the Board.

We adopted the Plans to provide a means by which employees, directors, and consultants of our Company and those of our subsidiaries and other designated affiliates, which we refer to together as our affiliates, may be given an opportunity to purchase our common stock, to assist in retaining the services of such persons, to secure and retain the services of persons capable of filling such positions, and to provide incentives for such persons to exert maximum efforts for our success and the success of our affiliates.

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

The following table sets forth information known to us regarding beneficial ownership of our Common Stock as of March 25, 2026 by (i) each person known by us to own beneficially more than 5% of our outstanding Common Stock, (ii) each of our directors, (iii) our Chief Executive Officer and Principal Financial Officer, our only executive officers, and (iii) all of our directors and executive officers as a group.

Except as otherwise indicated, we believe, based on information provided by each of the individuals named in the table below, that such individuals have sole investment and voting power with respect to such shares, subject to community property laws, where applicable. As of March 25, 2026, we had outstanding 4,781,054 shares of Common Stock. Except as stated in the table, the address of the holder is c/o our company, 1460 Fifth Avenue, Bay Shore, New York 11706.

<b>Directors and Executive Officers:</b>	<b>Number of Shares Beneficially Owned</b>	<b>Percent</b>
Michael N. Taglich	694,634 <sup>(1)</sup>	13.84%
Robert F. Taglich	492,423 <sup>(2)</sup>	9.88%
Peter D. Rettaliata	84,951 <sup>(3)</sup>	1.76%
David Buonanno	40,722 <sup>(4)</sup>	*
Michael Brand	44,170 <sup>(5)</sup>	*
Michael Porcelain	155,818 <sup>(6)</sup>	3.20%
Scott Glassman, Acting Chief Executive Officer and President	60,918 <sup>(7)</sup>	1.26%
All Directors and Executive Officers as a group (7 persons owning shares)	1,573,636 <sup>(8)</sup>	28.67%
Brian Drisgula, Vice President of Finance	-	*
<b>Beneficial Ownership of More than 5% of Shares:</b>		
Charles L. Frischer	444,998 <sup>(9)</sup>	9.31%
Star Equity Fund and Jeffery E. Eberwein	285,000 <sup>(10)</sup>	5.96%

\* Less than 1%

(1) Includes shares owned by Mr. Taglich, 203,012 shares he may acquire upon conversion of convertible notes, but excluding shares for accrued interest thereon, 12,159 shares that he may acquire upon exercising RSUs and 23,620 shares he may acquire upon exercise of options, in each case exercisable within 60 days.

(2) Includes shares owned by Mr. Taglich, 168,907 shares he may acquire upon conversion of convertible notes, but excluding shares for accrued interest thereon, 12,159 shares he may acquire upon exercising RSUs and 23,620 shares he may acquire upon exercise of options, in each case exercisable within 60 days.

(3) Includes 12,159 shares he may acquire upon converting RSUs and 46,640 shares he may acquire upon exercise of options exercisable within 60 days.

(4) Includes 12,159 shares he may acquire upon converting RSUs and 23,760 shares he may acquire upon exercise of options exercisable within 60 days.

(5) Includes 12,159 shares he may acquire upon converting RSUs and 25,760 shares he may acquire upon exercise of options exercisable within 60 days.

- (6) Includes 60,791 shares he may acquire upon converting RSUs and 23,760 shares he may acquire upon exercise of options exercisable within 60 days.
- (7) Includes 32,586 shares he may acquire upon converting 12,159 RSUs and upon 20,427 RSUs vesting within 60 days. Includes 16,350 shares he may acquire upon exercise of options exercisable within 60 days.
- (8) Includes 371,919 shares that may be acquired upon conversion of convertible notes, and 182,510 shares that may be acquired upon exercise of options, in each case exercisable within 60 days.
- (9) The share information set forth below is based on the Schedule 13D filed with the SEC and the Company on March 23, 2026 reflecting ownership as of that date. The beneficial ownership percentage set forth below is based upon 4,781,054 shares outstanding as of March 25, 2026.

	<b>Sole Voting Power</b>	<b>Shared Voting Power</b>	<b>Sole Dispositive Power</b>	<b>Shared Dispositive Power</b>	<b>Total</b>	<b>Percent</b>
Charles L. Frischer	444,998	—	444,998	—	444,998	9.31%

The address for Charles L. Frischer is 3156 East Laurelhurst Drive, NE, Seattle, WA 98105.

- (10) The share information set forth below is based on the Schedule 13D filed with the SEC and the Company on January 21, 2026 reflecting ownership as of that date. The beneficial ownership percentage set forth below is based upon 4,781,054 shares outstanding as of March 25, 2026.

	<b>Sole Voting Power</b>	<b>Shared Voting Power</b>	<b>Sole Dispositive Power</b>	<b>Shared Dispositive Power</b>	<b>Total</b>	<b>Percent</b>
Star Equity Holdings, Inc	—	85,000	—	—	85,000	1.78%
Star Operating Companies, Inc.	-	85,000	-	85,000	85,000	1.78%
Star Equity Fund, LP	-	85,000	-	85,000	85,000	1.78%
Star Equity Fund, GP, LLC	-	85,000	-	85,000	85,000	1.78%
Star Investment Management, LLC	-	85,000	-	85,000	85,000	1.78%
Star Value Investments, LLC	-	85,000	-	85,000	85,000	1.78%
Jeffrey E. Eberwein	200,000	85,000	200,000	85,000	285,000	5.96%

The address for Star Equity, Star Operating Companies, Star Equity Fund, Star Equity GP, Star Investment Management, Star Value Investments and Mr. Jeffrey E. Eberwein is 53 Forest Avenue, Suite 101, Old Greenwich, Connecticut 06870.

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

#### *Our Policy Concerning Transactions with Related Persons*

Under Item 404 of SEC Regulation S-K, a related person transaction is any actual or proposed transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, including those involving indebtedness not in the ordinary course of business, to which we or our subsidiaries were or are a party, or in which we or our subsidiaries were or are a participant, in which the amount involved exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last two completed fiscal years and in which any of our directors, nominees for director, executive officers, beneficial owners of more than 5% of any class of our voting securities (a “significant shareholder”), or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest.

We recognize that transactions between us and any of our Directors or Executives or with a third party in which one of our officers, directors or significant shareholders has an interest can present potential or actual conflicts of interest and create the appearance that our decisions are based on considerations other than the best interests of our Company and stockholders.

The Audit Committee of the Board of Directors is charged with responsibility for reviewing, approving and overseeing any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K), including the propriety and ethical implications of any such transactions, as reported or disclosed to the Committee by the independent auditors, employees, officers, members of the Board of Directors or otherwise, and to determine whether the terms of the transaction are not less favorable to us than could be obtained from an unaffiliated party.

There were no transactions completed by us since January 1, 2025, in which the amount involved exceeded \$120,000 and in which any related person has a direct or indirect material interest except that during 2025, we repaid \$1,041,000 of subordinate notes and we incurred interest expense of \$356,000 in respect of the subordinated notes held by Michael Taglich, Robert Taglich and certain of their affiliates. As of December 31, 2025, Michael Taglich and Robert Taglich held subordinated notes in the aggregate principal amount of \$4,871,000 as a result of transactions entered into prior to January 2025. Of the \$4,871,000, approximately \$2,519,000 bears an annual rate of interest of 6%, \$1,802,000 bears an annual rate of 7% and \$550,000 bears an annual interest rate of 12%. Of the \$4,871,000, approximately \$2,519,000 can be converted at the option of the holder into our common stock at \$15.00 per share and \$1,802,000 can be converted at the option of the holder into our common stock at \$9.30 per share. The remaining \$550,000 is not convertible.

There are no transactions currently proposed by us in which a related party has a direct or indirect financial interest in which the amount involved exceeds \$120,000.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES and SERVICES

As required by our Audit Committee charter, our Audit Committee pre-approved the engagement of our principal accounting firm CBIZ CPAs P,C, (“CBIZ CPAs”) and our predecessor principal accounting firm Marcum LLP (“Marcum”) for all audit and permissible non-audit services. The Audit Committee annually reviews the audit and permissible non-audit services performed by our principal accounting firm and reviews and approves the fees charged by our principal accounting firm. The Audit Committee considered the role of CBIZ CPAs in providing tax and audit services and other permissible non-audit services to us while it was serving as our auditor and concluded that the provision of such services, if any, was compatible with the maintenance of such firm’s independence in the conduct of its auditing functions.

During fiscal years 2025 and 2024, the aggregate fees which we paid to or were billed by CBIZ CPAs and Marcum for professional services were as follows:

	<b>Year Ended December 31, 2025</b>	<b>Year Ended December 31, 2024</b>
Audit Fees <sup>(1)</sup>	\$ 620,000	\$ 579,000
Tax Fees <sup>(2)</sup>	-	2,000
	<u>\$ 620,000</u>	<u>\$ 581,000</u>

(1) Audit fees relate to professional services rendered in connection with the audit of the Company’s annual financial statements, quarter reviews of financial statements and audit services provided in connection with other statutory and regulatory filings.

(2) Tax fees - the aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) Consolidated Financial Statements of Air Industries Group for the Year ended December 31, 2025 and 2024.
- (b) The following exhibits are included as part of this report. References to “the Company” in this Exhibit List mean Air Industries Group, a Nevada Corporation.

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#"><u>Articles of Incorporation of Air Industries Group (incorporated herein by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed August 30, 2013).</u></a>
3.2	<a href="#"><u>Certificate of Amendment increasing number of authorized shares of preferred stock and Series A Preferred Stock (incorporated herein by reference to Exhibit 3.3 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 filed on April 19, 2017).</u></a>
3.3	<a href="#"><u>Amended and Restated By-Laws of the Company (incorporated herein by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K filed on July 10, 2025).</u></a>
3.4	<a href="#"><u>Certificate of Amendment increasing number of authorized shares of common stock to 60,000,000 (incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the period ended June 30, 2019 filed on August 8, 2019).</u></a>
3.5	<a href="#"><u>Certificate of Change filed with the Secretary of State of Nevada to effectuate reverse stock split (incorporated herein by reference to Exhibit 3.01 to the Company’s Report on Form 8-K filed October 18, 2022).</u></a>
3.6	<a href="#"><u>Certificate of Amendment increasing number of authorized shares of common stock to 20,000,000 (incorporated by reference to the Company’s Current Report on Form 8-K filed on July 10, 2025).</u></a>
4.1	<a href="#"><u>Description of the Company’s securities registered pursuant to Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 filed on March 27, 2020).</u></a>
10.1	<a href="#"><u>Loan and Security Agreement dated as of December 31, 2019 with Sterling National Bank (incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed January 6, 2020).</u></a>
10.2	<a href="#"><u>Guaranty Agreement dated as of December 31, 2019 with Sterling National Bank (incorporated herein by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed January 6, 2020).</u></a>
10.3	<a href="#"><u>Pledge Agreement dated as of December 31, 2019 with Sterling National Bank (incorporated herein by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K filed January 6, 2020).</u></a>
10.4	<a href="#"><u>First Amendment to Loan and Security Agreement with Sterling National Bank (incorporated herein by reference to Exhibit 10.4 to the Company’s Quarterly Report on Form 10-Q filed November 9, 2020).</u></a>
10.5	<a href="#"><u>Second Amendment to Loan and Security Agreement with Sterling National Bank (incorporated herein by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed August 5, 2021).</u></a>
10.6	<a href="#"><u>Third Amendment to Loan and Security Agreement with Sterling National Bank (incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed December 8, 2021).</u></a>

- 10.7 [Fourth Amendment to Loan and Security Agreement with Sterling National Bank \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 18, 2022\).](#)
- 10.8 [Fifth Amendment to Loan and Security Agreement with Sterling National Bank \(incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed August 10, 2024\).](#)
- 10.9 [Sixth Amendment to Loan and Security Agreement with Sterling National Bank \(incorporated herein by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed November 27, 2024\).](#)
- 10.10 [Waiver and Seventh Amendment to Loan and Security Agreement with Webster Bank, National Association successor to Sterling National Bank \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 3, 2025\).](#)
- 10.11 [Eighth Amendment to Loan and Security Agreement with Webster Bank, National Association successor to Sterling National Bank \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 3, 2025\).](#)
- 10.12 [Ninth Amendment to Loan and Security Agreement with Webster Bank, National Association successor to Sterling National Bank \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 15, 2025\).](#)
- 10.13 [Tenth Amendment to Loan and Security Agreement with Webster Bank, National Association successor to Sterling National Bank \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 16, 2025\).](#)
- 10.14 [Eleventh Amendment to Loan and Security Agreement with Webster Bank, National Association successor to Sterling National Bank \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 27, 2026\).](#)
- 10.15\* [Form of Indemnification Agreement between the Company and each Director and Officer.](#)
- 10.16\* [Form of Restricted Stock Unit Award Agreement under 2022 Equity Incentive Plan As Amended and Restated as of May 23, 2024.](#)
- 10.17\* [Form of Per Diem Expense Reimbursement and Compensation Agreement between the Company and each Director.](#)
- 10.18 [At The Market Offering Agreement dated December 13, 2014, By and between the Company and Craig -Hallum Capital Group LLC \(incorporated herein by reference to Exhibit 1.2 to the Company's Registration Statement on Form S-3 filed December 13, 2025\).](#)
- 10.19 [Separation and Release Agreement date March 13, 2026, between the Company and Mr. Lou Melluzzo \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 16, 2026\).](#)
- 10.20 [2016 Equity Incentive Plan \(incorporated herein by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016 filed on November 14, 2016\).](#)
- 10.21 [2017 Equity Incentive Plan \(incorporated herein by reference to Exhibit 10.79 to the Company's Registration Statement on Form S-1 \(Registration No. 333-219490\) filed July 26, 2017 and declared effective August 4, 2017\).](#)
- 10.22 [2022 Equity Incentive Plan As Amended and Restated as of May 23, 2024 \(incorporated herein by reference to Appendix A to the Company's Proxy Statement on Schedule 14A filed August 4, 2024\).](#)

14.1	<a href="#">Code of Ethics (incorporated herein by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K/A (Amendment No. 2) for the year ended December 31, 2017 filed on April 30, 2018.</a>
19.1	<a href="#">Insider Trading Policies and Procedures (incorporated herein by reference to Exhibit 19.1 to the Company's Annual Report of Form 10K for the year ended December 31, 2024 filed on April 15, 2025).</a>
21.1	<a href="#">Subsidiaries (incorporated herein by reference to Exhibit 21.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on April 1, 2019.</a>
23.1*	<a href="#">Consent of CBIZ CPAs P.C.</a>
23.2*	<a href="#">Consent of Marcum LLP</a>
31.1*	<a href="#">Certification of principal executive officer pursuant to Rule 13a-14 or Rule 15d-14 of Securities Exchange Act of 1934.</a>
31.2*	<a href="#">Certification of principal financial officer pursuant to Rule 13a-14 or Rule 15d-14 of the Exchange Act of 1934.</a>
32.1**	<a href="#">Certification of principal executive officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).</a>
32.2**	<a href="#">Certification of principal financial officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).</a>
97.1	<a href="#">Policy related to Recovery of Erroneously Awarded Compensation (incorporated herein by reference to Exhibit 97.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2024 filed on April 15, 2025).</a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith

\*\* Furnished herewith

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: March 27, 2026

**AIR INDUSTRIES GROUP**

By: /s/ Scott Glassman  
Scott Glassman  
Acting Chief Executive Officer and President  
(principal executive officer)

By: /s/ Brian Drisgula  
Brian Drisgula  
Vice President of Finance  
(principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on March 27, 2026 in the capacities indicated.

<b>Signature</b>	<b>Capacity</b>
<u>/s/ Scott Glassman</u> Scott Glassman	Acting Chief Executive Officer and President (principal executive officer)
<u>/s/ Brian Drisgula</u> Brian Drisgula	Vice President of Finance (principal financial and accounting officer)
<u>/s/ Michael N. Taglich</u> Michael N. Taglich	Director
<u>/s/ Peter D. Rettaliata</u> Peter D. Rettaliata	Chairman of the Board
<u>/s/ Robert F. Taglich</u> Robert F. Taglich	Director
<u>/s/ David J. Buonanno</u> David J. Buonanno	Director
<u>/s/ Michael Brand</u> Michael Brand	Director
<u>/s/ Michael Porcelain</u> Michael Porcelain	Director

**AIR INDUSTRIES GROUP**

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**December 31, 2025 and 2024**

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
Air Industries Group

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Air Industries Group and subsidiaries (the "Company") as of December 31, 2025, the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 2025, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year ended December 31, 2025, in conformity with accounting principles generally accepted in the United States of America.

### Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Current Credit Facility is scheduled to expire on September 30, 2026 and the Related Party Subordinated Notes mature on October 1, 2026. In addition, the Company is required to maintain a collection account with its lender into which substantially all the Company's cash receipts are remitted. If the Company's lender were to cease lending and keep the funds remitted to the collection account, the Company would lack the funds to continue its operations. The Current Credit Facility and Related Party Subordinated notes expiration dates and the rights granted to the lender raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

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

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

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

### Critical Audit Matters

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

/s/ CBIZ CPAs P.C.

CBIZ CPAs P.C.

We have served as the Company's auditor since 2008 (such date takes into account the acquisition of the attest business of Marcum LLP by CBIZ CPAs P.C. effective November 1, 2024).

Saddle Brook, NJ

March 27, 2026

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of  
Air Industries Group

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Air Industries Group and subsidiaries (the “Company”) as of December 31, 2024, the related consolidated statements of operations, changes in stockholders’ equity and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

### Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Current Credit Facility expires on December 30, 2025. In addition, the Company is required to maintain a collection account with its lender into which substantially all the Company’s cash receipts are remitted. If the Company’s lender were to cease lending and keep the funds remitted to the collection account, the Company would lack the funds to continue its operations. The current credit facility expiration date and the rights granted to the lender, combined with the reasonable possibility that the Company might fail to meet covenants in the future, raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

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

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

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

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor from 2008 through 2025.

Saddle Brook, NJ

April 15, 2025

**AIR INDUSTRIES GROUP**  
**Consolidated Balance Sheets**

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 680,000	\$ 753,000
Restricted Cash	3,930,000	-
Accounts Receivable, Net of Allowance for Credit Losses of \$464,000 and \$396,000	7,071,000	8,900,000
Inventory	34,261,000	28,811,000
Prepaid Expenses and Other Current Assets	766,000	371,000
Contract Costs Receivable	-	296,000
Prepaid Taxes	76,000	56,000
<b>Total Current Assets</b>	<u>46,784,000</u>	<u>39,187,000</u>
Property and Equipment, Net		
Property and Equipment, Net	9,501,000	8,809,000
Finance Lease Right-Of-Use-Assets	916,000	1,113,000
Operating Lease Right-Of-Use-Assets	514,000	1,190,000
Deferred Financing Costs, Net, Deposits and Other Assets	614,000	712,000
<b>TOTAL ASSETS</b>	<u>\$ 58,329,000</u>	<u>\$ 51,011,000</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Debt	\$ 23,721,000	\$ 18,362,000
Subordinated Notes - Related Party	4,871,000	-
Accounts Payable and Accrued Expenses	7,903,000	7,015,000
Operating Lease Liabilities	702,000	881,000
Deferred Gain on Sale	28,000	38,000
Customer Deposits	391,000	1,115,000
<b>Total Current Liabilities</b>	<u>37,616,000</u>	<u>27,411,000</u>
Long Term Liabilities		
Debt	1,512,000	1,759,000
Subordinated Notes - Related Party	-	6,162,000
Operating Lease Liabilities	-	702,000
Deferred Gain on Sale	-	29,000
<b>TOTAL LIABILITIES</b>	<u>39,128,000</u>	<u>36,063,000</u>
Commitments and Contingencies (see Note 12)		
Stockholders' Equity		
Preferred Stock, par value \$.001 - Authorized 3,000,000 shares, 0 shares outstanding, at both December 31, 2025 and December 31, 2024.	-	-
Common Stock - Par Value \$.001 - Authorized 6,000,000 shares, 4,776,454 and 3,474,970 shares issued and outstanding as of December 31, 2025 and December 31, 2024, respectively	5,000	3,000
Additional Paid-In Capital	89,608,000	84,052,000
Accumulated Deficit	(70,412,000)	(69,107,000)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>19,201,000</u>	<u>14,948,000</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 58,329,000</u>	<u>\$ 51,011,000</u>

See Notes to Consolidated Financial Statements

**AIR INDUSTRIES GROUP**  
**Consolidated Statements of Operations**  
**For the Years Ended December 31,**

	<u>2025</u>	<u>2024</u>
Net Sales	\$ 47,921,000	\$ 55,108,000
Cost of Sales	<u>39,734,000</u>	<u>46,176,000</u>
Gross Profit	8,187,000	8,932,000
Operating Expenses	<u>8,525,000</u>	<u>8,473,000</u>
(Loss)/Income from Operations	(338,000)	459,000
Interest Expense	(1,485,000)	(1,421,000)
Interest Expense - Related Parties	(356,000)	(472,000)
Other Income, Net	<u>743,000</u>	<u>68,000</u>
Loss before Benefit From Income Taxes	(1,436,000)	(1,366,000)
Benefit from Income Taxes	<u>(131,000)</u>	<u>-</u>
Net Loss	<u>\$ (1,305,000)</u>	<u>\$ (1,366,000)</u>
Loss per share - Basic and diluted	<u>\$ (0.31)</u>	<u>\$ (0.41)</u>
Weighted Average Shares Outstanding - Basic and diluted	4,216,918	3,336,464

See Notes to Consolidated Financial Statements

**AIR INDUSTRIES GROUP**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the Years Ended December 31, 2025 and 2024**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance January 1, 2024	3,303,045	\$ 3,000	\$ 82,928,000	\$ (67,741,000)	\$ 15,190,000
Common Stock issued for directors fees	39,845	-	157,000	-	157,000
Stock Based Compensation	-	-	640,000	-	640,000
Exercise of stock options	15,229	-	-	-	-
Common Stock issued for cash	116,851	-	327,000	-	327,000
Net Loss	-	-	-	(1,366,000)	(1,366,000)
Balance, December 31, 2024	<u>3,474,970</u>	<u>\$ 3,000</u>	<u>\$ 84,052,000</u>	<u>\$ (69,107,000)</u>	<u>\$ 14,948,000</u>
Common Stock issued for directors fees	30,699	-	108,000	-	108,000
Stock Based Compensation	-	-	939,000	-	939,000
Common Stock issued for cash	1,213,593	2,000	4,636,000	-	4,638,000
Common Stock issued upon settlement of restricted stock units, net	57,192	-	(127,000)	-	(127,000)
Net Loss	-	-	-	(1,305,000)	(1,305,000)
Balance, December 31, 2025	<u>4,776,454</u>	<u>\$ 5,000</u>	<u>\$ 89,608,000</u>	<u>\$ (70,412,000)</u>	<u>\$ 19,201,000</u>

See Notes to Consolidated Financial Statements

**AIR INDUSTRIES GROUP**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31,**

	<b>2025</b>	<b>2024</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (1,305,000)	\$ (1,366,000)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation of property and equipment	2,499,000	2,072,000
Stock-based Compensation	1,047,000	797,000
Amortization of Finance Lease Right-of-Use Assets	197,000	176,000
Amortization of Operating Lease Right-of-Use Assets	676,000	676,000
Deferred gain on sale of real estate	(39,000)	(38,000)
(Gain)/Loss on sale of equipment	(68,000)	(15,000)
Allowances for Credit Losses	68,000	52,000
Amortization of deferred financing costs	69,000	68,000
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Operating Assets:		
Accounts receivable	1,761,000	(1,060,000)
Inventory	(5,450,000)	1,040,000
Prepaid expenses and other current assets	(395,000)	(74,000)
Contract costs receivable	296,000	-
Prepaid taxes	(20,000)	(19,000)
Deposits and other assets	29,000	375,000
Increase (Decrease) in Operating Liabilities:		
Accounts payable and accrued expenses	888,000	961,000
Operating lease liabilities	(881,000)	(879,000)
Customer deposits	(724,000)	(2,442,000)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(1,352,000)</b>	<b>324,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(3,322,000)	(2,301,000)
Proceeds from sale of fixed assets	200,000	16,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,122,000)</b>	<b>(2,285,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Note payable - revolver - net - Current Credit Facility	4,713,000	2,101,000
Proceeds from term loan - Current Credit Facility	1,640,000	1,006,000
Proceeds from term loan - Solar Facility	-	8,000
Net proceeds from Common Stock issued for cash	4,638,000	327,000
Payments for taxes related to net share settlement of equity awards	(127,000)	-
Payments of subordinated Notes - Related party	(1,291,000)	-
Payments of term loan - Current Credit Facility	(1,010,000)	(869,000)
Payments of finance lease obligations	(223,000)	(196,000)
Payments of loan payable - financed asset	(9,000)	(9,000)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>8,331,000</b>	<b>2,368,000</b>
<b>NET INCREASE IN CASH</b>	<b>3,857,000</b>	<b>407,000</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>753,000</b>	<b>346,000</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 4,610,000</b>	<b>\$ 753,000</b>

See Notes to Consolidated Financial Statements

**AIR INDUSTRIES GROUP**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, (Continued)**

	<u>2025</u>	<u>2024</u>
Supplemental cash flow information		
Cash paid during the year for interest	\$ 1,829,000	\$ 1,849,000
Cash paid during the year for taxes	\$ 21,000	\$ 20,000
	<u>2025</u>	<u>2024</u>
Supplemental Disclosure of non-cash investing and finance activities		
Financing from Solar Credit Facility directly to contractor	\$ -	\$ 533,000
Acquisition of financed lease asset	\$ -	\$ 319,000

See Notes to Consolidated Financial Statements

**AIR INDUSTRIES GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. ORGANIZATION AND BASIS OF PRESENTATION**

**Organization**

Air Industries Group is a Nevada corporation (“AIRI”). As of and for the years ended December 31, 2025 and 2024, the accompanying consolidated financial statements presented are those of AIRI, and its wholly-owned subsidiaries; Air Industries Machining Corp. (“AIM”), Nassau Tool Works, Inc. (“NTW”), and the Sterling Engineering Corporation (“Sterling”), (together, the “Company”).

**Principal Business Activity**

The Company is a leading manufacturer of precision assemblies and components for large aerospace and defense prime contractors. Its products include landing gears, flight controls, engine mounts and components for aircraft jet engines, ground turbines and other complex machines. Most of its machined components and assemblies are integral to high-profile platforms and named programs including the F-18 Hornet, the E2D Hawkeye, the UH-60 Black Hawk Helicopter, the Geared Turbo-Fan Engine, the CH-53 Helicopter, the F-35 Lighting II (also known as the Joint Strike Fighter) and the F-15 Eagle Tactical Fighter.

The Company’s direct customers are primarily large aerospace and defense prime contractors. The ultimate end-users for most of its products are the U.S. Government, international governments, and commercial global airlines.

**Basis of Presentation**

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America and the rules and regulations of the Securities and Exchange Commission. All dollar amounts have been rounded to the nearest whole number. As a result, totals may not sum precisely due to rounding.

**Going Concern and Management’s Plan**

As of December 31, 2025, debt under the Company’s Current Credit Facility and Related Party Subordinated Notes approximates \$28,344,000. The Current Credit Facility is scheduled to expire on September 30, 2026, and the Related Party Subordinated Notes mature on October 1, 2026. These obligations are classified as current liabilities on the consolidated balance sheets as of December 31, 2025. As a result of the aforementioned and rights that the Current Credit Facility lender could exercise, there is substantial doubt about the Company’s ability to continue as a going concern for the twelve months following the date of filing of these consolidated financial statements.

The Company is actively engaged in constructive discussions with various lenders as the Company has been advised by its lender that it will not renew its Current Credit Facility. While these discussions have been professional and remain ongoing, there can be no assurance that agreements will be reached with existing lenders or through alternative financing sources.

To support current operations and strategic initiatives, the Company has raised capital through public market sales of its common stock since December 2024 and believes it can continue to access equity markets in future periods. During the year ended December 31, 2025, the Company generated gross proceeds of \$4,869,000 through an At The Market (“ATM”) Offering, of which approximately \$3,930,000 is restricted for the benefit of the Current Credit Facility lender. In light of ongoing negotiations with all of our lenders and the terms of the Merger Agreement with Tenax, the Company has temporarily paused all equity raising activity.

As of December 31, 2025, the Company was in compliance with its minimum Fixed Coverage Charge ratio (“FCCR”) of 1.10x on a quarterly basis as well as the requirement that fixed asset acquisitions not exceed \$3,300,000. All other financial and business covenants under the terms its Current Credit Facility were met as of December 31, 2025. The terms of all outstanding indebtedness are discussed further in “Note 8. Debt”.

The Company is required to maintain a collection account with its lender into which substantially all cash receipts are remitted. Additionally, if the Company were to be in default of its Current Credit Facility the lender could choose to exercise its rights, for example, increasing the rate of interest or refusing to make loans under the revolving portion of the Current Credit Facility and keep the funds remitted to the collection account. If the lender were to raise the rate of interest or exercise other remedies available under the Current Credit Facility, it would adversely impact the Company's operating results. If the lender were to cease making new loans under the revolving facility or limit availability under the revolving facility, the Company would lack the funds to continue operations or, possibly, expand its operations.

As a result of recent contract awards, as of December 31, 2025, the Company had total unfilled contract values amounting to \$270.1 million (including its \$136.8 million in funded backlog plus additional potential funded orders against Long-Term Agreements ("LTAs")). These unfilled contract values support a positive outlook for future growth; however, extended lead times for raw material procurement and the complexity of manufacturing processes are expected to delay revenue acceleration until late 2026.

The Company generally sources its raw material, principally metal casting or forgings, from domestic sources. As such, the Company is generally not exposed to increased prices on imports but would be subject to increased prices if proposed tariffs or disruptions in supply chains resulting from tariffs or other geopolitical events, cause the general level of prices for its products to increase. One component used by the Company on a key commercial aviation program is sourced from China. The Company's contract with its customer for the product requires the Company to absorb the first five percent (5%) of any cost increases with further increases absorbed by the customer.

A substantial portion of the Company's products are used in United States military aviation and as such, changes in the US defense budget are more material to demand than to changes in general economic conditions. However, the Company does have significant exposure in commercial aviation; demand for these products may be reduced if general economic conditions deteriorate reducing demand for commercial air travel.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of Consolidation**

The accompanying consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

### **Accounts Receivable**

Accounts receivable are carried at the original invoice amount less an estimate made for expected credit losses based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for expected credit losses primarily using historical experience as well as current conditions that affect the collectability of the reported amount. Accounts receivable are written off when deemed uncollectible. Bad debt expenses are recorded in operating expenses on the consolidated statements of operations.

## **Inventory Valuation**

The Company values inventory at the lower of cost or estimated net realizable value using the first-in first out method. The Company periodically evaluates inventory items not secured by backlog and establishes write-downs to estimated net realizable value for excess quantities, slow-moving goods, obsolescence and for other impairments of value. Adjustments to inventory net realizable value are recorded in cost of sales.

## **Property and Equipment**

Property and equipment are carried at cost net of accumulated depreciation and amortization. Repair and maintenance charges are expensed as incurred. Property, equipment, and improvements are depreciated using the straight-line method over the estimated useful lives of the assets or the particular improvements. Expenditures for repairs and improvements in excess of \$10,000 that add to the productive capacity or extend the useful life of an asset are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in earnings.

## **Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no events triggering a review for impairment during the years ended December 31, 2025 and 2024.

## **Deferred Financing Costs**

Costs incurred with obtaining and executing revolving debt arrangements are capitalized and recorded in other Deferred financing costs, net, deposits, and other assets and amortized using the effective interest method over the term of the related debt. Costs incurred with obtaining and executing other debt arrangements are presented as a direct deduction from the carrying value of the associated debt and also amortized using the effective interest method over the term of the related debt. The amortization of financing costs is included in interest expense in the Consolidated Statements of Operations.

## **Contract Costs Receivable**

Contract costs receivable represent costs to be reimbursed from a terminated contract. Contract costs receivable totals \$0 at December 31, 2025 and \$296,000 at December 31, 2024. The Company collected this receivable on March 18, 2025.

## **Risks and Uncertainties**

The continuing impacts of rising interest rates, inflation, changes in foreign currency exchange rates and geopolitical developments, such as the ongoing conflict between Russia and Ukraine, the ongoing conflict between Israel and Hamas, and the ongoing conflict between the United States, Israel and Iran, the imposition of tariffs and shifts in international alliances, have resulted, and may continue to result, in a global slowdown of economic activity, which may decrease demand for a broad variety of goods and services, including those provided by the Company's clients and as a result, the Company, while also disrupting supply channels, sales channels and advertising and marketing activities for an unknown period of time. Additionally, recent changes to U.S. policy implemented by the U.S. Congress, and the Executive Branch and the responses of other nations to such actions have impacted and may in the future impact, among other things, the U.S. and global economy, international alliances and trade relations, unemployment, immigration, healthcare, taxation, the U.S. regulatory environment, inflation and other areas. As a result of the current uncertainty regarding economic activity, the Company is unable to predict the size and duration of the impact on its revenue and its results of operations, if any, of actions taken to date and those that may occur in the future. The extent of the potential impact of these macroeconomic factors on the Company's operational and financial performance will depend on a variety of factors, including the extent of geopolitical disruption and its impact on the Company's clients, partners, industry, and employees, all of which are uncertain at this time and cannot be accurately predicted. The Company continues to monitor the effects of these macroeconomic factors and intends to take steps deemed appropriate to limit the impact on its business.

There can be no assurance that precautionary measures, whether adopted by the Company or imposed by others, will be effective, and such measures could negatively affect its sales, marketing, and client service efforts, delay and lengthen its sales cycles, decrease its employees', clients', or partners' productivity, or create operational or other challenges, any of which could harm its business and results of operations.

### **Segment Reporting**

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the operating decision makers, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company operates as a single reportable segment, as the Chief Operating Decision Maker ("CODM") reviews financial performance and makes decisions on a consolidated basis. (See Note 15. Segment Reporting).

### **Revenue Recognition**

The Company recognizes revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Revenue is recognized as the customer obtains control of the goods and services promised in the contract (i.e., performance obligations). In evaluating our contracts with our customers, we have determined that there is no future performance obligation once delivery has occurred.

The Company's revenue is generated from fixed-price contracts. Under fixed-price contracts, the Company agrees to perform the specified work for a pre-determined price, which is estimated during the bidding process before the contract is awarded. To the extent actual costs vary from the estimates upon which the price was negotiated, the Company will generate more or less profit or could incur a loss.

The Company evaluates the products promised in each contract at inception to determine whether the contract should be accounted for as having one or more performance obligations. The Company's contracts are typically accounted for as one performance obligation. The Company classifies net sales as products on its consolidated statements of operations based on the predominant attributes of the performance obligations.

The Company determines the transaction price for each contract based on the consideration expected to be received for the products being provided under the contract.

At the inception of a contract, the Company estimates the transaction price based on its current rights and does not contemplate future modifications (including unexercised options) or follow-on contracts until they become legally enforceable. Contracts can be subsequently modified to include changes in specifications, requirements or price, which may create new or change existing enforceable rights and obligations. Depending on the nature of the modification, the Company considers whether to account for the modification as an adjustment to the existing contract or as a separate contract. Generally, modifications to contracts are not distinct from the existing contract due to the significant integration and interrelated tasks provided in the context of the contract. Therefore, such modifications are accounted for as if they were part of the existing contract and recognized as a cumulative adjustment to revenue.

The Company recognizes revenue at the point in time in which the performance obligation is fully satisfied. This is satisfied when the product has shipped, which is the point in time the customer obtains control of the product and the Company no longer maintains control of the product.

Payment terms and conditions vary by contract, although terms generally include a requirement of payment within 30 to 75 days.

Payments received in advance from customers are recorded as customer deposits until earned, at which time revenue is recognized. The Terms and Conditions contained in customer purchase orders often provide for liquidated damages in the event that a stop work or contract termination order is issued prior to final delivery. While the products manufactured are specific to the type of aircraft that they are used on, there are alternate customers that can acquire and utilize these products.

Warranties are provided on certain contracts, but do not provide for services beyond standard assurances and are therefore not considered to be separate performance obligations. Warranties during the years ended December 31, 2025 and 2024, were not material.

### **Customer Deposits**

The Company receives advance payments on certain contracts with the remainder of the contract balance due upon the shipment of the final product once the customer inspects and approves the product for shipment. At that time, the entire amount will be recognized as revenue and the deposit will be applied to the customer's invoice.

At December 31, 2025 and 2024, customer deposits were \$391,000 and \$1,115,000, respectively. The Company recognized revenue of \$724,000 during year ended December 31, 2025, that was included in the customer deposits balance as of December 31, 2024. The Company recognized revenue of \$2,442,000 during the year ended December 31, 2024, that was included in the customer deposits balance of \$3,557,000 as of December 31, 2023.

### **Backlog**

Backlog represents the value of orders received pursuant to Long-Term Agreements ("LTA") or spot orders pursuant to a customer purchase order. As of December 31, 2025, backlog relating to remaining performance obligations on contracts was approximately \$136.8 million. The Company estimates that a substantial portion of this backlog will be recognized as net sales during the next twenty-four months, with the rest thereafter. This expectation assumes that raw material suppliers and outsourced processing is completed and delivered on time and that the Company's customers will accept delivery as scheduled. The Company anticipates that sales during the aforementioned periods will also include sales from expected new orders that are not in our backlog.

### **Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The more significant management estimates are inventory valuation, and income tax provision. Actual results could differ from those estimates. Changes in facts and circumstances may result in revised estimates, which are recorded in the period in which they become known.

## Credit and Concentration Risks

A large percentage of the Company's revenues are derived directly from large aerospace and defense prime contractors for which the ultimate end-user is the U.S. Government, international governments or commercial airlines.

The composition of customers that exceeded 10% of net sales for the years ended December 31, 2025 or 2024 are shown below:

Customer	Percentage of Net Sales	
	2025	2024
RTX <sup>(A)</sup>	36.2%	29.3%
Lockheed Martin	32.3%	25.1%
Northrop	6.7%	18.3%

(A) RTX includes Collins Landing Systems and Collins Aerostructures

The composition of customers that exceeded 10% of accounts receivable at December 31, 2025 or 2024 are shown below:

Customer	Percentage of Net Receivables	
	2025	2024
RTX <sup>(A)</sup>	39.8%	38.2%
Lockheed	11.9%	8.6%
Onitic	7.6%	14.6%
Northrop	1.3%	11.0%

(A) RTX includes Collins Landing Systems and Collins Aerostructures

## Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the years ended December 31, 2025 and 2024:

Product	December 31, 2025	December 31, 2024
Military	\$ 27,921,000	\$ 38,498,000
Commercial	20,000,000	16,610,000
Total	<u>\$ 47,921,000</u>	<u>\$ 55,108,000</u>

## Cash

For the years ended December 31, 2025 and 2024, the Company had occasionally maintained balances in its bank accounts that were in excess of the FDIC limit. The Company has not experienced any losses on these accounts.

As of December 31, 2025, and December 31, 2024 the Company reported restricted cash of \$3,930,000 and \$0 on its consolidated balance sheets. Restricted cash represents proceeds from the Company's ATM offering that are pledged as security for its obligations under the Current Credit Facility.

The following table reconciles cash and restricted cash reported with the condensed consolidated balance sheets to the total amount shown in the condensed consolidated statements of cash flows:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Cash	\$ 680,000	\$ 753,000
Restricted Cash	3,930,000	-
Total cash and restricted cash	<u>\$ 4,610,000</u>	<u>\$ 753,000</u>

### Major Suppliers

The Company utilizes sole-source suppliers to supply raw materials or other parts used in production. These suppliers are its only source for such parts and, therefore, in the event any of them were to go out of business or be unable or unwilling to provide parts for any reason, its business could be severely harmed.

### Income Taxes

The Company accounts for income taxes in accordance with accounting guidance now codified as Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, “Income Taxes,” which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse.

The provision for, or benefit from, income taxes includes deferred taxes resulting from the temporary differences in income for financial and tax purposes using the liability method. Such temporary differences result primarily from the differences in the carrying value of assets and liabilities. Future realization of deferred income tax assets requires sufficient taxable income within the carryback, carryforward period available under tax law. We evaluate, on a quarterly basis whether, based on all available evidence, it is probable that the deferred income tax assets are realizable. Valuation allowances are established when it is more likely than not that the tax benefit of the deferred tax asset will not be realized. The evaluation, as prescribed by ASC 740-10, includes the consideration of all available evidence, both positive and negative, regarding historical operating results including recent years with reported losses, the estimated timing of future reversals of existing taxable temporary differences, estimated future taxable income exclusive of reversing temporary differences and carryforwards, and potential tax planning strategies which may be employed to prevent an operating loss or tax credit carryforward from expiring unused.

The Company accounts for uncertainties in income taxes under the provisions of ASC 740 which clarify the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Subtopic provides guidance on the de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

### Earnings (Loss) per share

Basic earnings (loss) per share (“EPS”) is computed by dividing the net loss applicable to common stockholders by the weighted-average number of shares of common stock outstanding for the period.

For purposes of calculating diluted earnings (loss) per common share, the numerator includes net income (loss) plus interest on convertible notes payable assumed converted as of the first day of the period. The denominator includes both the weighted-average number of shares of common stock outstanding during the period and the number of common stock equivalents if the inclusion of such common stock equivalents is dilutive. Dilutive common stock equivalents potentially include stock options and warrants using the treasury stock method and convertible notes payable using the if-converted method.

There were no adjustments to net loss applicable to common shareholders utilized to calculate EPS.

The following securities have been excluded from the calculation as the exercise price was greater than the average market price of the common stock and because the effect of including these potential shares was anti-dilutive due to the net loss incurred during that period:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Stock Options	425,703	417,003
Restricted Stock units	188,418	282,628
Convertible notes payable	361,700	405,800
	<u>975,821</u>	<u>1,105,431</u>

### Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718, “Compensation – Stock Compensation.” Under the fair value recognition provision of the ASC, stock-based compensation cost is estimated at the grant date based on the fair value of the award. The Company estimates the fair value of stock options and warrants granted using the Black-Scholes-Merton option pricing model and stock grants at their closing reported market value. Stock compensation expense for employees amounted to \$939,000 and \$640,000 for the years ended December 31, 2025 and 2024, respectively. Stock compensation expense for directors amounted to \$108,000 and \$157,000 for the years ended December 31, 2025 and 2024, respectively. Stock compensation expenses for employees and directors were included in operating expenses in the accompanying consolidated statements of operations.

### Freight Out

Freight out is included in operating expenses and amounted to \$52,000 and \$67,000 for the years ended December 31, 2025 and 2024, respectively.

### Leases

In accordance with FASB ASC 842, “Leases” (“ASC 842”), the Company records a right-of-use (ROU) asset and a lease liability on the balance sheet for all leases with terms longer than 12 months and classifies them as either operating or finance leases. The lease classification affects the expense recognition in the consolidated statement of operations. Operating lease charges are recorded entirely in operating expenses. Finance lease charges are split, where amortization of the right-of-use asset is recorded in operating expenses and an implied interest component is recorded in interest expense.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present and the classification of the lease including whether the contract involves the use of a distinct identified asset, whether the Company obtains the right to substantially all of the economic benefit from the use of the asset, and whether the Company has the right to direct the use of the asset. Leases with a term greater than one year are recognized on the balance sheet as ROU assets, lease liabilities and, if applicable, long-term lease liabilities. The Company has elected not to recognize on the balance sheet leases with terms of one year or less under the practical expedient. For contracts with lease and non-lease components, the Company has elected not to allocate the contract consideration, and to account for the lease and non-lease components as a single lease component.

Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected lease term. The implicit rates within the Company’s operating leases are generally not determinable and, therefore, the Company uses the incremental borrowing rate at the lease commencement date to determine the present value of lease payments. The determination of the Company’s incremental borrowing rate requires judgment. The Company determines the incremental borrowing rate for each lease using its estimated borrowing rate, adjusted for various factors including level of collateralization, term and currency to align with the terms of the lease. The operating lease ROU asset also includes any lease prepayments, offset by lease incentives.

An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain the Company will exercise that option. An option to terminate is considered unless it is reasonably certain we will not exercise the option.

Assets held under finance lease obligations are depreciated over the shorter of their related lease terms or their estimated useful lives.

### Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09 “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”, related to improvements to income tax disclosures. The amendments in this update require enhanced jurisdictional and other disaggregated disclosures for the effective tax rate reconciliation and income taxes paid. The amendments in this update are effective for fiscal years beginning after December 15, 2024. The Company adopted the guidance prospectively in the fiscal year beginning January 1, 2025 and additional required disclosures have been included in Note 13.

In November 2024, the FASB issued ASU 2024-03, “Disaggregation of Income Statement Expenses”, which requires public business entities to disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods. The amendments in ASU 2024-03 are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently assessing the impact that adoption of this new accounting guidance will have on its consolidated financial statements and footnote disclosures.

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

### Note 3. ACCOUNTS RECEIVABLE

The components of accounts receivable at December 31, are detailed as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts Receivable Gross	\$ 7,535,000	\$ 9,296,000
Allowance for Credit Losses	(464,000)	(396,000)
Accounts Receivable Net	<u>\$ 7,071,000</u>	<u>\$ 8,900,000</u>

The allowance for credit losses for the years ended December 31, 2025 and 2024 is as follows:

	<u>Balance at Beginning of Year</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions from Reserves</u>	<u>Balance at End of Year</u>
Year ended December 31, 2025 Allowance for Credit Losses	\$ 396,000	\$ 164,000	\$ (96,000)	\$ 464,000
Year ended December 31, 2024 Allowance for Credit Losses	\$ 344,000	\$ 203,000	\$ (151,000)	\$ 396,000

**Note 4. INVENTORY**

The components of inventory at December 31, consisted of the following:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Raw Materials	\$ 7,306,000	\$ 6,318,000
Work In Progress	17,072,000	13,028,000
Semi-Finished Goods	9,206,000	8,805,000
Final-Finished Goods	677,000	660,000
<b>Total Inventory</b>	<b>\$ 34,261,000</b>	<b>\$ 28,811,000</b>

**Note 5. PROPERTY AND EQUIPMENT**

The components of property and equipment at December 31, consisted of the following:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>	
Land & Improvements	\$ 313,000	\$ 300,000	
Buildings and Improvements	2,739,000	2,739,000	31.5 years
Machinery and Equipment	26,953,000	25,592,000	5 - 8 years
Tools and Instruments	16,278,000	15,238,000	1.5 - 7 years
Automotive Equipment	266,000	266,000	5 years
Furniture and Fixtures	309,000	309,000	5 - 8 years
Leasehold Improvements	1,139,000	1,139,000	Term of lease
Computers and Software	705,000	605,000	4 - 6 years
<b>Total Property and Equipment</b>	<b>48,702,000</b>	<b>46,188,000</b>	
Less: Accumulated Depreciation	(39,201,000)	(37,379,000)	
<b>Property and Equipment, net</b>	<b>\$ 9,501,000</b>	<b>\$ 8,809,000</b>	

Depreciation expense for the years ended December 31, 2025 and 2024 was approximately \$2,499,000 and \$2,072,000, respectively.

**Note 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

The components of accounts payable and accrued expenses at December 31, are detailed as follows:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Accounts Payable	\$ 7,100,000	\$ 5,580,000
Accrued Payroll	428,000	369,000
Accrued Bonuses	-	350,000
Accrued Expenses – other	375,000	716,000
<b>Accounts Payable and accrued expenses</b>	<b>\$ 7,903,000</b>	<b>\$ 7,015,000</b>

## Note 7. SALE-LEASEBACK TRANSACTION

On October 24, 2006, the Company consummated a Sale - Leaseback Arrangement, whereby the Company sold the buildings and real property located in Bay Shore, New York (the "Bay Shore Property") for a purchase price of \$6,200,000. The Company realized a gain on the sale of \$1,051,000 of which \$300,000 was recognized during the year ended December 31, 2006. The remaining \$751,000 is being recognized ratably over the remaining term of the twenty - year lease at approximately \$38,000 per year. The gain is included in Other Income in the accompanying Consolidated Statements of Operations. The unrecognized portion of the gain in the amount of \$28,000 and \$67,000 as of December 31, 2025 and 2024, respectively, is classified as Deferred Gain on Sale in the accompanying Consolidated Balance Sheets.

The Company accounted for these transactions under the provisions of FASB ASC 840-40, "Leases-Sale-Leaseback Transactions."

Simultaneous with the closing of the sale of the Bay Shore Property, the Company entered into a 20-year lease (the "Lease") expiring in September 2026 with the purchaser for the property. Base annual rent is approximately \$540,000 for the first five years, \$560,000 for the sixth year, and thereafter increases 3% per year. The Lease grants the Company an option to renew the Lease for an additional period of five years. The Company has on deposit with the landlord \$89,000 as security for the performance of its obligations under the Lease. Pursuant to the terms of the Lease, the Company is required to pay all of the costs associated with the operation of the facilities, including, without limitation, insurance, taxes and maintenance. The lease also contains customary representations, warranties, obligations, conditions and indemnification provisions and grants the landlord customary remedies upon a breach of the lease by the Company, including the right to terminate the Lease and hold the Company liable for any deficiency in future rent. See Note 9 – Operating Lease Liabilities.

## Note 8. DEBT

Indebtedness to third parties consists of the following:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Revolving loan to Webster Bank ("Webster")	\$ 17,618,000	\$ 12,905,000
Term loan, Webster	5,855,000	5,225,000
CT Green Bank Loan	971,000	970,000
Finance lease obligations	784,000	1,007,000
Loans Payable - financed assets	5,000	14,000
Subtotal	25,233,000	20,121,000
Less: Current portion	(23,721,000)	(18,362,000)
Long Term Portion	<u>\$ 1,512,000</u>	<u>\$ 1,759,000</u>

### Current Credit Facility

The Company has a credit facility ("Current Credit Facility") with Webster Bank that expires on September 30, 2026. This facility, which was entered into on December 31, 2019, was amended several times, and now provides for a \$20,000,000 revolving loan ("Revolving Line of Credit"), and a \$5,700,000 term loan ("Term Loan"). An additional advance under the Term Loan was made during the first quarter of 2025 in the amount of \$1,640,000 and reference herein to the "Term Loan" for periods after the date of such advance include the \$1,640,000. The loan is secured by a lien on substantially all of the assets of the Company.

As of December 31, 2025, there is \$17,618,000 outstanding under the Revolving Line of Credit and \$5,855,000 under the Term Loan.

As discussed in Note 1, the Current Credit Facility expires on September 30, 2026. Therefore, amounts owed under the agreement are classified as short term as of December 31, 2025.

The below table shows the timing of payments due under the Term Loan:

<b>For the year ending</b>	<b>Amount</b>
December 31, 2026	\$ 5,855,000
Term Loan payable	5,855,000
Less: Current portion of Term Loan payable	(5,855,000)
Total long-term portion of Term Loan payable	<u>\$ -</u>

Interest expense related to the Current Credit Facility amounted to approximately \$1,361,000 and \$1,304,000 for the years ended December 31, 2025 and 2024, respectively. Interest expense includes the amortization of deferred finance costs of \$69,000 and \$68,000 in 2025 and 2024, respectively.

The below summarizes various terms of the Current Credit Facility:

- The Company was required to meet a Fixed Charge Coverage Ratio (as defined) that is determined at the end of each fiscal quarter on a rolling twelve month basis of 1.05x and beginning with the fiscal quarter ending September 30, 2025, the Company is required to meet a Fixed Coverage Charge Ratio of 1.25x. The Company achieved the required FCCR for the period ended September 30, 2025, but did not meet the required FCCR for the period ended June 30, 2025, having attained a ratio of only 0.76x. Pursuant to the 10<sup>th</sup> Amendment to the current credit facility (detailed below), the Company was required to and achieved the required Fixed Coverage Charge Ratio of 1.10x for the three months ending December 31, 2025. At both December 31, 2025 and 2024, the Company was in full compliance with its covenants.

The Current Credit Facility limits the amount of capital expenditures and dividends the Company can pay to its stockholders. As of December 31, 2025, the Company was in compliance with this Covenant.

Substantially all of the Company's assets are pledged as collateral.

- For so long as the Term Loan remains outstanding, if Excess Cash Flow (as defined) is a positive number for any fiscal year the Company shall pay an amount equal to the lesser of (i) twenty-five percent (25%) of the Excess Cash Flow for such fiscal year and (ii) the outstanding principal balance of the term loan. Such payment shall be applied to the outstanding principal balance of the Term Loan, on or prior to the April 15 immediately following such fiscal year. For the fiscal year ended December 31, 2025, based on the calculation there is no Excess Cash Flow payment required.
- Both the Revolving Line of Credit and the Term Loan will bear an interest rate equal to the greater of (i) 3.50% and (ii) a rate per annum equal to the rate per annum published from time to time in the "Money Rates" table of the Wall Street Journal (or such other presentation within The Wall Street Journal as may be adopted hereafter for such information) as the base or prime rate for corporate loans at the nation's largest commercial bank, less sixty-five hundredths (-0.65%) of one percent per annum. The average interest rate charged was 6.72% and 7.55% for the years ended December 31, 2025 and 2024, respectively.

The below summarizes historical amendments to the Current Credit Facility

- On May 31, 2024, the Company entered into a Seventh Amendment that waived the default caused by the failure to achieve the required Fixed Charge Coverage Ratio of the Sixth Amendment. This amendment further revised the Financial Covenants. For the six months ending June 30, 2025, EBITDA shall not be less than \$740,000; for the nine months ending September 30, 2025, EBITDA shall not be less than \$1,500,000; for the twelve months ending December 31, 2025, EBITDA shall not be less than \$2,800,000. For the rolling twelve-month period ending March 31, 2025, the Company is required to achieve a Fixed Charge Coverage Ratio of 1.05x. Beginning with the rolling twelve-month period ending June 30, 2025, and going forward the required Fixed Charge Coverage Ratio is 1.25x. All other covenants remain unchanged. Additionally, this amendment increased the Term Loan by approximately \$1,000,000 to \$5,700,000, with monthly principal installments in the amount of \$68,000. In connection with these changes, the Company paid an amendment fee of \$20,000.

- On January 30, 2025, the Company entered into an Eighth Amendment to provide for an additional Term Loan in the amount of \$1,640,000 for the acquisition of additional equipment. The monthly principal installments on this additional Term Loan are \$19,524. This amendment further revised the Financial Covenants. For the rolling twelve-month period ending March 31, 2025 and June 30, 2025, the Company is required to achieve a Fixed Charge Coverage Ratio of 1.05x. Beginning with the rolling twelve-month period ending September 30, 2025 and going forward, the required Fixed Charge Coverage Ratio is 1.25x. Additionally, the Company is allowed to pay off up to \$4,800,000 of related party notes with funds raised in the Company's At The Market debt offering. All other covenants remain unchanged. In connection with these changes, the Company paid an amendment fee of \$20,000.
- On September 10, 2025, the Company entered into a Ninth Amendment where it agreed that \$3,930,000 of the proceeds from its ATM Offering would be maintained in an interest bearing account. The funds in this account serve as additional security for its obligations under the Current Credit Facility. Additionally, this amendment waived the default as June 30, 2025.
- On December 15, 2025, the Company entered into a Tenth Amendment which waived the defaults caused by the failure to achieve the required fixed charge coverage ratio for the fiscal quarter ended June 30, 2025, and for exceeding the permitted amount of capital expenditures for the fiscal year ending December 31, 2025. Additionally, the maturity date of the revolving credit and term loans were extended to March 31, 2026, and amended the capital expenditure covenant. The Company paid an amendment fee of \$40,000.
- On February 26, 2026, the Company entered into an Eleventh Amendment which extended the maturity date of the revolving credit and term loans to September 30, 2026. The Company paid an amendment fee of \$25,000.

Currently, at any time, Webster Bank could choose to exercise additional rights, that it has as a result of the Company's defaults under the Current Credit Facility. For example, it could increase the rate of interest or refuse to make loans under the revolving portion of the Current Credit Facility and keep the funds remitted to the collection account. If the lender were to cease making new loans under the revolving facility or limit the amount of loans under the revolving facility, the Company would lack the funds to continue or, possibly, expand operations. To date, the lender has chosen not to exercise any of its remedies, though we agreed to put \$3,930,000 of ATM proceeds in an interest bearing account to serve as additional security for the Company's obligations under the Current Credit Facility. We remain in constructive discussions with Webster Bank regarding potential extension of these obligations but there can be no assurance that an agreement will be reached.

All amendment fees paid in connection with the Current Credit Facility that are for a future benefit of the Company are included in Deferred Financing Costs, Net, Deposits and Other Assets, in the accompanying consolidated balance sheets and are amortized over the term of the loan.

As of December 31, 2025, the Company has borrowing capacity of approximately \$2,382,000 under the Revolving Loan.

## Solar Credit Facility

On August 16, 2024, the Company entered into a financing agreement (“Solar Credit Facility”) with CT Green Bank, a quasi-public agency of the State of Connecticut, for the installation of solar energy systems including replacing the existing roof (“Project”) at its Sterling facility. The Solar Credit Facility provided for advances to be made by CT Green Bank upon its approval of costs incurred on the Project up to \$934,000. As of October 1, 2025, cumulative advances totaling \$934,000 had been made including the payment of CT Green Bank’s closing costs of \$25,000. Total interest accrued on the advances at the rate of 5% was \$36,000.

On October 1, 2024, the total cumulative advances of \$934,000 along with the total accrued interest of \$36,000 was converted by CT Green Bank, in accordance with the financing agreement, to a 20-year level payment term loan in the amount of \$970,000 with interest accruing at the rate of 5.75%. Semi-annual payments in the amount of \$42,000 commenced on July 1, 2025. The first semi-annual payment was for interest only, subsequent semi-annual payments beginning with the payment due on January 1, 2026 will include both principal and interest. As of December 31, 2025, the amount classified as long term is \$943,000 and the amount classified as current is \$28,000.

Interest expense related to the Solar Credit Facility amounted to approximately \$57,000 and \$44,000 for the years ended December 31, 2025 and 2024, respectively.

## Finance Lease Obligations

The Company has entered into finance leases for the purchase of manufacturing equipment. The obligations for the finance leases totaled \$784,000 and \$1,007,000 as of December 31, 2025 and 2024, respectively. The leases have an average imputed interest rate of 7.43% per annum and are payable monthly with the final payments due between September of 2026 and May of 2030. Interest expense related to the finance leases amounted to approximately \$66,000 and \$73,000 for the years ended December 31, 2025 and 2024, respectively

	Year Ended	
	December 31, 2025	December 31, 2024
Finance Lease cost:		
Amortization of ROU assets	\$ 197,000	\$ 176,000
Interest on lease liabilities	66,000	73,000
Total lease Costs	<u>\$ 263,000</u>	<u>\$ 249,000</u>
Other Information:		
Cash Paid for amounts included in the measurement lease liabilities:		
Financing cash flow from finance lease obligations	<u>\$ 223,000</u>	<u>\$ 196,000</u>
Supplemental disclosure of non-cash activity		
Acquisition of finance lease asset	<u>\$ -</u>	<u>\$ 319,000</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
Weighted Average Remaining Lease Term - in years	4.1	4.8
Weighted Average Discount rate - %	7.43%	7.44%

As of December 31, 2025, the aggregate future minimum finance lease payment, including imputed interest are as follows:

<b>For the year ending</b>	<b>Amount</b>
December 31, 2026	\$ 266,000
December 31, 2027	190,000
December 31, 2028	190,000
December 31, 2029	190,000
December 31, 2030	74,000
Total future minimum finance lease payments	\$ 910,000
Less: imputed interest	(126,000)
Less: Current portion	(215,000)
Long-term portion	<u>\$ 569,000</u>

#### **Loans Payable – Financed Assets**

The Company financed the purchase of a delivery vehicle in July 2020. The loan obligation totaled \$5,000 and \$14,000 as of December 31, 2025 and 2024, respectively. The loan bears no interest and a final payment is due and payable for all unpaid principal on July 20, 2026.

Annual maturities of this loan are as follows:

<b>For the year ending</b>	<b>Amount</b>
December 31, 2026	5,000
Loans Payable - financed assets	5,000
Less: Current portion	(5,000)
Long-term portion	<u>\$ -</u>

#### **Related Party Indebtedness**

Taglich Brothers, Inc. is a corporation co-founded by two directors of the Company, Michael and Robert Taglich.

Taglich Brothers, Inc. has acted as placement agent for various debt and equity financing transactions and has received cash and equity compensation for their services.

From 2016 through 2020, the Company entered into various subordinated notes payable and convertible subordinated notes payable (together referred to as “Related Party Notes”) with Michael and Robert Taglich which generated proceeds to the Company totaling \$6,550,000. In connection with the issuance of the Related Party Notes, Michael and Robert Taglich were issued a total of 35,508 shares of common stock and Taglich Brothers, Inc. was issued promissory notes totaling \$554,000 for placement agency fees.

Under the Eighth Amendment to the Current Credit Facility, the Company was allowed to make principal payments of up to \$4,800,000 prior to June 30, 2025, with funds raised in the Company’s ATM Offering. The Company paid a total of \$1,291,000 of principal payments. Of the \$1,291,000 paid, \$1,050,000 was paid to Michael Taglich and \$241,000 was paid to Taglich Brothers, Inc.

The Related Party Notes outstanding as of December 31, 2025 consists of:

	<b>Michael Taglich, Director</b>	<b>Robert Taglich, Director</b>	<b>Taglich Brothers, Inc.</b>	<b>Total</b>
Convertible Subordinated Notes	\$ 2,416,000	\$ 1,905,000	\$ -	\$ 4,321,000
Subordinated Notes	-	550,000	-	550,000
Total	<u>\$ 2,416,000</u>	<u>\$ 2,455,000</u>	<u>\$ -</u>	<u>\$ 4,871,000</u>

The Related Party Notes outstanding as of December 31, 2024 consist of:

	<b>Michael Taglich, Director</b>	<b>Robert Taglich, Director</b>	<b>Taglich Brothers, Inc.</b>	<b>Total</b>
Convertible Subordinated Notes	\$ 2,666,000	\$ 1,905,000	\$ 241,000	\$ 4,812,000
Subordinated Notes	800,000	550,000	-	1,350,000
Total	<u>\$ 3,466,000</u>	<u>\$ 2,455,000</u>	<u>\$ 241,000</u>	<u>\$ 6,162,000</u>

Of the \$4,871,000, approximately \$2,519,000 bears an annual rate of interest of 6%, \$1,802,000 bears an annual rate of 7% and \$550,000 bears an annual interest rate of 12%. Interest expense for the years ended December 31, 2025 and 2024 was \$356,000 and \$472,000, respectively.

Approximately \$2,519,000 of the convertible subordinated notes can be converted at the option of the holder into Common Stock of the Company at \$15.00 per share, while the remaining \$1,802,000 of the convertible subordinated notes can be converted at the option of the holder into common stock of the Company at \$9.30 per share. The remaining \$550,000 is not convertible.

On March 26, 2026, the holders of the Related Party Notes extended the maturity date to October 1, 2026.

The Related Party Notes are subordinate to outstanding debt pursuant to the Current Credit Facility and mature on October 1, 2026. There are no principal payments due on these notes prior to October 1, 2026.

#### **Note 9. OPERATING LEASE LIABILITIES**

The Company has operating leases for leased office and manufacturing facilities. The leases have remaining lease terms of one to five years, some of which include options to extend or terminate the leases.

	<b>Year Ended</b>	
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Operating lease cost:	<u>\$ 1,044,000</u>	<u>\$ 1,286,000</u>
Total lease cost	<u>\$ 1,044,000</u>	<u>\$ 1,286,000</u>
<b>Other Information</b>		
Cash paid for amounts included in the measurement lease liability:	1,249,000	1,070,000
Operating cash flow from operating leases	<u>\$ 1,249,000</u>	<u>\$ 1,070,000</u>
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Weighted Average Remaining Lease Term - in years	0.75	1.72
Weighted Average discount rate - %	9.50%	9.36%

The aggregate undiscounted cash flows of operating lease payments, with remaining terms greater than one year are as follows:

	<b>Amount</b>
December 31, 2026	<u>730,000</u>
Total future minimum lease payments	730,000
Less: discount	<u>(28,000)</u>
Total operating lease maturities	702,000
Less: current portion of operating lease liabilities	<u>(702,000)</u>
Total long term portion of operating lease maturities	<u>\$ -</u>

#### **Note 10. STOCKHOLDERS' EQUITY**

##### **Common Stock – Issuances of Securities**

The Company issued 30,699 and 39,845 shares of common stock totaling \$108,000 and \$157,000 in payment of Director's fees for the years ended December 31, 2025 and 2024, respectively. Such expense is included in Operating Expenses in the consolidated statements of operations.

During the second quarter of 2025, the Company issued 57,192 shares of common stock upon the vesting of Restricted Stock Units ("RSUs") to certain employees. The balance of the units vested were withheld to satisfy the withholding tax required to be paid on the 95,210 Restricted Share Units which vested.

There were no issuances of common stock due to the exercise of stock options for year ended December 31, 2025. The Company issued 15,229 shares, of common stock to net settle the exercise of stock options for the year ended December 31, 2024.

During the first quarter of 2026, the Company issued 4,600 shares of common stock in payment of Director's fees totaling \$14,000.

##### **Common Stock – Sale of Securities**

In connection with its' At The Market offering, the Company sold and issued 1,213,593 and 116,851 shares during the years ended December 31, 2025 and 2024, respectively, pursuant to a Registration Statement on Form S-3 declared effective on December 19, 2024. The gross proceeds for the years ended December 31, 2025 and 2024 were \$4,866,000 and \$509,000, respectively. Costs associated with sales for the years ended December 31, 2025 and 2024 were \$228,000 and \$182,000.

#### **Note 11. EMPLOYEE BENEFITS PLANS**

The Company employs both union and non-union employees and maintains several benefit plans.

##### **Union**

The Company's AIM subsidiary has a collective bargaining agreement with the United Service Workers, IUJAT, Local 355 (the "Union"). This agreement is effective until December 31, 2027 and covers the majority of AIM's 125 personnel. The Company is not required to make a monthly contribution to Union's United Welfare Fund and the United Services Worker's Security Fund, the sole pension benefit for covered employees. The Company is not obligated to provide any future defined benefits. The Company is obligated to make contributions for union dues and a security fund (defined contribution plan) for the benefit of each union employee. Contributions to the security fund amounted to \$146,000 and \$145,000 for the years ended December 31, 2025 and 2024, respectively. The Union's retirement plan is a defined contribution plan. As such, the Company is not responsible for the obligations of other companies in the Union's retirement plan.

Medical benefits for union employees are provided through a policy with Insperity Services, Inc. (“Insperity”), a professional employer organization that provides out-sourced human resource services. The cost of such benefits are substantially borne by the Company.

The collective bargaining agreement contains a “no-strike” clause and a “no-lock-out” clause. The Company believes it maintains good relationships with the Union.

### **Others**

All of the Company’s employees are covered under a co-employment agreement with Insperity, a professional employer organization that provides out-sourced human resource services.

The Company has defined contribution plans under Section 401(k) of the Internal Revenue Code (the “Plans”). Pursuant to the Plans, qualified employees may contribute a percentage of their pre-tax eligible compensation to the Plan. The Company does not match any contributions that employees may make to the Plans.

### **Note 12. COMMITMENTS AND CONTINGENCIES**

On October 2, 2018, Contract Pharmacal Corp. (“Contract Pharmacal”) commenced an action, relating to a Sublease entered into between the Company and Contract Pharmacal in May 2018 with respect to the property that was formerly occupied by the Company’s former subsidiary WMI, at 110 Plant Avenue, Hauppauge, New York. In the action, Contract Pharmacal sought damages for an amount in excess of \$1,000,000 for the Company’s alleged violation of the terms of the subject sublease, specifically the failure to make the entire premises available by what it claims was the Sublease commencement date. The validity of the action is extremely suspect in that the subject sublease had no specific commencement date and Contract Pharmacal ultimately received all the space. Discovery was conducted and the Plaintiff moved for summary judgement and to amend its complaint to add a new cause of action all of which the company opposed. On July 8, 2021, the Court denied Contract Pharmacal’s motion for summary judgement and to add an additional cause of action. In the Order, the Court granted Contract Pharmacal’s Motions to drop its claim for specific performance and to amend its Complaint to reduce its claim for damages to \$700,000 both of which benefit the Company. Following the Court’s decision, Contract Pharmacal filed a Motion to reargue its original motion which the Company opposed. The Court denied that motion on November 30, 2021 and then on March 10, 2022, Contract Pharmacal filed an appeal of the Court’s decision with the Appellate Division of the State of New York. The Company opposed that action. The Company was again successful as the Appellate Division upheld the lower court’s denial of Contract Pharmacal’s motion for summary judgement and its motion to amend its Complaint. Contract Pharmacal has now submitted a motion to the Appellate Division requesting leave to reargue the court’s denial of its original appeal. The Company will oppose that motion. The Appellate Division has yet to act in respect to Contract Pharmacal’s most recent motion to reargue the Court’s denial of the original appeal. The Company continues to dispute the validity of the claims asserted by Contract Pharmacal and intends to contest them vigorously

From time to time the Company may be engaged in various lawsuits and legal proceedings in the ordinary course of business. The Company is currently not aware of any legal proceedings the ultimate outcome of which, in its judgment based on information currently available, would have a material adverse effect on its business, financial condition or operating results. There are no proceedings in which any of the Company’s directors, officers or affiliates, or any registered or beneficial stockholder of its common stock, is an adverse party or has a material interest adverse to our interest.

**Note 13. INCOME TAXES**

For financial reporting purposes, the net pre-tax book loss for the United States and foreign entities, in the aggregate, was:

	<b>Year Ended December 31, 2025</b>	<b>Year Ended December 31, 2024</b>
Federal	\$ (1,436,000)	\$ (1,366,000)
Foreign	-	-
<b>Total</b>	<b>\$ (1,436,000)</b>	<b>\$ (1,366,000)</b>

The provision for (benefit from) income taxes for the years ended December 31, 2025 and 2024, is set forth below:

<b>Current</b>	<b>Year Ended December 31, 2025</b>	<b>Year Ended December 31, 2024</b>
Federal	\$ (131,000)	\$ -
State	-	-
Foreign	-	-
<b>Total Provision for Income Taxes</b>	<b>\$ (131,000)</b>	<b>\$ -</b>

The following is a reconciliation of our effective tax rate on income and the statutory rate for the year ended December 31, 2025:

	<b>Year Ended December 31, 2025</b>	
Current tax at U.S statutory rate	\$ (301,000)	21.0%
State and local taxes, net of federal taxes (a)	-	0.0%
Changes in Valuation Allowance	154,000	-10.7%
Nondeductible / non taxable items		
Nondeductible/ nontaxable items	31,000	-2.2%
Other Adjustments		
Deferred Adjustment - Asset Write-Down Related to Transferable Credit	115,000	-8.0%
True-up and Other	1,000	-0.1%
Sale of Transferable Credit	(131,000)	9.1%
<b>Income tax expense</b>	<b>\$ (131,000)</b>	<b>9.1%</b>

(a) For the year ended December 31, 2025, state taxes in California and New York made up the majority (greater than 50% of the tax effect).

The rate reconciliation above has been adjusted to be presented in compliance with the guidance under ASU No. 2023-09. The Company has adopted this guidance on a prospective basis.

As previously disclosed for the year ended December 31, 2024, prior to the adoption of ASU No. 2023-09, the following is a reconciliation of our income tax rate computed using the federal statutory rate to our actual income tax rate.

	<b>Year Ended December 31, 2024</b>
U.S. statutory income tax rate	21.00%
State taxes, net of federal benefit	0.22%
Permanent difference, overaccruals, and non-deductible items	-0.82%
Change in state rate	-7.53%
Deferred tax valuation allowance	-13.77%
True-up and Other	0.90%
<b>Total</b>	<b>0.00%</b>

Deferred income taxes reflect the net effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of net deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain.

The components of net deferred tax assets at December 31, are set forth below:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Deferred tax assets:		
Current:		
Net operation loss	\$ 4,990,000	\$ 4,871,000
Allowance for doubtful accounts	158,000	140,000
Inventory - IRC 263A adjustment	356,000	296,000
Stock based compensation - options and restricted stock	425,000	218,000
Capitalized engineering costs	75,000	134,000
Amortization - NTW Transaction	107,000	178,000
Inventory reserve	470,000	644,000
Deferred gain on sale of real estate	5,000	14,000
Accrued Expenses	54,000	113,000
Disallowed interest	2,480,000	2,269,000
Operating lease liabilities	153,000	339,000
Charitable Contributions	2,000	-
Total deferred tax asset before valuation allowance	9,275,000	9,216,000
Valuation allowance	(8,306,000)	(8,091,000)
Total deferred tax asset after valuation allowance	969,000	1,125,000
Right of Use Asset	(112,000)	(255,000)
Property and equipment	(857,000)	(870,000)
Total deferred tax liabilities	(969,000)	(1,125,000)
Net deferred tax asset	\$ -	\$ -

On July 4, 2025, the One Big Beautiful Bill was enacted (“OBBBA”), introducing significant and wide-ranging changes to the U.S. federal tax system. Significant components include restoration of 100% accelerated tax depreciation on qualifying property including expansion to cover qualified production property. Another major aspect includes the return to immediate expensing of domestic research and experimental expenditures (“R&E”) which in some cases may include retroactive application back to 2021 for businesses with gross receipts of less than \$31 million or accelerated tax deductions of R&E that was previously capitalized for larger businesses. The legislation also reinstates EBITDA-based interest deductions for tax purposes and makes several business tax incentives permanent. Less favorable business provisions include limitations on tax deductions for charitable contributions. In accordance with ASC 740, the Company recognized the effects of the OBBBA in the period that included the enactment date. The Company continues to evaluate the ongoing effects of the OBBBA, including the interaction of the enacted provisions with its existing tax attributes and elections.

During the years ended December 31, 2025 and 2024, the Company recorded a valuation allowance equal to its net deferred tax assets. The Company determined that due to a recent history of net losses, at this time sufficient uncertainty exists regarding the future realization of these deferred tax assets through future taxable income. If, in the future, the Company believes that it is more likely than not that these deferred tax benefits will be realized, the valuation allowances will be reduced or eliminated. With a full valuation allowance, any change in the deferred tax asset or liability is fully offset by a corresponding change in the valuation allowance. At December 31, 2025 and 2024, the Company provided a valuation allowance on its net deferred tax assets of \$8,306,000 and \$8,091,000, respectively. The Company’s valuation allowance increased by \$215,000 and \$188,000 for the years ended December 31, 2025 and 2024, respectively.

As of December 31, 2025, the Company had a Federal net operating loss carry forward of approximately \$22,396,000, of which approximately \$14,016,000 expires from 2033 through 2037 and \$8,380,000 does not expire. In addition, the Company has net operating loss carryforwards from various states of approximately \$4,492,000 which expire starting in 2035.

The utilization of the Company’s net operating losses may be subject to a U.S. federal limitation due to the “change in ownership provisions” under Section 382 of the Internal Revenue Code and other similar limitations in various state jurisdictions. Such limitations may result in a reduction of the amount of net operating loss carryforwards in future years and possibly the expiration of certain net operating loss carryforwards before their utilization.

During the year ended December 31, 2025, the Company generated Section 48 Energy Property Tax Credits related to qualifying energy property. The Company sold these credits to an unrelated third party. The impact of the sale are reflected in the transferable credit line items outlined in the rate reconciliation above.

At December 31, 2025 and 2024, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months. The Company recognizes interest and penalties related to uncertain tax positions in interest expense. As of December 31, 2025, and 2024, the Company has not recorded any provisions for accrued interest and penalties related to uncertain tax positions.

In certain cases, the Company’s uncertain tax positions are related to tax years that remain subject to examination by the relevant tax authorities. The Company files federal and state income tax returns in jurisdictions with varying statutes of limitations. The 2022 through 2025 tax years generally remain subject to examination by federal and state tax authorities.

There were no payments made in relation to income taxes for the year ending December 31, 2025.

## Note 14. STOCK OPTIONS AND RESTRICTED STOCK UNITS

### Stock-Based Compensation

#### Stock Options

In June 2025, the shareholders of the Company approved the amendment to the 2022 Equity Incentive Plan (“2022 Plan”) to increase the number of shares authorized to be used under the plan by 250,000 shares, from 650,000 shares to 900,000 shares.

In September 2024, the shareholders of the Company approved the amendment to the 2022 Equity Incentive Plan (“2022 Plan”) to increase the number of shares authorized to be used under the plan by 300,000 shares, from 350,000 shares to 650,000 shares.

During the years ended December 31, 2025 and 2024, the Company granted options to purchase 60,000 and 80,000 shares of common stock, respectively, to certain of its employees and directors.

The Company recorded stock-based compensation expense for certain employees and members of the Company’s Board of Directors of \$182,000 and \$317,000 in its consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively, and such amounts were included as a component of operating expenses on the consolidated statement of operations.

The fair values of stock options granted were estimated using the Black-Sholes option-pricing model with the following assumptions for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Risk-free interest rates	3.8%	3.8%
Expected life (in years)	2.6	2.7
Expected volatility	76.52%	64.00%
Dividend yield	0%	0%
Weighted-average grant date fair value per share	\$ 3.00	\$ 3.75

The expected life is the number of years that the Company estimates, based upon history, that the options will be outstanding prior to exercise or forfeiture. Expected life is determined using the “simplified method” permitted by Staff Accounting Bulletin No. 107. In addition to the inputs referenced above regarding the option pricing model, the Company adjusts the stock-based compensation expense for estimated forfeiture rates that are revised prospectively according to forfeiture experience. The stock volatility factor is based on the Company’s experience.

A summary of the status of the Company's stock options as of December 31, 2025 and 2024, and changes during the years then ended are presented below.

	Options	Wtd. Avg. Exercise Price
Balance, January 1, 2024	461,870	\$ 8.34
Granted during the period	80,000	3.75
Exercised during the period	(15,229)	3.45
Terminated/Expired during the period	(109,638)	9.86
Balance, December 31, 2024	417,003	\$ 7.00
Granted during the period	60,000	3.00
Exercised during the period	-	-
Terminated/Expired during the period	(51,300)	10.57
Balance, December 31, 2025	425,703	\$ 6.01
Exercisable at December 31, 2025	395,703	\$ 6.23

### Issuance of Stock Options

#### Issued in 2025

On December 8, 2025, the Company granted to its directors' stock options to purchase an aggregate of 60,000 shares of the Company's common stock at a price of \$3.00 per share. The options expire on November 30, 2030 and vest over a term of six months.

#### Issued in 2024

On August 13, 2024, the Company granted to its directors' stock options to purchase an aggregate of 80,000 shares of the Company's common stock at a price of \$3.75 per share. The options expire on August 31, 2029 and vest over a term of one year.

The following table summarizes information about outstanding stock options at December 31, 2025:

Range of Exercise Price	Number Outstanding	Wtd.Avg, Life	Wtd. Avg. Exercise Price
\$3.00 - \$23.80	425,703	2.5 years	\$ 6.01

As of December 31, 2025, there was \$35,000 of unrecognized compensation cost related to non-vested stock option awards, which is to be recognized over the remaining weighted average vesting period of 0.5 years.

The aggregate intrinsic value at December 31, 2025, based on the Company's closing stock price of \$4.07 was \$121,000. The aggregate intrinsic value at December 31, 2024, based on the Company's closing stock price of \$3.25 was approximately \$0. The aggregate intrinsic value was calculated based on the positive difference between the closing market price of the Company's Common Stock and the exercise prices of the underlying options.

The weighted average fair value of options granted during the years ended December 31, 2025 and 2024 was \$3.75 and \$3.46 per share, respectively. The total intrinsic value of options exercised during the years ended December 31, 2025 and 2024 was \$20,000 and \$0. The total fair value of shares vested during the years ended December 31, 2025 and 2024 was \$100,000 and \$417,000, respectively.

## Restricted Stock Units (“RSUs”)

During the year ended December 31, 2024, the Company granted 285,628 RSUs to certain employees with a grant date fair value of \$1,713,000. These Restricted Stock Units vest solely on the basis of continued service through the vesting dates.

A summary of the status of the Company’s RSUs as of December 31, 2025 is presented below:

	<b>Number of Units</b>	<b>Weighted Average Grant Date Fair Value per Unit</b>
Unvested Units at January 1, 2024	-	\$ -
Granted during the period	282,628	6.06
Vested during the period	-	-
Terminated/Forfeited during the period	-	-
Unvested Units at December 31, 2024	<u>282,628</u>	<u>\$ 6.06</u>
Granted during the period	3,000	6.06
Vested during the period	(95,210)	6.06
Terminated/Forfeited during the period	(2,000)	6.06
Unvested Units at December 31, 2025	<u><u>188,418</u></u>	<u><u>\$ 6.06</u></u>
Vested Units at December 31, 2025	-	\$ -

During the first quarter of 2026, the Company granted 243,172 RSUs to certain employees and directors with a grant date fair value of approximately \$800,000. These RSUs vested immediately upon being awarded.

The Company recorded stock-based compensation expense of \$865,000 and \$480,000 in its consolidated statements of operations for the years ended December 31, 2025 and 2024, respectively, and such amounts were included as a component of operating expenses on the consolidated statement of operations.

The fair value of the RSUs vested during the year ended December 31, 2025 was \$318,000. All of the RSUs vested were net settled such that the Company withheld shares with a value equivalent to the employees’ obligation for the applicable income and other employment taxes, and remitted cash to the appropriate taxing authorities. The total shares withheld were 38,018 and were valued on their vesting date as determined by the Company’s closing stock price. Total payments to taxing authorities for tax obligations were \$127,000.

As of December 31, 2025, there was \$373,000 of unrecognized compensation cost related to non-vested RSUs, which is to be recognized over the remaining weighted average vesting period of 1.25 years.

## **Note 15. SEGMENT INFORMATION**

The Company operates as one operating segment. The Company's CODM is its Chief Executive Officer, who reviews financial information presented on a consolidated basis. The CODM used consolidated sales, gross margin and net income (loss) to assess financial performance and allocate resources. These financial metrics are used by the CODM to make key operating decisions, such as the need to allocate its budget to operating expenses and invest in additional equipment. The segment assets are equal to the assets presented in the consolidated balance sheets.

The significant expenses that are regularly provided to the CODM are disclosed in the consolidated statements of operations as a part of the consolidated net income (loss). See the consolidated financial statements for all financial information regarding the Company's operating segment.

All revenues of the Company are earned in the United States of America.

The Company's long-lived tangible assets, as well as the Company's operating lease right-of use assets recognized on the Consolidated Balance Sheets were located in the United States.

## **Note 16. SUBSEQUENT EVENTS**

On February 17, 2026, the Company filed a Current Report on Form 8-K (the "Merger 8-K"), with respect to the Agreement and Plan of Merger (the "Merger Agreement") the Company and Transitory Air Sub LLC, its wholly owned subsidiary ("Merger Sub"), entered into on February 16, 2026, with Tenax Aerospace Acquisition, LLC, a Delaware limited liability company ("Tenax"). Upon consummation of the Merger Agreement Tenax, will become a wholly owned Subsidiary of the Company.

Pursuant to the Merger Agreement, the Company will issue shares of its common stock (the "Merger Consideration") to the holders of the membership interests of Tenax at the Closing (the "Tenax Members"). A portion of the Merger Consideration allocated in respect of membership interests of Tenax underlying certain Tenax warrants that remain unexercised as of the Closing, if any, will be reserved by the Company for future issuance upon the exercise of such warrants. The number of shares of the Company's common stock to be issued to the Tenax Members will be adjusted based on a calculation of AIR Net Indebtedness (as defined in the Merger Agreement). Based on the amount of AIR Net Indebtedness as of December 31, 2025, the calculation would result in the issuance of approximately 112.5 million shares of the Company's Common Stock. Consequently, based upon the calculation of the Merger Consideration as of December 31, 2025, following the closing of the Merger, the Tenax Members will collectively own approximately 95% of the outstanding shares of our Common stock.

The closing of the merger contemplated by the Merger Agreement (the "Merger") is subject to risks and uncertainties and certain specified conditions, including, among other things: (a) the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act, (b) the listing of the Merger Consideration on the NYSE American, and (c) other customary conditions for a transaction such as the Merger, such as the absence of any legal restraint prohibiting the consummation of the Merger and there not having occurred with respect to the Company or Tenax's business a material adverse event, subject to certain customary exceptions.

Tenax is a leading provider of special mission aviation solutions that combine aircraft sourcing, financing and modification with aviation services including pilots, maintenance and other types of program support. Additionally, Tenax has a long-standing relationship with key government customers.

**INDEMNIFICATION AGREEMENT**  
**Air Industries Group**

This **INDEMNIFICATION AGREEMENT** ("Agreement"), dated and made effective as of \_\_\_\_\_, 2026, is entered into by and between **AIR INDUSTRIES GROUP**, a corporation organized and existing under the laws of the State of Nevada, having offices at 1460 Fifth Avenue, Bay Shore, New York 11706 ("AIR"), and \_\_\_\_\_ ("Indemnitee"), each party hereto sometimes referred to as a "Party" or collectively as the "Parties".

**WITNESSETH**

**WHEREAS**, the Board of Directors has concluded that AIR's officers and directors, and certain of its employees and agents, should be provided with reasonable and appropriate protection against certain risks in order to insure that capable persons will be attracted to such positions; and, therefore, has determined to contractually obligate itself to indemnify its officers and directors and certain of its employees and agents, in connection with claims asserted against such persons as a result of their services in respect of AIR, as set forth in this Agreement;

**WHEREAS**, applicable law empowers corporations to indemnify a person who serves as a director or officer of a corporation or a person who serves at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, or as a manager of a limited liability company; and

**WHEREAS**, the Parties believe it appropriate to memorialize and reaffirm AIR's indemnification obligations to Indemnitee and, in addition, to set forth the agreements contained herein.

**NOW, THEREFORE**, in consideration of the premises and agreements, covenants, and promises contained herein and for other good and valuable consideration, the Parties agree as follows:

1. Defined Terms. In addition to any term that may be defined in the text of this Agreement, the following terms shall be defined as follows:

"Affiliate" means, with reference to Company, any other Person controlling, controlled by or under the common control of Company. For purposes hereof, the term "control" (or any equivalent term) means having ownership of more than fifty percent (50%) of the voting securities of a Person or the power, whether through voting power or otherwise, to control the management policies of such Person.

"Articles" means the articles of incorporation of AIR, as amended from time to time.

"Board of Directors" or "Board" means the board of directors of AIR.

"Bylaws" means the bylaws of AIR, as amended from time to time.

"Claim" means any threatened, pending or completed action, suit, proceeding or alternative dispute resolution proceeding, or any hearing, inquiry or investigation, including any informal inquiry, interview, or pre-litigation demand or threat, that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution proceeding, whether civil, criminal, administrative, investigative or otherwise.

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“Company” means (a) AIR and (b) any constituent corporation absorbed in a consolidation or merger to which AIR (or any of its wholly owned subsidiaries) has been or becomes a party that, if its separate existence had continued, would have had power and authority to indemnify its officers, directors, employees, agents or fiduciaries in a manner substantially similar to the indemnification provided to Indemnitee under this Agreement.

“Exchange Act” means the (U.S.) Securities Exchange Act of 1934, as amended.

“Expenses” means any and all direct and indirect costs and expenses, judgments, fines, penalties, sanctions and amounts paid in settlement (if such settlement is approved in advance by Company) of any Claim regarding or arising from an Indemnity Event. For purposes hereof, the term “Expenses” includes attorneys’ fees and all other costs, expenses and obligations incurred by Indemnitee in connection with investigating, defending, appearing as a witness in or otherwise preparing for and/or participating in (including any appeal) any action, suit, proceeding, alternative dispute proceeding, hearing, inquiry or investigation involving any Claim regarding or arising from an Indemnity Event, including reasonable compensation for time spent by Indemnitee in preparing for and appearing as a witness in any such action, suit, proceeding, hearing, inquiry or investigation.

“Indemnity Event” means any event or occurrence arising from or relating to (a) Indemnitee’s position or status as a past or current officer, director, manager (of a limited liability company), employee, agent or fiduciary of Company or any of its Affiliates, or any predecessor thereof, respectively, or in serving (or having served) at the request of Company (or any predecessor thereof) as an officer, director, manager (of a limited liability company), employee, agent or fiduciary of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, or (b) any act, action or inaction by or on the part of Indemnitee while serving in any such capacity or capacities.

“NRS” means the Nevada Revised Statutes, as amended from time to time.

“Person” means any natural person, corporation, company, partnership (including both general and limited partnerships), limited liability company, sole proprietorship, association, joint stock company, firm, trust, trustee, joint venture, unincorporated organization, executor, administrator, legal representative or other legal entity, including any governmental authority, entity or instrumentality.

“SEC” means the (U.S.) Securities and Exchange Commission. “Securities Act” means the (U.S.) Securities Act of 1933, as amended.

## 2. Interpretation; Protocols.

2.1 The name assigned to this Agreement and the Section (or subsection) headings or captions used herein are for convenience of reference only and shall not be construed to affect the meaning, construction or effect hereof. Terms defined in the singular shall have a comparable meaning when used in the plural and vice versa. Unless otherwise specified, the terms “hereof,” “herein” and similar terms refer to this Agreement as a whole, and references herein to Sections refer to Sections of this Agreement. Pronouns in masculine, feminine, and neutral genders will be construed to include any other gender, and words in the singular form will be construed to include the plural and vice versa, unless the context otherwise requires.

2.2 For purposes of this Agreement, the words, “include,” “includes” and “including,” when used herein, shall be deemed in each case to be followed by the words “without limitation”. The word “or” is not exclusive (*i.e.*, it means “and/or”).

2.3 References in this Agreement to “other enterprise” include employee benefit plans and the term “fines” includes any administrative penalties or any excise taxes that may be assessed or imposed on Indemnitee under or with respect to any employee benefit plan or pursuant to or as a result of any benefits paid to or conferred upon Indemnitee by Company or its Affiliates.

2.4 Unless stated otherwise, references to money herein shall mean and refer to the currency (U.S. Dollars) of the United States of America.

### 3. Indemnification; Non-Exclusivity.

3.1 It is intended by Company and Indemnitee that the indemnification of Indemnitee as provided in this Agreement shall be to the fullest extent allowed by the NRS. Accordingly, the indemnification provided to Indemnitee under this Agreement shall not be limited by, and shall be in addition to, any indemnification provided to or conferred upon Indemnitee under the Articles or Bylaws or that may be otherwise provided under the NRS or other applicable law, in each case as they exist on and as of the date of this Agreement.

3.2 In the event of any change in any applicable law, statute or regulation after the date of this Agreement, including subsequent judicial interpretation of any existing applicable law, statute or regulation, that expands or enlarges the right of a Nevada corporation to indemnify its officers, directors, managers (of a limited liability company) employees, agents and/or fiduciaries, the Parties intend that Indemnitee shall be entitled to such expanded or enlarged indemnity benefits as may be accorded by any such change in applicable law, statute or regulation. In the event that any change in any applicable law, statute or regulation after the date of this Agreement narrows or reduces the scope or benefits of any indemnity currently afforded Indemnitee under this Agreement or under the Articles or Bylaws, or under or by virtue of existing applicable laws, statutes and regulations, any such changes shall not narrow or reduce, or be applied to narrow or reduce, the scope and benefits of indemnification provided to Indemnitee as of the date of this Agreement.

### 4. Indemnification; Third Party Claims.

4.1 Company shall indemnify Indemnitee if Indemnitee is a party to or is threatened to be made a party to or is otherwise involved in any Claim (other than a Claim by or in the right of Company), asserted or brought by reason of an Indemnity Event, against all Expenses incurred by Indemnitee in connection to such Claim, if Indemnitee either (a) is not liable pursuant to NRS 78.138, or (b) acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interest of Company and, in the case of a criminal claim or proceeding, had no reasonable cause to believe that his/her conduct was unlawful.

4.2 The termination or resolution of any Claim by judgment, judicial order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, does not, of itself, create a presumption that Indemnitee is liable under or pursuant to NRS 78.138 or did not act in good faith or in a manner which he/she reasonably believed to be in or not opposed to the best interest of Company or, with respect to any criminal claim or proceeding, that Indemnitee had reasonable cause to believe that his/her conduct was unlawful. Any payment of Expenses under this Section 4 shall be made by Company within thirty (30) days after written demand by Indemnitee for such payment is delivered or submitted to Company.

5. Indemnification; Derivative Actions.

5.1 Company shall indemnify Indemnitee if Indemnitee is a party to or is threatened to be made a party to or is otherwise involved in any Claim by or in the name of the Company to procure a judgment in its favor, by reason of an Indemnity Event, against all Expenses incurred by Indemnitee in connection with such Claim, if Indemnitee either (a) is not liable pursuant to NRS 78.138, or (b) acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interest of Company.

5.2 Notwithstanding the provisions of Section 5.1, no indemnification thereunder shall be provided to Indemnitee for any Claim, issue or matter to which Indemnitee has been adjudged by a court of competent jurisdiction, after the exhaustion of all appeals therefrom, to be liable to Company or for amounts paid in settlement to Company, unless and to the extent that any court in which such Claim is brought or other court of competent jurisdiction determines upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the court deems proper. Any payment of Expenses under this Section 5 shall be made by Company, if Indemnitee is determined to be entitled to such Expenses, within thirty (30) days after written demand by Indemnitee for such payment is delivered or submitted to Company.

6. Mandatory Payment/Reimbursement of Expenses.

Notwithstanding any other provision contained in this Agreement (other than as provided in Sections 10 and 11), if and to the extent that Indemnitee is successful on the merits or otherwise in defending any Claim regarding or arising from an Indemnity Event (including any favorable judgment or dismissal with or without prejudice), Indemnitee shall be indemnified, and shall be paid for all Expenses incurred by Indemnitee (other than Expenses previously advanced or paid to Indemnitee by Company), in connection with any such Claim.

7. Indemnification; Payment of Expenses.

7.1 Expense Advances.

(a) To the extent permitted by applicable law, Company shall advance to Indemnitee the Expenses incurred by Indemnitee in connection with any Claim regarding or arising from an Indemnity Event (each, an "Expense Advance"), with each such Expense Advance being made by Company within five (5) business days after Company receives a statement, invoice or written demand from Indemnitee (with any required or supporting documentation) requesting such advance of Expenses, provided and on the condition that Indemnitee (i) has provided to Company an undertaking to repay all such Expense Advances to Company if and to the extent that it is determined, by a court of competent jurisdiction in a final non-appealable judgment or order, that Indemnitee is not entitled to be indemnified by Company, and (ii) such undertaking remains in effect hereunder.

(b) In requesting any Expense Advance from Company, Indemnitee may, in the event that any supporting documentation refers to legal services rendered or anticipated in a manner that could, or to the extent that it could, result in a waiver of the attorney/client privilege or other privilege accorded Indemnitee under applicable law, deliver or submit to Company only copies of invoices without supporting documentation.

(c) Any Expense Advances requested by Indemnitee shall be unsecured and interest-free and shall be made to Indemnitee without regard to Indemnitee's ability to repay such Expense Advances to Company (other than in providing Company with an undertaking by execution of this Agreement as provided in Section 7.2 in the event that it is determined that Indemnitee is not entitled to indemnification with respect to such Expenses). The right of Indemnitee to request and obtain Expense Advances hereunder shall continue until the final disposition (including any appeal) of each Claim for which Expense Advances may be requested from time to time by Indemnitee as provided herein.

(d) Indemnitee's right to Expense Advances under this Section 7.1 shall not apply to any request or claim by Indemnitee for or with respect to which indemnification is excluded or precluded under Sections 10 or 11.

(e) For the avoidance of doubt, Indemnitee shall not be required to advance any funds, pay any amounts personally, or otherwise assume any Expenses in connection with any Claim prior to receiving advancement from Company. Company shall advance amounts as necessary, including retainers and other prepaid costs, upon submission of a written request and documentation supporting the nature of such anticipated costs.

7.2 *Expense Advance Undertaking.* Company and Indemnitee each acknowledge and agree that Indemnitee's execution and delivery of this Agreement to Company shall constitute an undertaking by Indemnitee, to the fullest extent required by applicable law, to repay to Company all Expense Advances if and to the extent that it is determined, by a court of competent jurisdiction in a final non-appealable judgment or order, that Indemnitee is not entitled to be indemnified by Company therefor.

#### 8. Notice of Claims; Duty to Cooperate.

8.1 Indemnitee agrees to provide Company with a written notice, as soon as possible or practicable, of any Claim threatened, asserted or made against Indemnitee and for or as to which indemnification is or may be sought by Indemnitee under this Agreement or otherwise. Each such notice by Indemnitee shall be directed to the Board of Directors or to the Company's chief executive officer or secretary at the address for Company listed or displayed in the introductory paragraph of this Agreement (or such other address as Company may designate in writing to Indemnitee from time to time). Any failure of Indemnitee to give written notice of any such Claim as provided hereinabove shall not relieve Company of its obligation to indemnify Indemnitee unless and to the extent that Company demonstrates that such failure on the part of Indemnitee has resulted or will result in irreparable economic harm to Company that could have been avoided if Indemnitee had provided timely notice to Company as provided herein.

8.2 With respect to any Claim for or as to which Company may be required to indemnify Indemnitee (or as to which Company has assumed the defense of Indemnitee as provided hereinafter), Indemnitee shall reasonably cooperate with Company in the defense of any such Claim and will provide to Company such information and documents as Company may reasonably require to the extent that Indemnitee is in possession of or has the power to access and obtain such information and documents.

#### 9. Selection of Counsel.

9.1 In the event that Company is obligated to indemnify Indemnitee for the Expenses incurred by Indemnitee in connection with any Claim, Company shall be entitled, at its election and upon giving written notice to Indemnitee, to assume the defense of such Claim with counsel selected by Company and approved by Indemnitee (with such approval not unreasonably withheld or delayed by Indemnitee).

9.2 Upon Company's election to assume the defense of any Claim as provided herein (and provided that counsel has been retained by Company in connection therewith), Company shall have no further obligation to pay Indemnitee for attorneys' fees incurred by Indemnitee with respect to such Claim. Notwithstanding Company's assumption of the defense of any such Claim, Indemnitee shall have the right to employ separate counsel with respect to such Claim at Indemnitee's expense. In addition thereto, Company shall dispense with the counsel it has retained (with Indemnitee's consent) and shall pay the fees and charges of Indemnitee's separate counsel if (a) Company agrees to do so in writing, or (b) an actual or prospective conflict of interest exists between Company and Indemnitee in conducting the defense of any Claim.

#### 10. Exclusions from Indemnity.

10.1 Notwithstanding anything to the contrary in this Agreement, Company shall not be required or obligated to indemnify Indemnitee or pay the Expenses of Indemnitee in or with respect to any of the following:

(a) Any Claims (and the Expenses incurred in connection therewith) that are initiated or asserted by Indemnitee and not by way of defense of any Claim, except for claims, actions, suits or proceedings initiated by Indemnitee (1) to enforce his/her indemnification rights under (A) this Agreement, including but not limited to any action to challenge a denial of indemnification or advancement of Expenses, (B) any other agreement or insurance policy, or (C) under the Articles or Bylaws or (2) with the prior authorization or approval of the Board of Directors, or (3) as otherwise may be required under the NRS to establish Indemnitee's right to indemnity or payment of Expenses (and regardless of its outcome or ultimate disposition).

(b) Any Claims asserted or any action, suit or proceeding instituted by Indemnitee to enforce the terms of this Agreement if a court of competent jurisdiction determines that any such Claim, action, suit or proceeding was not asserted or instituted by Indemnitee in good faith or is otherwise determined to be frivolous or without any legitimate basis in fact or law.

(c) Any acts, omissions, activities or other transactions conducted by Indemnitee for or as to which Indemnitee may not be indemnified or relieved of liability under applicable law.

(d) Any Claims (and the Expenses paid in connection therewith) if it is determined in a final non-appealable judgment or order that (1) such payments were made in violation of applicable law, (2) Indemnitee must make an accounting of profits from Indemnitee's purchase and sale of Company's securities under or pursuant to the provisions of Section 16(b) of the Exchange Act or a similar provision under federal or state law, or (3) Indemnitee's acts, actions or omissions involved intentional misconduct, fraud or a knowing violation of law, including any determination that Indemnitee defrauded or stole from Company, misappropriated confidential or proprietary information or the trade secrets of Company, or otherwise converted the assets or properties of Company to his/her own personal use or benefit.

(e) Settlement of any Claim, or any amounts paid in settlement of any Claim, without Company's written consent.

11. Exclusion; Potential Liability Under Securities Laws.

Notwithstanding any provision in this Agreement, Company shall not be required or obligated to indemnify Indemnitee under any Claim (or pay the Expenses in connection therewith) to the extent that such indemnity and payment of Expenses (a) will violate the Securities Act or the Exchange Act, or the rules and regulations thereunder, respectively, or any registration statement filed by Company under the Securities Act, or any public policy relating thereto, or (b) will require Company, to achieve compliance with the undertakings required in paragraph (h) of Item 512 of Regulation S-K, to submit to a court of competent jurisdiction any issue regarding whether Indemnitee is entitled to indemnification for liabilities arising under the Securities Act.

12. Directors and Officers Liability Insurance.

Company shall maintain directors' and officers' liability insurance ("D&O Insurance") covering Indemnitee on terms no less favorable than those provided to other directors and officers of Company. Upon request by Indemnitee, Company shall provide Indemnitee with a copy of the D&O Insurance policy then in effect, and shall provide Indemnitee with a copy of any renewal or replacement policy promptly upon its effectiveness.

13. Statute of Limitations; Claims in the Right of Company.

No civil action or proceeding shall be asserted, initiated or brought by Company against Indemnitee or his/her estate, spouse, heirs, executors or personal or legal representatives after the expiration of two (2) years from the date on which any Claim (or any claim or cause of action asserted therein) arose or accrued under applicable law, and any such claim or cause of action shall be time-barred, extinguished and deemed released unless asserted by the timely filing of a civil action or proceeding within such two-year period; provided, however, in the event that any shorter statute or period of limitations is or becomes applicable to any such claim or cause of action under applicable law, the shorter statute or period of limitations shall govern.

14. Governing Law; Consent to Jurisdiction.

This Agreement, including the validity, substance, interpretation and enforcement thereof, shall be governed in all respects by the laws of the State of Nevada without regard to its conflicts of laws or choice of laws principles. The parties hereby irrevocably consent to the exclusive jurisdiction of the Eighth Judicial District Court of the State of Nevada in Clark County, Nevada (and, if jurisdiction shall be vested exclusively in the federal courts, the United States District Court for the District of Nevada), for purposes of any suit, action or proceeding arising out of or relating to this Agreement and irrevocably waive, to the fullest extent permitted by law, any objection to the laying of venue in such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum.

15. Notices.

All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (a) if delivered by hand or by private courier and signed for by the receiving Party, on the date of such delivery, (b) if sent by facsimile with written evidence of successful transmission, on the date of such transmission, or (c) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. The address for notices to the Company is as displayed in the introductory paragraph of this Agreement or as subsequently modified by written notice by the Company to the Indemnitee. The address for notices to the Indemnitee is as set forth in the records of the Company or as subsequently modified by written notice by the Indemnitee to the Company.

16. General Provisions.

16.1 Amendment, Waiver & Termination. No amendment, modification, supplement, termination or cancellation of this Agreement shall be effective unless it is in writing and signed by each Party. No waiver of any of the provisions of this Agreement shall be deemed to be or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

16.2 Integration; Entirety. This Agreement sets forth the entire understanding between the Parties and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the Parties.

16.3 Disclaimer of Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of Company or any of its Affiliates.

16.4 Severability. In the event that any provision contained in this Agreement (including any provision within a single section, paragraph or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law. In connection therewith, and to the fullest extent possible, the provisions of this Agreement (including each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the Parties in the provision held invalid, illegal or unenforceable.

16.5 Subrogation. In the event of any payment by Company under this Agreement, Company shall be subrogated, to the extent of such payment, to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts as may be necessary to secure such rights and to enable Company to assert all claims and to initiate all such civil actions, suits and proceedings that may be required or necessary to enforce such rights and claims.

16.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity pertaining to an Indemnity Event even though he/she may have ceased to serve in such capacity at the time of any Claim.

16.7 *Contribution*. Whether or not the indemnification provided for in this Agreement is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company may elect to pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and such an election shall waive and relinquish any right of contribution the Company may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

16.8 *Counterparts*. This Agreement may be executed in one or more counterparts, including facsimile or digital counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the same instrument.

[SIGNATURES OF PARTIES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date written above.

**COMPANY:**

AIR INDUSTRIES GROUP

By: \_\_\_\_\_  
Name: Scott Glassman  
Title: Chief Financial Officer

**INDEMNITEE:**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## AIR INDUSTRIES GROUP

RESTRICTED STOCK UNIT AWARD AGREEMENT  
PURSUANT TO 2022 EQUITY INCENTIVE PLAN

## NOTICE OF GRANT

Name: [ ] (the “Participant”)

Grant Year – 2026

No. of Units Subject to Award: [ ]

Award Date: [ ] (the “Award Date”)

**Vesting Schedule:** This restricted stock unit award (the “Award”) shall be fully vested as of the Award Date.

This Award is granted under and governed by the terms and conditions of Air Industries Group’s 2022 Equity Incentive Plan, as amended, the “Plan.”

You do not have to accept the Award. If you wish to decline your Award, you should promptly notify Air Industries Chief Financial Officer of your decision by e-mail. If you do not provide such notification by the last day of the calendar month immediately prior to the Award Date, you will be deemed to have accepted your Award on the terms and conditions set forth herein.

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**TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD**

**1. General.** These Terms and Conditions of Restricted Stock Unit Award (these “Terms”) apply to the restricted stock unit award (the “Award”) granted by Air Industries Group, a Nevada corporation (the “Company”), indicated above in this Notice of Grant (the “Grant Notice”). The recipient of the Award is referred to as the “Participant.” The effective date of grant of this Award is referred to as the “Award Date.” The Award was granted under and is subject to the provisions of Air Industries Group’s 2022 Equity Incentive Plan, as amended from time to time the “Plan,” which are incorporated herein by reference. Capitalized terms are used as defined in the Plan if not defined herein. The Award is discretionary and has been granted to the Participant in addition to, and not in lieu of, any other compensation otherwise payable or to be paid to the Participant. The Grant Notice and these Terms are collectively referred to as the “Award Agreement” applicable to the Award.

**2. RSUs.** As used herein, the term “RSU” shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of common stock of the Company (“Share”) solely for purposes of the Plan and this Award Agreement. RSUs shall be used solely as a device for the determination of the number of Shares to be issued or payment to eventually be made to the Participant if such RSUs vest pursuant to this Award Agreement. The RSUs shall not be treated as property or as a trust fund of any kind.

**3. Vesting.** Subject to Sections 4 and 8 below, the Award shall vest and become nonforfeitable as set forth in this Grant Notice. Unless and until the Company elects to issue fractional Shares in settlement of a vested RSU, any fractional RSUs that vest on a Vesting Date shall be carried forward and vest when such combined fractional RSUs result in a full RSU and any fractional RSU that is not carried forward as a result of a termination of the Award prior to the next subsequent Vesting Date shall be forfeited.

**4. Reserved.**

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## **5. Dividend and Voting Rights.**

**(a) Limitations on Rights Associated with RSUs.** The Participant shall have no rights as a shareholder of the Company, no dividend rights (except as expressly provided in Section 5(b) with respect to Dividend Equivalent Rights) and no voting rights, with respect to the RSUs or any Shares underlying or issuable in respect of RSUs until such Shares are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the book entry evidencing such Shares.

**(b) Dividend Equivalent Rights Distributions.** As of any date that the Company pays an ordinary cash dividend on its Shares, the Company shall credit the Participant with a dollar amount equal to (i) the per share cash dividend paid by the Company on its Shares on such date, multiplied by (ii) the total number of RSUs (with such total number adjusted pursuant to Section 10 of the Plan) subject to the Award that are outstanding immediately prior to the record date for that dividend (a “**Dividend Equivalent Right**”). Any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 5(b) shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original RSUs to which they relate, including the obligation to satisfy the Tax-Related Items; provided, however, that the amount of any vested Dividend Equivalent Rights shall be paid in cash. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 5(b) with respect to any RSUs which, immediately prior to the record date for that dividend, have either been paid pursuant to Section 7.

**6. Restrictions on Transfer.** Except as provided in Section 6(j) of the Plan, the Award, the Dividend Equivalent Rights and any interest therein or amount or, prior to the issuance thereof, Shares payable in respect thereof shall not be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily.

**7. Timing and Manner of Payment of RSUs.** Subject to the terms of the Plan, this Award Agreement and Code Section 409A and the Treasury Regulations promulgated thereunder, the vested RSUs shall be settled on the later of: (A) the date that is the first anniversary of the Award Date, and (B) the occurrence of a Change in Control, which for purposes of this Award Agreement, must constitute an event described in Treasury Regulation Section 1.409A-3(a)(5); provided, however, that if the event in (B) has not occurred by the date that is the eighteen- (18-) month anniversary of the Award Date, the vested RSUs shall be settled on the date that is the eighteen- (18-) month anniversary of the Award Date. The Company’s obligation to deliver Shares or otherwise make payment with respect to vested RSUs is subject to the condition precedent that the Participant or other person entitled under the Plan to receive any Shares with respect to the vested RSUs deliver to the Company any representations or other documents or assurances required pursuant to Section 9(b) of the Plan.

## **8. Reserved.**

**9. Recoupment.** Notwithstanding any other provision herein, the Award and any Shares or other amount or property that may be issued, delivered or paid in respect of the Award, as well as any consideration that may be received in respect of a sale or other disposition of any such Shares or property, shall be subject to any recoupment, “clawback” or similar provisions of applicable law or such policies as may have been adopted by the Company in accordance with the regulations of the exchange on which the Shares are listed. In addition, the Company may require the Participant to deliver or otherwise repay to the Company the Award and any Shares or other amount or property that may be issued, delivered or paid in respect of the Award, as well as any consideration that may be received in respect of a sale or other disposition of any such Shares or property, if the Company reasonably determines that one or more of the following has occurred:

**(a)** during the period of the Participant’s employment or service with the Company or any of its Subsidiaries (the “**Employment Period**”), the Participant has committed or engaged in a breach of confidentiality, or an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information of the Company or any of its Subsidiaries;

**(b)** during the Employment Period, the Participant has committed or engaged in an act of theft, embezzlement or fraud in respect of property of the Company, or materially breached any agreement to which the Participant is a party with the Company or any of its Subsidiaries.

For purposes of the foregoing, the Participant expressly and explicitly authorizes the Company to issue instructions, on the Participant's behalf, to any brokerage firm or third-party administrator holding the Participant's Shares and other amounts acquired under the Plan to re-convey, transfer, or otherwise return such Shares and other amounts to the Company. This Section 9 is not the Company's exclusive remedy with respect to such matters.

**10. Adjustments Upon Specified Events.** Upon the occurrence of certain events relating to the Company's stock contemplated by Section 10 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Committee shall make adjustments in accordance with such section in the number of RSUs then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which Dividend Equivalent Rights are credited pursuant to Section 5(b).

**11. Responsibility for Taxes.** The Participant acknowledges that, regardless of any action the Company or the Participant's employer ("**Employer**") takes with respect to any Tax-Related Items, the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant of the RSUs, the vesting of the RSUs, the delivery of Shares, the subsequent sale of any Shares acquired at vesting, and the receipt of any dividends or Dividend Equivalent Rights; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant is or becomes subject to tax in more than one jurisdiction, the Participant acknowledges that the Company or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. All Company withholding actions for Tax-Related Items shall be carried out in accordance with Applicable Laws.

Prior to the relevant taxable or tax withholding event, as applicable, the Participant shall pay or make arrangements satisfactory to the Company or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company or the Employer, or their respective agents, at their discretion and pursuant to such procedures as they may specify from time to time, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding otherwise deliverable Shares and in the case of Dividend Equivalent Rights payable in cash, cash, to be issued or paid upon vesting/settlement of the Award;

(b) arranging for the sale of Shares otherwise deliverable to the Participant (on the Participant's behalf and at the Participant's direction pursuant to this authorization), including selling Shares as part of a block trade with other Participants in the Plan;

(c) withholding from the proceeds of the sale of Shares acquired upon vesting/settlement of the Award; or

(d) any other method of withholding determined by the Company to be permitted under the Plan and, to the extent required by Applicable Law or under the Plan, approved by the Committee.

Notwithstanding the foregoing, if the Participant is an officer of the Company who is subject to Section 16 of the Exchange Act, then the Company must satisfy any withholding obligations arising upon the occurrence of a taxable or tax withholding event, as applicable, by withholding Shares otherwise deliverable or an amount otherwise payable upon settlement of Dividend Equivalent Rights pursuant to method (a), unless the Board or the Committee determines in its discretion to satisfy the obligation for Tax-Related Items by one or a combination of methods (a), (b) and (c) above.

The Company may withhold or account for Tax-Related Items by considering statutory withholding amounts or other withholding rates, including maximum rates applicable in the Participant's jurisdiction(s). If the maximum rate is used, any over-withheld amount may be refunded to the Participant in cash by the Company or Employer (with no entitlement to the Share equivalent) or if not refunded, the Participant may seek a refund from the local tax authorities. In the event of under-withholding, the Participant may be required to pay additional Tax-Related Items directly to the applicable tax authority or to the Company or Employer. If the obligation for Tax-Related Items is satisfied by withholding a number of Shares as described herein, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Company may refuse to issue or deliver to the Participant any Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

**12. Electronic Delivery and Acceptance.** The Company may, in its sole discretion, deliver any documents related to the Award by electronic means or request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive all applicable documentation by electronic delivery and to participate in the Plan through an on-line or voice activated system established and maintained by the Company or a third-party vendor designated by the Company.

**13. Data Privacy.** By participating in the Plan, the Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 13. The Company, its related entities, and the Employer hold certain personal information about the Participant, including the Participant's name, home address and telephone number, email address, date of birth, social security number or other employee identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all RSUs or any other entitlement to Shares or equivalent benefits awarded, canceled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("**Data**"). The Company and its related entities may transfer Data amongst themselves as necessary for the purpose of implementation, administration, and management of the Participant's participation in the Plan, and the Company and its related entities may each further transfer Data to any third parties assisting the Company or any such related entity in the implementation, administration, and management of the Plan. The Participant acknowledges that the transferors and transferees of such Data may be located anywhere in the world and hereby authorizes each of them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering, and managing the Participant's participation in the Plan, including any transfer of such Data as may be required for the administration of the Plan and the subsequent holding of Shares on the Participant's behalf to a broker or to other third party with whom the Participant may elect to deposit any Shares acquired under the Plan (whether pursuant to the Award or otherwise).

**14. Notices.** Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Secretary, and to the Participant at the Participant's last address reflected on the Company's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be deemed given only when received, but if the Participant is no longer an employee of the Company, shall be deemed to have been duly given by the Company when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

**15. Plan.** The Award and all rights of the Participant under this Award Agreement are subject to the terms and conditions of the provisions of the Plan, incorporated herein by reference. The Participant agrees to be bound by the terms of the Plan and this Award Agreement. The Participant acknowledges having read and understood the Plan, the Prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

**16. Entire Agreement.** This Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 13 of the Plan. Such amendment must be in writing and signed by the Company. The Company may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

**17. Limitation on the Participant's Rights.** Participation in the Plan confers no rights or interests other than as herein provided. This Award Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to RSUs, as and when payable hereunder.

**18. Section Headings.** The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

**19. Governing Law.** This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York and applicable U.S. federal laws without regard to conflict of law principles thereunder.

**20. Choice of Venue.** For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or this Award Agreement, the parties hereby submit to the exclusive jurisdiction of the State of New York and agree that such litigation shall be conducted only in the courts of Suffolk County, New York, or the federal courts for the Eastern District of New York, and no other courts, where this grant is made or to be performed.

**21. Construction.** It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted with that intent.

**22. Severability.** The provisions of this Award Agreement are severable and if any one of more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

**23. Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

On behalf of Air Industries Group, I thank you for your dedication and efforts on our behalf.

AIR INDUSTRIES GROUP

By: \_\_\_\_\_  
Luciano Melluzzo  
President and Chief Operating Officer



\_\_\_\_\_, 2026

**To:** (Insert Name) (a “Covered Person”)

**Re:** Per Diem Compensation and Expense Reimbursement

This Letter Agreement is entered into by Air Industries Group, Inc., a Nevada corporation (the “Company”), and each Covered Person. The Company is considering entering into an Agreement and Plan of Merger (the “Merger Agreement”), among the Company, Tenax Aerospace Acquisition, LLC (“Tenax”), and a subsidiary of the Company (“Merger Sub”). Certain Covered Persons may not be engaged by the Company after consummation of the Merger Agreement (the “Merger”) and nevertheless may be requested to cooperate after the Merger with the Company, its counsel, auditors, and advisors in connection with the transactions contemplated by the Merger Agreement and operations of the Company prior to the Merger (“Cooperation Activities”). In consideration of the agreement of each Covered Person to cooperate with the Company after consummation of the Merger in the event he is not then engaged by the Company, the parties agree as follows:

**1. Per Diem.** The Company shall pay each Covered Person \$500.00 per each calendar day on which such Covered Person is not otherwise engaged by the Company and devotes more than an insignificant portion of his or her working time to Cooperation Activities at the Company’s request (each, a “Cooperation Day”). The per diem is payable monthly in arrears within fifteen (15) business days after the Covered Person submits a written statement identifying each Cooperation Day and the activities performed. The per diem is compensation for time and is exclusive of Reasonable Expenses under Section 2 herein.

**2. Reasonable Expenses.** In addition to the per diem, the Company shall reimburse each Covered Person for reasonable, documented, out-of-pocket expenses actually incurred in connection with Cooperation Activities, including, but not limited to: (a) local and intercity transportation (including mileage at the IRS standard rate); (b) parking, tolls, and ground transportation; (c) airfare (coach class unless otherwise approved); (d) lodging where overnight travel is required; and (e) meals during travel (“Reasonable Expenses”). Reasonable Expenses shall be submitted with receipts within thirty (30) days and reimbursed within fifteen (15) business days. Reasonable Expenses exclude fees of personal counsel, expenses reimbursable under other Company agreements, and expenses unrelated to Cooperation Activities.

**3. Term.** This Letter Agreement is effective as of the date above and terminates two years after the date of the Merger or upon mutual written agreement; provided that, payment obligations for Cooperation Days occurring, or Reasonable Expenses incurred, in either case before termination, survive until paid.

**4. General Provisions.** Payments hereunder supplement, and do not duplicate, any indemnification or advancement rights under the Company’s organizational documents, any indemnification agreement or applicable law (including NRS § 78.7502). This Letter Agreement is intended to comply with Section 409A of the Internal Revenue Code; no payment shall be made later than the last day of the Covered Person’s taxable year following the year in which the Cooperation Day occurred or such Reasonable Expenses were incurred. This Letter Agreement is governed by Nevada law, may be executed in counterparts (including .pdf), constitutes the entire agreement of the parties on this subject, and may not be amended except in a writing signed by all parties.

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Registration Nos. 333-289880, 333-289136, 333-276026, 333-264738, 333-219487, and 333-217393) of our report dated March 27, 2026, with respect to the consolidated financial statements of Air Industries Group and subsidiaries included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ CBIZ CPAs P.C.

Saddle Brook, NJ  
March 27, 2026

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-289880, 333-289136, 333-276026, 333-264738, 333-219487 and 333-217393) of our report dated April 15, 2025 with respect to the consolidated financial statements of Air Industries Group and subsidiaries included in this Annual Report on Form 10-K for the year ended December 31, 2025.

/s/ Marcum LLP

Saddle Brook, NJ  
March 27, 2026

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Scott Glassman, certify that:

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

Dated: March 27, 2026

/s/ Scott Glassman

Scott Glassman

Acting Chief Executive Officer and President

(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Brian Drisgula, certify that:

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

Dated: March 27, 2026

/s/ Brian Drisgula

Brian Drisgula

Vice President of Finance

(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Air Industries Group, a Nevada corporation (the "Company"), on Form 10-K for the year ended December 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), Scott Glassman, Acting Chief Executive Officer of the Company, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), that:

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

Dated: March 27, 2026

*/s/ Scott Glassman*

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Scott Glassman  
Acting Chief Executive Officer and President  
(Principal Executive Officer)

[A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.]

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)

In connection with the Annual Report of Air Industries Group, a Nevada corporation (the "Company"), on Form 10-K for the year ended December 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), Brian Drisgula, Vice President of Finance of the Company, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), that:

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

Dated: March 27, 2026

*/s/ Brian Drisgula*

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Brian Drisgula

Vice President of Finance

Chief Financial Officer (Principal Financial Officer)

[A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company. and furnished to the Securities and Exchange Commission or its staff upon request.]