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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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

For the transition period from _____to_____.

OPTEX SYSTEMS HOLDINGS, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware	**001-41644**	**90-0609531**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1420 Presidential Drive, Richardson, TX	**75081-2439**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(972) 764-5700**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	**OPXS**	**The Nasdaq Stock Market LLC**

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

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

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

Large Accelerated Filer □ Accelerated Filer □ Non-Accelerated Filer ☒ Smaller Reporting Company ☒

□ Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 13, 2024: 6,852,808 shares of common stock.

OPTEX SYSTEMS HOLDINGS, INC.
FORM 10-Q

For the period ended March 31, 2024

INDEX

Part 1. Financial Information

Item 1. Unaudited Condensed Consolidated Financial Statements

OPTEX SYSTEMS HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Optex Systems Holdings, Inc.
Condensed Consolidated Balance Sheets

	(Thousands, except share and per share data)	
	March 31, 2024	**October 1, 2023**
	(Unaudited)	
ASSETS		
Cash and Cash Equivalents	$ 321	$ 1,204
Accounts Receivable, Net	3,680	3,624
Inventory, Net	13,683	12,153
Contract Asset	250	336
Prepaid Expenses	404	219
Current Assets	**18,338**	**17,536**
Property and Equipment, Net	**983**	**998**
Other Assets		
Deferred Tax Asset	875	922
Intangible Assets	1,089	-
Right-of-use Asset	2,490	2,740
Security Deposits	23	23
Other Assets	**4,477**	**3,685**
Total Assets	**$ 23,798**	**$ 22,219**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 2,049	$ 810
Operating Lease Liability	630	620
Federal Income Taxes Payable	-	247
Accrued Expenses	1,089	1,265
Accrued Selling Expense	258	336
Accrued Warranty Costs	69	75
Contract Loss Reserves	150	243
Customer Advance Deposits	481	481
Current Liabilities	**4,726**	**4,077**
Other Liabilities		
Credit Facility	500	1,000
Operating Lease Liability, net of current portion	2,027	2,282
Fair Value of Contingent Liability	86	-
Other Liabilities	**2,613**	**3,282**
Total Liabilities	**7,339**	**7,359**
Commitments and Contingencies		
Stockholders' Equity		
Common Stock – ($0.001 par, 2,000,000,000 authorized, 6,844,362 and 6,763,070 shares issued and outstanding, respectively)	7	7
Additional Paid in Capital	21,391	21,285
Accumulated Deficit	(4,939)	(6,432)
Stockholders' Equity	**16,459**	**14,860**
Total Liabilities and Stockholders' Equity	**$ 23,798**	**$ 22,219**

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

Optex Systems Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	(Thousands, except share and per share data)			
	Three months ended		Six months ended	
	March 31, 2024	April 2, 2023	March 31, 2024	April 2, 2023
Revenue	**$ 8,523**	**$ 6,370**	**$ 15,492**	**$ 10,410**
Cost of Sales	5,966	4,817	11,250	8,140
Gross Profit	**2,557**	**1,553**	**4,242**	**2,270**
General and Administrative Expense	1,201	938	2,333	1,937
Operating Income	**1,356**	**615**	**1,909**	**333**
Interest Expense	(9)	(8)	(16)	(8)
Income Before Taxes	**1,347**	**607**	**1,893**	**325**
Income Tax Expense, net	285	128	400	69
Net Income	**$ 1,062**	**$ 479**	**$ 1,493**	**$ 256**
Basic income per share	**$ 0.16**	**$ 0.07**	**$ 0.22**	**$ 0.04**
Weighted Average Common Shares Outstanding - basic	**6,768,236**	**6,643,070**	**6,717,592**	**6,589,854**
Diluted income per share	**$ 0.16**	**$ 0.07**	**$ 0.22**	**$ 0.04**
Weighted Average Common Shares Outstanding – diluted	**6,823,155**	**6,668,917**	**6,774,542**	**6,620,800**

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

Optex Systems Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	(Thousands) Six months ended	
	March 31, 2024	**April 2, 2023**
Cash Flows from Operating Activities:		
Net Income	$ 1,493	$ 256
Adjustments to Reconcile Net Income to Net Cash provided by (used in) Operating Activities:		
Depreciation and Amortization	209	166
Stock Compensation Expense	270	53
Deferred Tax	47	69
Accounts Receivable	(56)	632
Inventory	(1,530)	(2,080)
Contract Asset	86	(336)
Prepaid Expenses	(185)	(114)
Leases	5	13
Accounts Payable and Accrued Expenses	1,063	534
Federal Income Taxes Payable	(247)	(331)
Accrued Warranty Costs	(6)	97
Accrued Selling Expense	(78)	336
Customer Advance Deposits	-	(180)
Estimated Contract Losses Accrued	(93)	(176)
Total Adjustments	**(515)**	**(1,317)**
Net Cash provided by (used in) Operating Activities	**978**	**(1,061)**
Cash Flows from Investing Activities		
Purchase of Intangible Assets	(1,030)	-
Purchases of Property and Equipment	(167)	(146)
Net Cash used in Investing Activities	**(1,197)**	**(146)**
Cash Flows from Financing Activities		
Borrowing from Credit Facility	500	1,007
Payments to Credit Facility	(1,000)	-
Cash Paid for Taxes Withheld on Net Settled Restricted Stock Unit Shares Issued	(164)	(58)
Net Cash (used in) provided by Financing Activities	**(664)**	**949**
Net Decrease in Cash and Cash Equivalents	(883)	(258)
Cash and Cash Equivalents at Beginning of Period	1,204	934
Cash and Cash Equivalents at End of Period	**$ 321**	**$ 676**
Supplemental Cash Flow Information:		
Cash Transactions:		
Cash Paid for Taxes	758	497
Cash Paid for Interest	12	8

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

Optex Systems Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Thousands, except share data)
(Unaudited)

	Three months ended March 31, 2024				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders Equity
Balance at January 1, 2024	6,823,693	$ 7	$ 21,371	$ (6,001)	$ 15,377
Stock Compensation Expense	-	-	157	-	157
Vested Restricted Stock Units Issued Net of Tax Withholding	20,669	-	(137)	-	(137)
Net Income	-	-	-	1,062	1,062
Balance at March 31, 2024	**6,844,362**	**$ 7**	**$ 21,391**	**$ (4,939)**	**$ 16,459**

	Three months ended April 2, 2023				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders Equity
Balance at January 1, 2023	6,763,070	$ 7	$ 21,116	$ (8,918)	$ 12,205
Stock Compensation Expense	-	-	17	-	17
Taxes on Shares Issued for Vested Restricted Stock Units	-	-	(42)	-	(42)
Unvested Shares Forfeited [(1)]	(40,000)	-	-	-	-
Net Income	-	-	-	479	479
Balance at April 2, 2023	**6,723,070**	**$ 7**	**$ 21,091**	**$ (8,439)**	**$ 12,659**

	Six months ended March 31, 2024				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders Equity
Balance at October 1, 2023	6,763,070	$ 7	$ 21,285	$ (6,432)	14,860
Stock Compensation Expense	-	-	270	-	270
Vested Restricted Stock Units Issued Net of Tax Withholding	81,292	-	(164)	-	(164)
Net Income	-	-	-	1,493	1,493
Balance at March 31, 2024	**6,844,362**	**$ 7**	**$ 21,391**	**$ (4,939)**	**$ 16,459**

	Six months ended April 2, 2023				
	Common Shares Issued	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders Equity
Balance at October 2, 2022	6,716,638	$ 7	$ 21,096	$ (8,695)	$ 12,408
Stock Compensation Expense	-	-	53	-	53
Vested Restricted Stock Units Issued Net of Tax Withholding	46,432	-	(58)	-	(58)
Unvested Shares Forfeited [(1)]	(40,000)	-	-	-	-
Net Income	-	-	-	256	256
Balance at April 2, 2023	**6,723,070**	**$ 7**	**$ 21,091**	**$ (8,439)**	**$ 12,659**

(1) Common unvested restricted shares which were forfeited and cancelled in February 2023.

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

Note 1 - Organization and Operations

Optex Systems Holdings, Inc. (together with its subsidiaries, the "Company," "Optex Systems Holdings," "we," "us," and "our") manufactures optical sighting systems and assemblies for the U.S. Department of Defense, foreign military applications and commercial markets. Its products are installed on a variety of U.S. military land vehicles, such as the Abrams and Bradley fighting vehicles, light armored and advanced security vehicles, and have been selected for installation on the Stryker family of vehicles. The Company also manufactures and delivers numerous periscope configurations, rifle and surveillance sights and night vision optical assemblies. Optex Systems Holdings' products consist primarily of build to customer print products that are delivered both directly to the military and to other defense prime contractors or commercial customers. The Company's consolidated revenues for the six months ended March 31, 2024 were derived from the U.S. government (21%), two major U.S. defense contractors (26% and 9%, respectively), one major commercial customer (16%) and all other customers (28%). Approximately 94% of the total company revenue is generated from domestic customers and 6% is derived from foreign customers, primarily in Canada and Israel. Optex Systems Holdings' operations are based in Dallas and Richardson, Texas in leased facilities comprising 93,967 square feet. As of March 31, 2024, Optex Systems Holdings operated with 115 full-time equivalent employees.

Note 2 - Accounting Policies

Basis of Presentation

Principles of Consolidation: The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Optex Systems, Inc. All significant inter-company balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements of Optex Systems Holdings included herein have been prepared by Optex Systems Holdings, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in conjunction with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and the notes thereto included in the Optex Systems Holdings' Form 10-K for the year ended October 1, 2023 and other reports filed with the SEC.

The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments of a normal and recurring nature which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows of Optex Systems Holdings for the interim periods presented. The results of operations for these periods are not necessarily comparable to, or indicative of, results of any other interim period or for the fiscal year taken as a whole. Certain information that is not required for interim financial reporting purposes has been omitted.

Inventory: As of March 31, 2024 and October 1, 2023, inventory included:

	(Thousands)	
	March 31, 2024	**October 1, 2023**
Raw Material	$ 8,568	$ 8,211
Work in Process	5,454	4,460
Finished Goods	668	489
Gross Inventory	**$ 14,690**	$ 13,160
Less: Inventory Reserves	(1,007)	(1,007)
Net Inventory	**$ 13,683**	**$ 12,153**

Concentration of Credit Risk: The Company's accounts receivables as of March 31, 2024 consist of U.S. government agencies (11%), four major U.S. defense contractors (25%, 14%, 8% and 5%, respectively), one commercial customer (11%) and all other customers (26%). The Company does not believe that this concentration results in undue credit risk because of the financial strength of the customers and the Company's long history with these customers.

Accrued Warranties: The Company accrues product warranty liabilities based on the historical return rate against period shipments as they occur and reviews and adjusts these accruals quarterly for any significant changes in estimated costs or return rates. The accrued warranty liability includes estimated costs to repair or replace returned warranty backlog units currently in-house plus estimated costs for future warranty returns that may be incurred against warranty covered products previously shipped as of the period end date. As of March 31, 2024, and October 1, 2023, the Company had warranty reserve balances of $69 and $75, respectively.

	Three months ended		**Six Months ended**	
	March 31, 2024	**April 2, 2023**	**March 31, 2024**	**April 2, 2023**
Beginning balance	$ 48	$ 229	$ 75	$ 169
Incurred costs for warranties satisfied during the period	(5)	(16)	(37)	(16)
Warranty Expenses:				
Warranties reserved for new product shipped during the period[(1)]	26	60	64	119
Change in estimate for pre-existing warranty liabilities[(2)]	-	(7)	(33)	(6)
Warranty Expense	26	53	31	113
Ending balance	**$ 69**	**$ 266**	**$ 69**	**$ 266**

(1) Warranty expenses accrued to cost of sales (based on current period shipments and historical warranty return rate.)

(2) Changes in estimated warranty liabilities recognized in cost of sales associated with: the period end customer returned warranty backlog, or the actual costs of repaired/replaced warranty units which were shipped to the customer during the current period.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Fair Value of Financial Instruments: Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of the financial statement presentation date.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, are carried at, or approximate, fair value as of the reporting date because of their short-term nature. The credit facility is reported at fair value as it bears market rates of interest.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value and requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs reflecting the reporting entity's own assumptions.

The accounting guidance establishes a hierarchy which requires an entity to maximize the use of quoted market prices and minimize the use of unobservable inputs. An asset or liability's level is based on the lowest level of input that is significant to the fair value measurement. Fair value estimates are reviewed at the origination date and again at each applicable measurement date and interim or annual financial reporting dates, as applicable for the financial instrument, and are based upon certain market assumptions and pertinent information available to management at those times.

Revenue Recognition: The majority of the Company's contracts and customer orders originate with fixed determinable unit prices for each deliverable quantity of goods defined by the customer order line item (performance obligation) and include the specific due date for the transfer of control and title of each of those deliverables to the customer at pre-established payment terms, which are generally within thirty to sixty days from the transfer of title and control. We have elected to account for shipping and handling costs as fulfillment costs after the customer obtains control of the goods. In addition, the Company has one ongoing service contract which relates to optimized weapon system support (OWSS) and includes ongoing program maintenance, repairs and spare inventory support for the customer's existing fleet units in service during the duration of the contract. Revenue recognition for this program has been recorded by the Company, and compensated by the customer, at fixed monthly increments over time, consistent with the defined contract maintenance period. During the three and six months ended March 31, 2024, we recognized $115 thousand and $231 thousand in service contract revenue. During the three and six months ended April 2, 2023, we recognized $112 thousand and $226 thousand in service contract revenue.

During the three and six-month periods ended March 31, 2024, we recognized revenue from customer deposit liabilities (deferred contract revenue) of zero. During the three and six-month periods ended April 2, 2023, we recognized revenue from customer deposit liabilities (deferred contract revenue) of $1 thousand and $223 thousand. As of March 31, 2024 and October 1, 2023 we had $481 thousand in customer deposit liabilities.

As of March 31, 2024 and October 1, 2023, there was $258 and $336 thousand in accrued selling expenses and $250 and $336 thousand in contract assets related to a new $3.1 million contract booked in November 2022. The costs will be amortized against the revenue for the contract deliveries which began in the fourth quarter of fiscal year 2023 and extend into fiscal year 2025.

Contract Loss Reserves: The Company records loss provisions in the event that the current estimated total revenue against a contract and the total estimated cost remaining to fulfill the contract indicate a loss upon completion. When the estimated costs indicate a loss, we record the entire value of the loss against the contract loss reserve in the period the determination is made. The Company has several long-term fixed price contracts that are currently indicative of a loss condition due to recent inflationary pressures on material and labor, combined with increased manufacturing overhead costs. One of these long-term contracts has an option year ordering period ending in February 2025 with deliveries that may extend into February 2026. As of March 31, 2024 and October 1, 2023, the accrued contract loss reserves were $150 thousand and $243 thousand, respectively. During the three and six months ended March 31, 2024, the Company recognized a gain on changes in estimates for the contract loss reserves of $120 thousand and $30 thousand and applied reserves of $38 thousand $63 thousand to cost of sales against revenues booked during the periods, respectively.

Income Tax/Deferred Tax: As of March 31, 2024 and October 1, 2023, the Company had a deferred tax asset valuation allowance of ($0.8) million against deferred tax assets of $1.7 million for a net deferred tax asset of $0.9 million. The valuation allowance has been established due to historical losses resulting in a Net Operating Loss Carryforward for each of the fiscal years 2011 through 2016 which cannot be fully recognized due to an IRS Section 382 limitation related to a change in control. During the six months ended March 31, 2024, our deferred tax assets decreased by $47 thousand related to temporary tax adjustments.

Earnings per Share: Basic earnings per share is computed by dividing income available for common shareholders (the numerator) by the weighted average number of common shares outstanding (the denominator) for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The Company has potentially dilutive securities outstanding, which include unvested restricted stock units and unvested shares of restricted stock. The Company uses the Treasury Stock Method to compute the dilutive effect of any dilutive shares. Unvested restricted stock units and shares of restricted stock that are anti-dilutive are excluded from the calculation of diluted earnings per common share.

For the three and six months ended March 31, 2024, 60,000 shares of unvested restricted stock and 39,000 unvested restricted stock units (which convert to 54,919 and 56,950 incremental shares after tax withholdings), respectively, were included in the diluted earnings per share calculation. For the three and six months ended March 31, 2024, 27,000 performance shares were excluded from diluted earnings per share as they were below the target share price. For the three and six months ended April 2, 2023, 80,000 shares of unvested restricted stock (which convert to an aggregate of 25,847 and 30,946 incremental shares after tax withholdings), respectively, were included in the diluted earnings per share calculation.

Note 3 - Segment Reporting

The Company's two reportable segments, Applied Optics Center and Optex Richardson, are strategic businesses offering similar products to similar markets and customers; however, they are operated and managed separately due to differences in manufacturing technology, equipment, geographic location, and specific product mix. Applied Optics Center was acquired as a unit, and management at the time of the acquisition was retained.

The Applied Optics Center segment also serves as the key supplier of laser coated filters used in the production of periscope assemblies for the Optex Richardson segment. Intersegment sales and transfers are accounted for at annually agreed to pricing rates based on estimated segment product cost, which includes segment direct manufacturing and general and administrative costs, but exclude profits that would apply to third party external customers.

Optex Richardson – Richardson, Texas

Optex Richardson revenues are primarily in support of prime and subcontracted military customers. Military sales to prime and subcontracted customers represented approximately 98% and sales to commercial customers represented approximately 2% of the external segment revenue for the six months ended March 31, 2024. The Optex Richardson segment revenue is comprised of approximately 86% domestic military customers and 12% foreign military customers. For the six months ended March 31, 2024, Optex Richardson represented 50% of the Company's total consolidated revenue and consisted of revenue from the U.S. government (15%), one major U.S. defense contractor (23%), and all other customers (12%).

Optex Richardson is located in Richardson Texas, with leased premises consisting of approximately 49,100 square feet. As of March 31, 2024, the Richardson facility operated with 69 full-time equivalent employees in a single shift operation. The facilities at Optex Richardson serve as the home office for both the Optex Richardson and Applied Optics Center segments.

Applied Optics Center (AOC) – Dallas, Texas

The Applied Optics Center serves primarily domestic U.S. customers. Sales to commercial customers represented approximately 31% and military sales to prime and subcontracted customers represented approximately 69% of the external segment revenue for the six months ended March 31, 2024. Approximately 95% of the AOC revenue was derived from external customers and approximately 5% was related to intersegment sales to Optex Richardson in support of military contracts. For the six months ended March 31, 2024, AOC represented 50% of the Company's total consolidated revenue and consisted of revenue from one major defense contractor (9%), one commercial customer (15%), and all other customers (26%).

The Applied Optics Center is located in Dallas, Texas with leased premises consisting of approximately 44,867 square feet of space. As of March 31, 2024, AOC operated with 46 full-time equivalent employees in a single shift operation.

The financial tables below present information on the reportable segments' profit or loss for each period, as well as segment assets as of each period end. The Company does not allocate interest expense, income taxes or unusual items to segments.

	Reportable Segment Financial Information (thousands) As of and for the three months ended March 31, 2024			
	Optex Richardson	**Applied Optics Center Dallas**	**Other (non-allocated costs and intersegment eliminations)**	**Consolidated Total**
Revenues from external customers	$ 4,274	$ 4,249	$ -	$ 8,523
Intersegment revenues	-	231	(231)	-
Total revenue	$ 4,274	$ 4,480	$ (231)	$ 8,523
Interest expense	$ -	$ -	$ 9	$ 9
Depreciation and amortization	$ 38	$ 79	$ -	$ 117
Income before taxes	$ 393	$ 1,120	$ (166)	$ 1,347
Other significant noncash items:				
Allocated home office expense	$ (337)	$ 337	$ -	$ -
Stock compensation expense	$ -	$ -	$ 157	$ 157
Warranty expense	$ -	$ 26	$ -	$ 26
Segment assets	$ 15,155	$ 8,643	$ -	$ 23,798
Expenditures for segment assets	$ 1,139	$ -	$ -	$ 1,139

	Reportable Segment Financial Information (thousands) As of and for the three months ended April 2, 2023			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and intersegment eliminations)	Consolidated Total
Revenues from external customers	$ 3,053	$ 3,317	$ -	$ 6,370
Intersegment revenues	-	130	(130)	-
Total revenue	$ 3,053	$ 3,447	$ (130)	$ 6,370
Interest expense	$ -	$ -	$ 8	$ 8
Depreciation and amortization	$ 13	$ 72	$ -	$ 85
Income (loss) before taxes	$ (45)	$ 677	$ (25)	$ 607
Other significant noncash items:				
Allocated home office expense	$ (312)	$ 312	$ -	$ -
Stock compensation expense	$ -	$ -	$ 17	$ 17
Warranty expense	$ -	$ 53	$ -	$ 53
Segment assets	$ 11,283	$ 8,567	$ -	$ 19,850
Expenditures for segment assets	$ 25	$ 31	$ -	$ 56

	Reportable Segment Financial Information (thousands) As of and for the six months ended March 31, 2024			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and intersegment eliminations)	Consolidated Total
Revenues from external customers	$ 7,669	$ 7,823	$ -	$ 15,492
Intersegment revenues	-	418	(418)	-
Total revenue	$ 7,669	$ 8,241	$ (418)	$ 15,492
Interest expense	$ -	$ -	$ 16	$ 16
Depreciation and amortization	$ 48	$ 161	$ -	$ 209
Income before taxes	$ 409	$ 1,770	$ (286)	$ 1,893
Other significant noncash items:				
Allocated home office expense	$ (680)	$ 680	$ -	$ -
Stock compensation expense	$ -	$ -	$ 270	$ 270
Warranty expense	$ 17	$ 14	$ -	$ 31
Segment assets	$ 15,155	$ 8,643	$ -	$ 23,798
Expenditures for segment assets	$ 1,172	$ 25	$ -	$ 1,197

	Reportable Segment Financial Information (thousands) As of and for the six months ended April 2, 2023			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and intersegment eliminations)	Consolidated Total
Revenues from external customers	$ 4,672	$ 5,738	$ -	$ 10,410
Intersegment revenues	-	245	(245)	-
Total revenue	$ 4,672	$ 5,983	$ (245)	$ 10,410
Interest expense	$ -	$ -	$ 8	$ 8
Depreciation and amortization	$ 24	$ 142	$ -	$ 166
Income (loss) before taxes	$ (468)	$ 854	$ (61)	$ 325
Other significant noncash items:				
Allocated home office expense	$ (592)	$ 592	$ -	$ -
Stock compensation expense	$ -	$ -	$ 53	$ 53
Warranty expense	$ -	$ 113	$ -	$ 113
Segment assets	$ 11,283	$ 8,567	$ -	$ 19,850
Expenditures for segment assets	$ 25	$ 121	$ -	$ 146

Note 4 - Commitments and Contingencies

Non-cancellable Operating Leases

The Company leases its office and manufacturing facilities for the Optex Richardson location and the Applied Optics Center Dallas location. The Company also leases certain office equipment under non-cancellable operating leases.

The leased facility under Optex Systems Inc. located at 1420 Presidential Drive, Richardson, Texas consists of 49,100 square feet of space at the premises. The previous lease term for this location expired March 31, 2021 and the monthly base rent was $24.6 thousand through March 31, 2021. On January 11, 2021 the Company executed a sixth amendment extending the terms of the lease for eighty-six (86) months, commencing on April 1, 2021 and ending on May 31, 2028. The initial base rent is set at $25.3 thousand and escalates 3% on April 1 each year thereafter. The initial term included 2 months of rent abatement for April and May of 2021. The monthly rent includes approximately $12 thousand for additional Common Area Maintenance fees and taxes (“CAM”), to be adjusted annually based on actual expenses incurred by the landlord.

The leased facility under the Applied Optics Center located at 9839 and 9827 Chartwell Drive, Dallas, Texas, consists of 44,867 square feet of space at the premises. The previous lease term for this location expired on October 31, 2021 and the monthly base rent was $21.9 thousand through the end of the lease. On January 11, 2021 the Company executed a first amendment extending the terms of the lease for eighty-six (86) months, commencing on November 1, 2021 and ending on December 31, 2028. The initial base rent is set at $23.6 thousand as of January 1, 2022 and escalates 2.75% on January 1 each year thereafter. The initial term includes 2 months of rent abatement for November and December of 2021. The amendment provides for a five-year renewal option at the end of the lease term at the greater of the then “prevailing rental rate” or the then current base rental rate. Our obligations to make payments under the lease are secured by a $125,000 standby letter of credit. The monthly rent includes approximately $9 thousand for additional CAM, to be adjusted annually based on actual expenses incurred by the landlord.

The Company had one non-cancellable office equipment lease with a commencement date of October 1, 2018 and a term of 39 months. The lease cost for the equipment was $1.5 thousand per month from October 1, 2018 through December 31, 2021. The lease was renewed on November 18, 2021 for an additional 48 months at a cost of $1.2 thousand per month. The start of the lease was delayed until April 2022 due to temporary equipment shortages. The lease renewal resulted in the recognition of an additional right of use asset and a lease liability of $51 thousand during the twelve months ended October 2, 2022.

As of March 31, 2024, the remaining minimum base lease and estimated common area maintenance (CAM) payments under the non-cancellable office equipment and facility space leases are as follows:

Non-cancellable Operating Leases Minimum Payments

	(Thousands)				
	Optex Richardson	Applied Optics Center	Office Equipment	Consolidated	
Fiscal Year	**Facility Lease Payments**	**Facility Lease Payments**	**Lease Payments**	**Total Lease Payments**	**Total Variable CAM Estimate**
2024 Base year lease	$ 166	$ 149	$ 7	$ 322	$ 150
2025 Base year lease	336	305	15	656	306
2026 Base year lease	346	313	3	662	312
2027 Base year lease	357	322	-	679	318
2028 Base year lease	242	330	-	572	249
2029 Base year lease	-	83	-	83	43
Total base lease payments	**$ 1,447**	**$ 1,502**	**$ 25**	**$ 2,974**	**$ 1,378**
Imputed interest on lease payments [(1)]	**(146)**	**(171)**	**-**	**(317)**	
Total Operating Lease Liability[(2)]	**$ 1,301**	**$ 1,331**	**$ 25**	**$ 2,657**	
Right-of-use Asset[(3)]	**$ 1,211**	**$ 1,254**	**$ 25**	**$ 2,490**	

(1) Assumes a discount borrowing rate of 5.0% on the new lease amendments effective as of January 11, 2021.

(2) Includes $167 thousand of unamortized deferred rent.

(3) Short-term and Long-term portion of Operating Lease Liability is $630 thousand and $2,027 thousand, respectively.

Total expense under both facility lease agreements for the three months ended March 31, 2024 and April 2, 2023 was $241 and $224 thousand, respectively. Total office equipment rentals included in operating expenses was $8 and $5 thousand for the three months ended March 31, 2024 and April 2, 2023, respectively.

Total expense under both facility lease agreements for the six months ended March 31, 2024 and April 2, 2023 was $457 and $438 thousand, respectively. Total office equipment rentals included in operating expenses was $13 thousand and $10 thousand for the six months ended March 31, 2024 and April 2, 2023, respectively.

Note 5 - Debt Financing

Credit Facility — PNC Bank (formerly BBVA, USA)

On April 16, 2020, the Company and its subsidiary, Optex Systems, Inc. (collectively, the "Borrowers") entered into a line of credit facility (the "PNC Facility") with BBVA, USA. In June 2021, PNC Bank completed its acquisition of BBVA, USA and the bank name changed to PNC Bank ("PNC"). The substantive terms were as follows:

- The principal amount of the PNC Facility was $2.25 million. The PNC Facility matured on April 15, 2022. The interest rate was variable based on PNC's Prime Rate plus a margin of -0.250%, initially set at 3% at loan origination, and all accrued and unpaid interest was payable monthly in arrears starting on May 15, 2020; and the principal amount was due in full with all accrued and unpaid interest and any other fees on April 15, 2022.

- There were commercially standard covenants including, but not limited to, covenants regarding maintenance of corporate existence, not incurring other indebtedness except trade debt, not changing more than 25% stock ownership of Borrowers, and a Fixed Charge Coverage Ratio of 1.25:1, with the Fixed Charge Coverage Ratio defined as (earnings before taxes, amortization, depreciation, amortization and rent expense less cash taxes, distribution, dividends and fair value of warrants) divided by (current maturities on long term debt plus interest expense plus rent expense).

- The PNC Facility contained commercially standard events of default including, but not limited to, not making payments when due; incurring a judgment of $10,000 or more not covered by insurance; not maintaining collateral and the like.

- The PNC Facility was secured by a first lien on all of the assets of Borrowers.

On April 12, 2022, the Borrowers entered into an Amended and Restated Loan Agreement (the "PNC Loan Agreement") with PNC, pursuant to which the PNC Facility was decreased from $2.25 million to $1.125 million, and the maturity date was extended from April 15, 2022 to April 15, 2023. The PNC Loan Agreement required the Borrowers to maintain a fixed charge coverage ratio of at least 1.25:1.

On November 21, 2022, the Borrowers issued an Amended and Restated Revolving Line of Credit Note (the "Line of Credit Note") to PNC in connection with an increase of the Borrowers' revolving line of credit facility under the PNC Loan Agreement from $1.125 million to $2.0 million. The maturity date remained April 15, 2023. Obligations outstanding under the credit facility accrued interest at a rate equal to the Lender's prime rate minus 0.25%.

The Line of Credit Note and PNC Loan Agreement contained customary events of default and negative covenants, including but not limited to those governing indebtedness, liens, fundamental changes, investments, and restricted payments. The PNC Facility was secured by substantially all of the operating assets of the Borrowers as collateral. The Borrowers' obligations under the PNC Facility were subject to acceleration upon the occurrence of an event of default as defined in the Line of Credit Note and PNC Loan Agreement.

The PNC Facility was replaced by the Texas Capital Facility on March 22, 2023.

Credit Facility — Texas Capital Bank

On March 22, 2023, the Borrowers entered into a Business Loan Agreement (the "Loan Agreement") with Texas Capital Bank (the "Lender"), pursuant to which the Lender will make available to the Borrowers a revolving line of credit in the principal amount of $3 million (the "Texas Capital Facility"). The Texas Capital Facility replaced the $2 million PNC Facility.

The commitment period for advances under the Texas Capital Facility is twenty-six months expiring on May 22, 2025. We refer to the expiration of that time period as the "Maturity Date." Outstanding advances under the Texas Capital Facility will accrue interest at a rate equal to the secured overnight financing rate (SOFR) plus a specified margin, subject to a specified floor interest rate. As of March 31, 2024 the interest rate was 8.08% per annum.

The Loan Agreement contains customary events of default (including a 25% change in ownership) and negative covenants, including but not limited to those governing indebtedness, liens, fundamental changes (including changes in management), investments, and restricted payments (including cash dividends). The Loan Agreement also requires the Borrowers to maintain a fixed charge coverage ratio of at least 1.25:1 and a total leverage ratio of 3.00:1. The Texas Capital Facility is secured by substantially all of the operating assets of the Borrowers as collateral. The Borrowers' obligations under the Texas Capital Facility are subject to acceleration upon the occurrence of an event of default as defined in the Loan Agreement. The Loan Agreement further provides for a $125,000 Letter of Credit sublimit. The Company was in compliance with all covenants as of March 31, 2024.

The outstanding balance under the Texas Capital Facility was $0.5 million as of March 31, 2024 and $1.0 million as of October 1, 2023.

For the three months and nine months ended March 31, 2024, the total interest expense under the above facilities was $9 thousand and $16 thousand, respectively.

Note 6 -Stock Based Compensation

Restricted Stock and Restricted Stock Units issued to Officers and Employees

The following table summarizes the status of Optex Systems Holdings' aggregate non-vested restricted stock and restricted stock units and performance shares:

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Shares	Weighted Average Grant Date Fair Value	Performance Shares	Weighted Average Grant Date Fair Value
Outstanding at October 2, 2022	**66,000**	**$ 1.52**	**180,000**	**$ 1.75**	**—**	**—**
Granted	42,000	3.05	40,000	3.09	135,000	2.37
Vested	(66,000)	1.52	(60,000)	1.75	—	—
Forfeited	(3,000)	3.00	(40,000)	1.75	—	—
Outstanding at October 1, 2023	**39,000**	**$ 3.06**	**120,000**	**$ 2.20**	**135,000**	**2.37**
Granted	-	-	-	-	-	-
Vested	-	-	(60,000)	2.20	(108,000)	2.48
Forfeited	-	-	-	-	-	-
Outstanding at March 31, 2024	**39,000**	**$ 3.06**	**60,000**	**$ 2.20**	**27,000**	**$ 1.93**

On January 2, 2019, the Company granted 150,000 and 50,000 restricted stock units with a January 2, 2019 grant date to Danny Schoening and Karen Hawkins, respectively, vesting as of January 1 each year subsequent to the grant date over a three-year period at a rate of 34% in year one, and 33% each year thereafter. The stock price at grant date was $1.32 per share. Effective December 1, 2021, the vesting terms of Danny Schoening's Restricted Stock Unit (RSU) grant from January 2019 were revised as described below. The Company amortizes the grant date fair value of $264 thousand to stock compensation expense on a straight-line basis across the three-year vesting period beginning on January 2, 2019. As of March 31, 2024, there was no unrecognized compensation cost relating to this award.

On February 17, 2020, the Company granted 50,000 restricted stock units to Bill Bates, General Manager of the Applied Optics Center. The restricted stock units vest as of January 1 each year subsequent to the grant date over a three-year period at a rate of 34% in year one, and 33% each year thereafter. The stock price at grant date was $2.13 per share. The Company amortized the grant date fair value of $107 thousand to stock compensation expense on a straight-line basis across the three-year vesting period beginning on February 17, 2020.

On April 30, 2020, the Board of Directors held a meeting and voted to increase the annual board compensation for the three independent directors from $22,000 to $36,000 with an effective date of January 1, 2020, in addition to granting 100,000 shares of restricted stock to each independent director which vest at a rate of 20% per year (20,000 shares) each January 1st through January 1, 2025. The total fair value for the 300,000 shares was $525 thousand based on the stock price of $1.75 as of April 30, 2020. On each of January 1, 2021, January 1, 2022, and January 1, 2023, 60,000 of the restricted director shares vested. On February 16, 2023, 40,000 of the unvested restricted shares were forfeited and cancelled when one of the independent directors departed the Board. On May 9, 2023, the Board of Directors approved a grant of 40,000 shares of restricted stock to independent board member Dayton Judd. The shares vest 50% on each of January 1, 2024 and January 1, 2025. As of the grant date, the fair value of the shares was $124 thousand, to be amortized on a straight-line basis through December 31, 2024. The Company amortizes the grant date fair value to stock compensation expense on a straight-line basis across the five-year and two-year vesting periods beginning on April 30, 2020 and May 9, 2023, respectively. As of March 31, 2024, there were 60,000 unvested restricted shares outstanding.

The Company entered into an amended and restated employment agreement with Danny Schoening dated December 1, 2021.The updated employment agreement also served to amend Mr. Schoening's RSU Agreement, dated January 2, 2019, by changing the third and final vesting date for the restricted stock units granted under such agreement from January 1, 2022 to the "change of control date," that being the first of the following to occur with respect to the Company: (i) any "Person," as that term is defined in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with certain exclusions, is or becomes the "Beneficial Owner" (as that term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; or (ii) the Company is merged or consolidated with any other corporation or other entity, other than: (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (B) the Company engages in a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "Person" (as defined above) acquires fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities. The amended RSU Agreement contains certain exceptions to the definition of change of control.

As of the December 1, 2021 modification date related to the third and final vesting date of the 49,500 unvested restricted stock units held by Danny Schoening, there was no change in the fair value of the modified award as compared to the original award immediately prior to the modification date. The restricted stock units initially were certain to vest on January 1, 2022, but due to the modification, they were less certain to vest, contingent on a "change in control" occurring, which change in control, in case Mr. Schoening was terminated by the Company without cause or he resigns with good reason prior to such change in control, was required to occur prior to March 13, 2023. As of the modification date, there was $5 thousand of unrecognized compensation cost associated with the original award. As a matter of expediency, the unrecognized compensation expense as of the modification date was fully expensed through January 1, 2022. There is no additional compensation expense associated with the modification of the restricted stock unit agreement.

On November 28, 2022, the Company entered into a new employment agreement with Danny Schoening which amended Mr. Schoening's RSU Agreement, dated January 2, 2019, which had been previously amended as of December 1, 2021, by changing the third and final vesting date for the restricted stock units granted under such agreement from the "change of control date" to January 1, 2023.

On January 4, 2023, the Company issued 46,432 common shares to Danny Schoening, CEO, and Bill Bates (AOC GM), net of tax withholding of $58 thousand, in settlement of 66,000 restricted stock units which vested on January 1, 2023.

On May 1, 2023, the Company granted an aggregate of 39,000 restricted stock units to eleven employees under its 2023 Equity Incentive Plan. As of the grant date, assuming a 23.1% forfeiture rate based on expected turnover across the three years, the aggregate value of the restricted stock units is $90 thousand which will be amortized across the three-year period on a straight-line basis. During the twelve months ended October 1, 2023, there were 3,000 restricted stock units forfeited. On August 14, 2023 there was an additional grant of 3,000 restricted stock units to one new employee with a fair value of $11 thousand. The restricted stock units will vest at a rate of 33.33% annually on the anniversary date of the grant and any unvested restricted stock units will be forfeited if employment terminates prior to the relevant vesting date. As of October 1, 2023 and March 31, 2024, there were 39,000 unvested restricted stock units outstanding.

On May 3, 2023, the Board of Directors approved a grant of 100,000 and 35,000 performance shares to Danny Schoening, CEO, and Karen Hawkins, CFO, respectively. Each performance share represents a contingent right to receive one share of common stock. The performance shares vest in five equal increments if, in each case and during a five-year performance period beginning on October 2, 2023, the average VWAP per share of common stock over a 30 consecutive trading day period equals or exceeds $3.70, $4.45, $5.35, $6.40, or $7.70. The fair value of the shares, as of the grant date, is $320 thousand and will be amortized through December 31, 2025 based on the derived service periods using a Monte Carlo simulation valuation model.

On October 2, 2023, 27,000 performance shares vested for reaching the 30-day VWAP for Tranche 1. The Company issued a total of 21,060 shares on October 24, 2023 in settlement of the vested shares, net of tax withheld of $27 thousand.

On December 22, 2023 and December 29, 2023, 27,000 performance shares vested each date for reaching the 30-day VWAP for Tranche 2 and Tranche 3. On January 8, 2024 the Company issued a total of 39,563 shares in settlement of the vested shares, net of tax withheld of $91 thousand.

On March 11, 2024, 27,000 performance shares vested each date for reaching the 30-day VWAP for Tranche 4. The Company issued a total of 20,669 shares on March 13, 2024 in settlement of the vested shares, net of tax withheld of $46 thousand.

As of March 31, 2024, there were 27,000 performance shares remaining to vest.

The assumptions and results for the Monte Carlo simulation are as follows:

	Assumptions
Performance Period Start	10/2/2023
Performance Period End	10/1/2028
Term of simulation [(1)]	5.42 years
Time steps in simulation	1,365
Time steps per year	252
Common share price at valuation date [(2)]	$ 3.04
Dividend yield [(3)]	0.0%
Volatility (annual) [(4)]	50.0%
Risk-free rate (annual) [(5)]	3.37%
Cost of equity [(6)]	11.5%

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Number of performance shares in the Tranche [(1)]	27,000	27,000	27,000	27,000	27,000
Fair Value of One Performance share [(7)]	$ 2.75	$ 2.58	$ 2.39	$ 2.18	$ 1.93
Total Fair Value of Tranche	$ 74,345	$ 69,742	$ 64,446	$ 58,819	$ 52,238
Derived Service Period (Years) [(7)]	0.71	1.13	1.60	2.06	2.48

(1) Based on the terms of the Performance Shares agreement issued by the Company on May 3, 2023.
(2) Closing price of OPXS shares on the Valuation Date, as obtained via S&P Capital IQ.
(3) Expected dividends provided by management.
(4) Based on historical volatility of OPXS and comparable public companies.
(5) Interest rate for US Treasury commensurate with the Performance Shares holding period, as of the Valuation Date, as obtained via S&P Capital IQ.
(6) Estimated cost of equity for OPXS as of the Valuation Date.
(7) Based on Monte Carlo simulation.

Stock Based Compensation Expense

Equity compensation is amortized based on a straight-line basis across the vesting or service period as applicable. The recorded compensation costs for options and shares granted and restricted stock units awarded as well as the unrecognized compensation costs are summarized in the table below:

	Stock Compensation (thousands)					
	Recognized Compensation Expense				Unrecognized Compensation Expense	
	Three months ended		Six months ended		As of period ended	
	March 31, 2024	April 2, 2023	March 31, 2024	April 2, 2023	March 31, 2024	October 1, 2023
Restricted Shares	$ 33	$ 17	$ 73	$ 44	$ 99	$ 173
Performance Shares	116	-	180	-	33	212
Restricted Stock Units	8	-	17	9	71	77
Total Stock Compensation	**$ 157**	**$ 17**	**$ 270**	**$ 53**	**$ 203**	**$ 462**

Note 7 – Asset Purchase of Intellectual Property

On January 18, 2024, Optex Systems Holdings, Inc., through its wholly-owned subsidiary Optex Systems, Inc. (collectively, the "Company"), entered into an asset purchase agreement and a contract manufacturing agreement with RUB Aluminium s.r.o. ("RUB"). Under the agreements, the Company acquired certain intellectual property and technical and marketing information relating to the Speedtracker Mach product line, which is primarily used for firearm projectile speed detection, measuring and tracking. RUB will continue to manufacture Speedtracker Mach products on behalf of the Company. The Company acquired the assets using $1 million in cash on hand, with potential additional future cash payments based on successful completion of defined milestones. The initial term of the contract manufacturing agreement is one year, subject to additional one-year renewal terms to which both parties must agree.

The acquisition included transaction costs of $30 thousand for legal fees and a contingent liability for payment against an earnout agreement based on meeting certain revenue milestones. As of January 18, 2024, the fair value of the contingent liability was $83 thousand. As of March 31, 2024, the fair value of the contingent liability was $86 thousand. Pursuant to the asset purchase agreement, the total earnout payment will be $238 thousand only if the earnout revenue milestone is achieved during the earnout period, otherwise the earnout will be zero. The asset will be amortized on a straight-line basis over seven years and reviewed annually at each fiscal year end for possible impairment.

As of March 31, 2024 the value of intangible assets is:

	March 31, 2024	April 2, 2023
Intangible Assets – Intellectual Property	$ 1,113	$ -
Change in Fair Value of Contingent Liability	3	-
Amortization of Intangible Assets	(27)	-
Net Intangible Assets	**$ 1,089**	**$ -**

The fair value of the contingent liability was determined using the Black-Scholes option pricing model based on the management projected earnout units sold for the earnout period term in conjunction with the earnout units defined pursuant to the asset purchase agreement. The additional assumptions used for the option pricing model for the initial measurement period of January 18, 2024 and the period ended March 31, 2024 are included below.

	Measurement Date	
Assumptions	**Initial Date January 18, 2024**	**Period Ended March 31, 2024**
Earnout Unit Discount Rate	12.01%	12.38%
Period End Date	7/18/2025	7/18/2025
Term to Expiry (years)	1.5	1.3
Volatility	30.0%	30.0%
Risk Free Rate	5.00%	5.27%
Dividend Yield	-	-
Payoff Discount Rate	6.35%	6.10%
Expected Payment Date	8/2/2025	8/2/2025
Indicated Fair Value of Earnout (rounded)	$ 83,000	$ 86,000

Note 8 - Stockholders' Equity

Dividends

No dividends were declared or paid during the three and six months ended March 31, 2024 and the twelve months ended October 2, 2022.

Common Stock

On September 22, 2021, the Company announced authorization of a $1 million stock repurchase program. The shares authorized to be repurchased under the repurchase program may be purchased from time to time at prevailing market prices, through open market transactions or in negotiated transactions, depending upon market conditions and subject to Rule 10b-18 as promulgated by the SEC.

During the three and six months ended March 31, 2024 and April 2, 2023, there were zero common shares repurchased under the program.

During the three and six months ended March 31, 2024, the Company issued 20,669 and 81,292 shares to Danny Schoening and Karen Hawkins in settlement of 27,000 and 108,000 performance shares which vested during the three and six months, respectively. The shares were issued net of 6,331 and 26,708 shares withheld for taxes.

As of March 31, 2024, and October 1, 2023, the total outstanding common shares were 6,844,362 and 6,763,070, respectively.

Note 9 - Subsequent Events

On May 1, 2024, the Company granted an aggregate of 39,000 restricted stock units to eleven employees under its 2023 Equity Incentive Plan. The restricted stock units will vest at a rate of 33.33% annually on the anniversary date of the grant and any unvested restricted stock units will be forfeited if employment terminates prior to the relevant vesting date.

On May 1, 2024, there were 12,000 shares vested under its 2023 Equity Incentive Plan for restricted stock units granted on May 1, 2023. On May 3, 2024, 8,446 shares were issued to ten employees, net of tax withholding.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to supplement and complement our audited condensed consolidated financial statements and notes thereto for the fiscal year ended October 1, 2023 and our unaudited consolidated financial statements and notes thereto for the quarter ended March 31, 2024, prepared in accordance with U.S. generally accepted accounting principles (GAAP). You are encouraged to review our consolidated financial statements in conjunction with your review of this MD&A. The financial information in this MD&A has been prepared in accordance with GAAP, unless otherwise indicated. In addition, we use non-GAAP financial measures as supplemental indicators of our operating performance and financial position. We use these non-GAAP financial measures internally for comparing actual results from one period to another, as well as for planning purposes. We will also report non-GAAP financial results as supplemental information, as we believe their use provides more insight into our performance. When a non-GAAP measure is used in this MD&A, it is clearly identified as a non-GAAP measure and reconciled to the most closely corresponding GAAP measure.

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. The operating results for the periods presented were not significantly affected by inflation.

Cautionary Note Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q, in particular the MD&A, contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. When used in this Quarterly Report on Form 10-Q and other reports, statements, and information we have filed with the Securities and Exchange Commission ("Commission" or "SEC"), in our press releases, presentations to securities analysts or investors, or in oral statements made by or with the approval of an executive officer, the words or phrases "believes," "may," "will," "expects," "should," "continue," "anticipates," "intends," "will likely result," "estimates," "projects" or similar expressions and variations thereof are intended to identify such forward-looking statements.

These forward-looking statements represent our expectations, beliefs, intentions or strategies concerning future events, including, but not limited to, any statements regarding growth strategy; product and development programs; financial performance and financial condition (including revenue, net income, profit margins and working capital); orders and backlog; expected timing of contract deliveries to customers and corresponding revenue recognition; increases in the cost of materials and labor; costs remaining to fulfill contracts; contract loss reserves; labor shortages; follow-on orders; supply chain challenges; the continuation of historical trends; the sufficiency of our cash balances for future liquidity and capital resource needs; the expected impact of changes in accounting policies on our results of operations, financial condition or cash flows; anticipated problems and our plans for future operations; and the economy in general or the future of the defense industry.

We caution that these statements by their nature involve risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors. Such risks and uncertainties include, but are not limited to, continued funding of defense programs and military spending, the timing of such funding, general economic and business conditions, including unforeseen weakness in the Company's markets, effects of continued geopolitical unrest and regional conflicts, competition, changes in technology and methods of marketing, delays in completing engineering and manufacturing programs, changes in customer order patterns, changes in product mix, continued success in technological advances and delivering technological innovations, changes in the U.S. Government's interpretation of federal procurement rules and regulations, changes in spending due to policy changes in any new federal presidential administration, market acceptance of the Company's products, shortages in components, production delays due to performance quality issues with outsourced components, inability to fully realize the expected benefits from acquisitions and restructurings or delays in realizing such benefits, challenges in integrating acquired businesses and achieving anticipated synergies, changes to export regulations, increases in tax rates, changes to generally accepted accounting principles, difficulties in retaining key employees and customers, unanticipated costs under fixed-price service and system integration engagements, changes in the market for microcap stocks regardless of growth and value and various other factors beyond our control. Some of these risks and uncertainties are identified in this Management's Discussion and Analysis of Financial Condition and Results of Operations and the section "Risk Factors" in our Annual Report on Form 10-K and you are urged to review those sections. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider any such list to be a complete list of all potential risks or uncertainties.

We do not assume the obligation to update any forward-looking statement. You should carefully evaluate such statements in light of factors described in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K.

Background

Optex Systems Holdings, Inc. (together with its subsidiaries, the "Company," "we," "us" and "our") manufactures optical sighting systems and assemblies, primarily for Department of Defense applications. Its products are installed on various types of U.S. military land vehicles, such as the Abrams and Bradley fighting vehicles, light armored and armored security vehicles and have been selected for installation on the Stryker family of vehicles. We also manufacture and deliver numerous periscope configurations, rifle and surveillance sights and night vision optical assemblies. Our products consist primarily of build-to-customer print products that are delivered both directly to the armed services and to other defense prime contractors. Less than 1% of today's revenue is related to the resale of products substantially manufactured by others. In this case, the product would likely be a simple replacement part of a larger system previously produced by us.

We are both a prime and sub-prime contractor to the Department of Defense. Sub-prime contracts are typically issued through major defense contractors such as General Dynamics Land Systems, Raytheon Corp., BAE Systems plc, ADS Inc. and others. We are also a military supplier to foreign governments such as Israel, Australia and South American countries and as a subcontractor for several large U.S. defense companies serving foreign governments.

The Federal Acquisition Regulation is the principal set of regulations that govern the acquisition process of government agencies and contracts with the U.S. government. In general, parts of the Federal Acquisition Regulation are incorporated into government solicitations and contracts by reference as terms and conditions effecting contract awards and pricing solicitations.

Many of our contracts are prime or subcontracted directly with the Federal government and, as such, are subject to Federal Acquisition Regulation Subpart 49.5, "Contract Termination Clauses" and more specifically Federal Acquisition Regulation clauses 52.249-2 "Termination for Convenience of the Government (Fixed-Price)", and 49.504 "Termination of fixed-price contracts for default". These clauses are standard clauses on our prime military contracts and generally apply to us as subcontractors. It has been our experience that the termination for convenience is rarely invoked, except where it is mutually beneficial for both parties. We are currently not aware of any pending terminations for convenience or for default on our existing contracts.

In the event a termination for convenience were to occur, Federal Acquisition Regulation clause 52.249-2 provides for full recovery of all contractual costs and profits reasonably occurred up to and as a result of the terminated contract. In the event a termination for default were to occur, we could be liable for any excess cost incurred by the government to acquire supplies from another supplier similar to those terminated from us. We would not be liable for any excess costs if the failure to perform the contract arises from causes beyond the control and without the fault or negligence of the Company as defined by Federal Acquisition Regulation clause 52.249-8.

In addition, some of our contracts allow for government contract financing in the form of contract progress payments pursuant to Federal Acquisition Regulation 52.232-16, "Progress Payments". As a small business, and subject to certain limitations, this clause provides for government payment of up to 90% of incurred program costs prior to product delivery. To the extent our contracts allow for progress payments, we intend to utilize this benefit, thereby minimizing the working capital impact on us for materials and labor required to complete the contracts.

Recent Events

January 2024 Asset Acquisition

On January 18, 2024, Optex Systems Holdings, Inc., through its wholly-owned subsidiary Optex Systems, Inc. (collectively, the "Company"), entered into an asset purchase agreement and a contract manufacturing agreement with RUB Aluminium s.r.o. ("RUB"). Under the agreements, the Company acquired certain intellectual property and technical and marketing information relating to the Speedtracker Mach product line, which is primarily used for firearm projectile speed detection, measuring and tracking. RUB will continue to manufacture Speedtracker Mach products on behalf of the Company. The Company acquired the assets using $1 million in cash on hand, with potential additional future cash payments based on successful completion of defined milestones. The initial term of the contract manufacturing agreement is one year, subject to additional one-year renewal terms to which both parties must agree.

The acquisition included transaction costs of $30 thousand for legal fees and a contingent liability for payment against an earnout agreement based on meeting certain revenue milestones. As of March 31, 2024, the fair value of the contingent liability was $86 thousand. Pursuant to the asset purchase agreement, the total earnout payment will be $238 thousand only if the earnout revenue milestone is achieved during the earnout period, otherwise the earnout will be zero. The asset will be amortized on a straight-line basis over a seven-year period.

Material Trends

Recent supply chain disruptions have strained our suppliers and extended supplier delivery lead times, affecting our ability to sustain operations. We anticipate market wide material shortages for paint and resin products as well as critical epoxies and chemicals used in our manufacturing process. In addition, we are seeing substantial increases in the costs of aluminum, steel and acrylic commodities, which has affected our net income in the year ended October 1, 2023 and the three and six months ended March 31, 2024, and is expected to continue to have a negative effect on the margins expected to be generated under our long-term fixed contracts over the next three years. See also "*Item 1A. Risk Factors – Risks Related to Our Business - Certain of our products are dependent on specialized sources of supply potentially subject to disruption which could have a material, adverse impact on our business" in our* Annual Report on Form 10-K for the year ended October 1, 2023.

We have experienced significant material shortages during the year ended October 1, 2023 and extending into the first six months of fiscal year 2024 from several significant suppliers of our periscope covers and housings. These shortages affect several of our periscope products at the Optex Richardson segment. The delays in key components, combined with labor shortages during the year ended October 1, 2023 and continuing into the first six months of fiscal year 2024, have negatively impacted our production levels and continue to push back expected delivery dates. We are aggressively seeking alternative sources and actively expediting our current suppliers for these components as well as increasing employee recruitment initiatives and overtime to attempt to mitigate any continuing risks to the periscope line. We are seeing some recent improvements in the local labor market and are adding to our direct labor force in concert with improvements in our supplier delivery performance. While we are encouraged by improvements in supplier performance for the Optex Richardson segment periscope line which yielded increased revenue performance during fiscal year 2023 and into the first six months of fiscal 2024, our suppliers have yet to ramp up deliveries sufficiently to keep pace with our current customer demands. As such, we cannot give any assurances that expected customer delivery dates for our periscope products will not experience further delays.

In March 2023, we moved our line of credit from PNC Bank to Texas Capital Bank and increased our available line of credit to $3.0 million from the previous $2.0 million line with PNC. The increase in credit limit helps us meet our working capital requirements in light of the increased backlog and delay of revenues from the fiscal year 2023.

We refer also to "*Item 1. Business – Market Opportunity: U.S. Military*" *in our* Annual Report on Form 10-K for the year ended October 1, 2023 for a description of current trends in U.S. government military spending and its potential impact on Optex, which may be material, including particularly the tables included in that section and disclosure on the significant reduction in spending for U.S. ground system military programs, which has a direct impact on the Optex Richardson segment revenue, all of which is incorporated herein by reference.

Results of Operations

Non-GAAP Adjusted EBITDA

We use adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) as an additional measure for evaluating the performance of our business as "net income" includes the significant impact of noncash valuation gains and losses on warrant liabilities, noncash compensation expenses related to equity stock issues, as well as depreciation, amortization, interest expenses and federal income taxes. We believe that Adjusted EBITDA is a meaningful indicator of our operating performance because it permits period-over-period comparisons of our ongoing core operations before the excluded items, which we do not consider relevant to our operations. Adjusted EBITDA is a financial measure not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP").

Adjusted EBITDA has limitations and should not be considered in isolation or a substitute for performance measures calculated under GAAP. This non-GAAP measure excludes certain cash expenses that we are obligated to make. In addition, other companies in our industry may calculate Adjusted EBITDA differently than we do or may not calculate it at all, which limits the usefulness of Adjusted EBITDA as a comparative measure.

The table below summarizes our three and six-month operating results for the periods ended March 31, 2024 and April 2, 2023, in terms of both the GAAP net income measure and the non-GAAP Adjusted EBITDA measure. We believe that including both measures allows the reader better to evaluate our overall performance.

	(Thousands)			
	Three months ended		Six months ended	
	March 31, 2024	April 2, 2023	March 31, 2024	April 2, 2023
Net Income (GAAP)	$ 1,062	$ 479	$ 1,493	$ 256
Add:				
Federal Income Tax Expense	285	128	400	69
Depreciation and Amortization	117	85	209	166
Stock Compensation	157	17	270	53
Interest Expense	9	8	16	8
Adjusted EBITDA - Non GAAP	**$ 1,630**	**$ 717**	**$ 2,388**	**$ 552**

Our net income increased by $0.6 million to $1.1 million for the three months ended March 31, 2024, as compared to net income of $0.5 million for the prior year period. Our adjusted EBITDA increased by $0.9 million to $1.6 million for the three months ended March 31, 2024, as compared to adjusted EBITDA of $0.7 million for the prior year period.

Our net income increased by $1.2 million to $1.5 million for the six months ended March 31, 2024, as compared to net income of $0.3 million for the prior year period. Our adjusted EBITDA increased by $1.8 million to $2.4 million for the six months ended March 31, 2024, as compared to adjusted EBITDA of $0.6 million for the prior year period.

The increase in net income and adjusted EBITDA for the most recent three and six-month periods compared to the prior year periods is primarily driven by higher revenue and improved gross profit performance across both operating segments. Operating segment performance is discussed in greater detail throughout the following sections.

Results of Operations Selective Financial Information
(Thousands)

	Three months ended							
	March 31, 2024				April 2, 2023			
	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated	Optex Richardson	Applied Optics Center Dallas	Other (non-allocated costs and eliminations)	Consolidated
Revenue from External Customers	$ 4,274	4,249	-	8,523	$ 3,053	$ 3,317	$ -	$ 6,370
Intersegment Revenues	-	231	(231)	-	-	130	(130)	-
Total Segment Revenue	**4,274**	**4,480**	**(231)**	**8,523**	**3,053**	**3,447**	**(130)**	**6,370**
Total Cost of Sales	3,346	2,851	(231)	5,966	2,614	2,333	(130)	4,817
Gross Profit	**928**	**1,629**	**-**	**2,557**	**439**	**1,114**	**-**	**1,553**
Gross Margin %	***21.7%***	***36.4%***	**-**	***30.0%***	***14.4%***	***32.3%***	**-**	***24.4%***
General and Administrative Expense	872	172	157	1,201	796	125	17	938
Segment Allocated G&A Expense	(337)	337	-	-	(312)	312	-	-
Net General & Administrative Expense	535	509	157	1,201	484	437	17	938
Operating Income (Loss)	**393**	**1,120**	**(157)**	**1,356**	**(45)**	**677**	**(17)**	**615**
Operating Income (Loss) %	***9.2%***	***25.0%***	**-**	***15.9%***	***(1.5%)***	***19.6%***	**-**	***9.7%***
Interest Expense	-	-	(9)	(9)	-	-	(8)	(8)
Net Income (Loss) before taxes	**$ 393**	**1,120**	**(166)**	**1,347**	**$ (45)**	**$ 677**	**$ (25)**	**$ 607**
Net Income (Loss) %	***9.2%***	***25.0%***	**-**	***15.8%***	***(1.5%)***	***19.6%***	**-**	***9.5%***

Results of Operations Selected Financial Info by Segment
(Thousands)
Six months ended

	March 31, 2024				April 2, 2023			
	Optex Richardson	**Applied Optics Center Dallas**	**Other (non-allocated costs and eliminations)**	**Consolidated**	**Optex Richardson**	**Applied Optics Center Dallas**	**Other (non-allocated costs and eliminations)**	**Consolidated**
Revenue from External Customers	7,669	7,823	-	15,492	$ 4,672	$ 5,738	$ -	$ 10,410
Intersegment Revenues	-	418	(418)	-	-	245	(245)	-
Total Segment Revenue	**7,669**	**8,241**	**(418)**	**15,492**	**4,672**	**5,983**	**(245)**	**10,410**
Total Cost of Sales	6,187	5,481	(418)	11,250	4,073	4,312	(245)	8,140
Gross Profit	**1,482**	**2,760**	**-**	**4,242**	**599**	**1,671**	**-**	**2,270**
Gross Margin %	***19.3%***	***33.5%***	**-**	***27.4%***	***12.8%***	***27.9%***	**-**	***21.8%***
General and Administrative Expense	1,753	310	270	2,333	1,659	225	53	1,937
Segment Allocated G&A Expense	(680)	680	-	-	(592)	592	-	-
Net General & Administrative Expense	1,073	990	270	2,333	1,067	817	53	1,937
Operating Income (Loss)	**409**	**1,770**	**(270)**	**1,909**	**(468)**	**854**	**(53)**	**333**
Operating Income (Loss) %	***5.3%***	***21.5%***	**-**	***12.3%***	***(10.0%)***	***14.3%***	**-**	***3.2%***
Interest Expense	-	-	(16)	(16)	-	-	(8)	(8)
Income (Loss) before taxes	**409**	**1,770**	**(286)**	**1,893**	**$ (468)**	**$ 854**	**$ (61)**	**$ 325**
Income (loss) before taxes %	***5.3%***	***21.5%***	**-**	***12.2%***	***(10.0%)***	***14.3%***	**-**	***3.1%***

For the three months ended March 31, 2024, our total revenues increased by $2.1 million, or 33.8%, compared to the prior year period. The increase in revenue was primarily driven by increased deliveries at both the Optex Richardson segment of $1.2 million and the Applied Optics Center segment of $0.9 million**.**

For the six months ended March 31, 2024, our total revenues increased by $5.1 million, or 48.8%, compared to the prior year period. The increase in revenue was primarily driven by increased deliveries at both the Optex Richardson segment of $3.0 million and the Applied Optics Center segment of $2.1 million**.**

Consolidated gross profit for the three months ended March 31, 2024 increased by $1.0 million, or 64.6%, compared to the prior year period. Consolidated gross profit for the six months ended March 31, 2024 increased by $2.0 million, or 86.9%, compared to the prior year period.

The increase in the most recent three and six-month period gross margin was primarily attributable to higher revenue spread across a fixed manufacturing cost base combined with changes in product mix and improved pricing and operating performance in both operating segments.

Our operating income for the three months ended March 31, 2024 increased by $0.7 million compared to the prior year period. The increase in operating income was primarily driven by higher gross profit of $1.0 million offset by increased general and administrative expenses of ($0.3) million during the current three-month period.

Our operating income for the six months ended March 31, 2024 increased by $1.6 million compared to the prior year period. The increase in operating income was primarily driven by increased gross profit of $2.0 million offset by increased general and administrative costs of ($0.4) million during the current six-month period.

New Orders and Backlog

Product backlog represents the value of unfulfilled customer manufacturing orders yet to be recognized as revenue. While backlog is not a non-GAAP financial measure, it is also not defined by GAAP. Therefore, our methodology for calculating backlog may not be consistent with methodologies used by other companies. The booked backlog by period may also not be fully indicative of the predicted revenues for those periods as many of our orders provide for accelerated delivery without penalty and may additionally provide customers the option to adjust schedules to meet their most recent projected demand quantities. However, we provide customer order and backlog information as we believe it provides significant insight into forward demand, with some predictive power to short term future revenues.

During the six months ended March 31, 2024, the Company booked $17.9 million in new orders, representing a (6.3%) decrease over the prior year period. The decrease in orders is primarily attributable to a (24.0%) decrease in the Optex Richardson segment orders over the prior year period. The Applied Optics Center experienced a 51.1% increase in orders over the prior year period.

The following table depicts the new customer orders for the six months ending March 31, 2024 as compared to the prior year period in millions of dollars by segment and product line:

	(Millions)			
Product Line	**Six months ended March 31, 2024**	**Six months ended April 2, 2023**	**Variance**	**% Chg**
Periscopes	$ 8.7	$ 8.5	$ 0.2	2.4%
Sighting Systems	0.4	3.9	(3.5)	(89.7)%
Other	2.0	2.2	(0.2)	(9.1)%
Optex Richardson	**11.1**	**14.6**	**(3.5)**	**(24.0)%**
Optical Assemblies	1.0	1.2	(0.2)	(16.7)%
Laser Filters	4.6	2.4	2.2	91.7%
Day Windows	0.1	0.1	-	-%
Other	1.1	0.8	0.3	37.5%
Applied Optics Center – Dallas	**6.8**	**4.5**	**2.3**	**51.1%**
Total Customer Orders	**$ 17.9**	**$ 19.1**	**$ (1.2)**	**(6.3)%**

During the current year six-month period, Optex Richardson orders decreased by $3.5 million, or (24.0%) as compared to the prior year period. The primary reason for the decrease relates to a prior year award for $3.4 million in sighting systems to repair and refurbish night vision equipment for the Government of Israel. The order represents a significant increase in our Optex Richardson sighting systems business base over the next two to three years and includes an additional potential award value with a 100% optional award quantity clause. We began shipments against the contract in December 2023. The Applied Optics Center orders increased $2.3 million, or 51.1% as we continue to see increases in orders for laser filter units for several prime government contractors.

Backlog as of March 31, 2024 was $44.2 million, compared to a backlog of $41.6 million as of April 2, 2023, representing an increase of $2.6 million, or 6.3%. Backlog as compared to October 1, 2023 increased by $2.4 million, or 5.7%, from $41.8 million. The following table depicts the current expected delivery by period of all contracts awarded as of March 31, 2024 in millions of dollars:

Product Line	**Q3 2024**	**Q4 2024**	**2024 Delivery**	**2025+ Delivery**	**Total Backlog 3/31/2024**	**Total Backlog 4/2/2023**	**Variance**	**% Chg**
Periscopes	$ 3.6	$ 4.7	$ 8.3	$ 10.6	$ 18.9	$ 12.6	$ 6.3	50.0%
Sighting Systems	0.6	0.5	1.1	3.4	4.5	5.3	(0.8)	(15.1)%
Howitzer	-	0.1	0.1	2.2	2.3	2.3	-	-%
Other	1.1	0.7	1.8	2.4	4.2	5.0	(0.8)	(16.0)%
Optex Richardson	**5.3**	**6.0**	**11.3**	**18.6**	**29.9**	**25.2**	**4.7**	**18.7%**
Optical Assemblies	0.8	0.5	1.3	0.2	1.5	4.8	(3.3)	(68.8)%
Laser Filters	2.4	2.5	4.9	5.3	10.2	9.0	1.2	13.3%
Day Windows	0.2	0.3	0.5	0.9	1.4	1.9	(0.5)	(26.3)%
Other	0.4	0.2	0.6	0.6	1.2	0.7	0.5	71.4%
Applied Optics Center - Dallas	**3.8**	**3.5**	**7.3**	**7.0**	**14.3**	**16.4**	**(2.1)**	**(12.8)%**
Total Backlog	**$ 9.1**	**$ 9.5**	**$ 18.6**	**$ 25.6**	**$ 44.2**	**$ 41.6**	**$ 2.6**	**6.3%**

Optex Richardson backlog as of March 31, 2024 was $29.9 million as compared to a backlog of $25.2 million as of April 2, 2023, representing an increase of $4.7 million or 18.7%.

Applied Optics Center backlog as of March 31, 2024, was $14.3 million as compared to a backlog of $16.4 million as of April 2, 2023, representing a decrease of ($2.1) million or (12.8%).

Please refer to "*Material Trends*" above or "*Liquidity and Capital Resources*" below for more information on recent developments and trends with respect to our orders and backlog, which information is incorporated herein by reference.

The Company continues to aggressively pursue international and commercial opportunities in addition to maintaining its current footprint with U.S. vehicle manufactures, with existing as well as new product lines. We are also reviewing potential products, outside our traditional product lines, which could be manufactured using our current production facilities in order to capitalize on our existing excess capacity.

Three Months Ended March 31, 2024 Compared to the Three Months Ended April 2, 2023

Revenues. For the three months ended March 31, 2024, revenues increased by $2.1 million or 33.8% compared to the prior year period as set forth in the table below:

	Three months ended (Thousands)			
Product Line	**March 31, 2024**	**April 2, 2023**	**Variance**	**% Chg**
Periscopes	$ 2,695	$ 2,137	$ 558	26.1%
Sighting Systems	212	138	74	53.6%
Other	1,367	778	589	75.7%
Optex Richardson	**4,274**	**3,053**	**1,221**	**40.0%**
Optical Assemblies	1,063	1,493	(430)	(28.8)%
Laser Filters	2,429	1,562	867	55.5%
Day Windows	190	69	121	175.4%
Other	567	193	374	193.8%
Applied Optics Center - Dallas	**4,249**	**3,317**	**932**	**28.1%**
Total Revenue	**$ 8,523**	**$ 6,370**	**$ 2,153**	**33.8%**

Optex Richardson revenue increased by $1.2 million or 40.0% for the three months ended March 31, 2024 as compared to the prior year period on higher customer demand across all product lines.

Applied Optics Center revenue increased by $0.9 million or 28.1% for the three months ended March 31, 2024 as compared to the prior year period. The revenue increase was primarily driven by increased sales on laser filters, day windows and other, offset by decreased sales of our commercial optical assemblies.

Gross Profit. Gross margin during the three-month period ended March 31, 2024 was 30.0% of revenue as compared to a gross margin of 24.4% of revenue for the prior year period. Gross profit increased by $1.0 million to $2.6 million for the three months ended March 31, 2024 as compared to $1.6 million in the prior year three months. The increase in gross profit is primarily attributable to higher revenue, changes in product mix, and increased absorption of fixed overhead across a higher revenue mix. Cost of sales increased to $6.0 million for the current period as compared to the prior year period of $4.8 million on higher revenue.

G&A Expenses. During the three months ended March 31, 2024 and April 2, 2023, we recorded operating expenses of $1.2 million and $0.9 million, respectively. Operating expenses increased $0.3 million in the current year period as compared with the prior year period on higher labor and stock compensation expenses, combined with increases in royalty and selling expenses.

Operating Income. During the three months ended March 31, 2024, we recorded operating income of $1.4 million, as compared to operating income of $0.6 million during the three months ended April 2, 2023. The $0.8 million increase in operating income for the current year period from the prior year period is primarily due to higher revenue and gross profit during the current year period, partially offset by increased operating expenses.

Six Months Ended March 31, 2024 Compared to the Six Months Ended April 2, 2023

Revenues. For the six months ended March 31, 2024, revenues increased by $5.1 million or 48.8% compared to the prior year period as set forth in the table below:

	Six months ended (Thousands)			
Product Line	**March 31, 2024**	**April 2, 2023**	**Variance**	**% Chg**
Periscopes	$ 4,671	$ 3,462	$ 1,209	34.9%
Sighting Systems	570	327	243	74.3%
Other	2,428	883	1,545	175.0%
Optex Richardson	**7,669**	**4,672**	**2,997**	**64.1%**
Optical Assemblies	2,289	2,986	(697)	(23.3)%
Laser Filters	4,266	2,118	2,148	101.4%
Day Windows	351	230	121	52.6%
Other	917	404	513	127.0%
Applied Optics Center - Dallas	**7,823**	**5,738**	**2,085**	**36.3%**
Total Revenue	**$ 15,492**	**$ 10,410**	**$ 5,082**	**48.8%**

Optex Richardson revenue increased by $3.0 million or 64.1% for the six months ended March 31, 2024 as compared to the prior year period primarily on higher customer demand across all product lines.

Applied Optics Center revenue increased by $2.1 million or 36.3% for the six months ended March 31, 2024 as compared to the prior year period. The revenue increase is primarily attributable to increased sales on laser filters, day windows and other, partially offset by decreased sales of our commercial optical assemblies.

Gross Profit. The gross margin during the six-month period ended March 31, 2024 was 27.4% of revenue as compared to a gross margin of 21.8% of revenue for the prior year period. The gross profit increased by $2.0 million to $4.2 million for the six months ended March 31, 2024 as compared to $2.2 million for the prior year period. The increase in gross profit is primarily attributable to higher revenue, changes in product mix and increased fixed cost absorption across a higher revenue base. Cost of sales increased to $11.3 million for the six months ended March 31, 2024 as compared to the prior year period of $8.1 million on higher period revenue.

G&A Expenses. During the six months ended March 31, 2024 and April 2, 2023, we recorded operating expenses of $2.3 million and $1.9 million, respectively. Operating expenses increased by 20.4% comparing the respective periods primarily due to increased labor, stock compensation, royalty and selling expenses.

Operating Income. During the six months ended March 31, 2024, we recorded operating income of $1.9 million, as compared to operating income of $0.3 million during the six months ended April 2, 2023. The $1.6 million increase in operating income is primarily due to higher gross profit, which was partially offset by increased general and administrative expenses.

Liquidity and Capital Resources

As of March 31, 2024, the Company had working capital of $13.6 million, as compared to $13.5 million as of October 1, 2023.

During the six months ended March 31, 2024, the Company had operating cash provided by operations of $1.0 million, used $0.5 million to pay down our line of credit and spent $0.2 million on acquisitions of property and equipment and $1.0 million on the acquisition of intellectual property. During the period, our inventory increased $1.5 million in support of new program awards and increasing revenues anticipated over the next six months.

The Company has capital commitments of $0.6 million for the purchase of property and equipment consisting of a CNC Machine, a Ur5e Robot Reach and a significant coating chamber upgrade.

Backlog as of March 31, 2024 was $44.2 million as compared to a backlog of $41.8 million and $41.6 million as of October 1, 2023 and April 2, 2023, respectively, and representing an increase of 5.7% and 6.3%, respectively. For further details, see "*Results of Operations – New Orders and Backlog*" above.

The Company has historically funded its operations through cash from operations, convertible notes, common and preferred stock offerings and bank debt. The Company's ability to generate positive cash flows depends on a variety of factors, including the continued development and successful marketing of the Company's products. At March 31, 2024, the Company had approximately $0.3 million in cash and an outstanding balance of $0.5 million on its line of credit. As of March 31, 2024, our outstanding accounts receivable was $3.7 million. We expect the accounts to be collected during the third quarter of fiscal 2024.

We refer to the disclosure above under "*Material Trends"* with respect to recent supply chain disruptions and material shortages, which disclosure is incorporated herein by reference.

In the short term, the Company plans to utilize its current cash, available line of credit and operating cash flow to fund inventory purchases in support of the backlog growth and higher anticipated revenue during the next twelve months. Short term cash in excess of our working capital needs may be also be used to fund the purchase of product lines and other assets, including property and equipment required to maintain or meet our growing backlog, in addition to repurchasing common stock against our current stock repurchase plan. Longer term, excess cash beyond our operating needs may be used to fund new product development, company or product line acquisitions, or additional stock purchases as attractive opportunities present themselves.

On January 18, 2024, the Company acquired certain intellectual property and technical and marketing information relating to the Speedtracker Mach product line and entered into an asset purchase agreement and a contract manufacturing agreement with RUB Aluminium s.r.o. ("RUB"). The Company acquired the assets using $1 million in cash on hand, with potential additional future cash payments based on successful completion of defined milestones. The initial term of the contract manufacturing agreement is one year, subject to additional one-year renewal terms.

The acquisition included transaction costs of $30 thousand for legal fees and a contingent liability for payment against an earnout agreement based on meeting certain revenue milestones. As of March 31, 2024, the fair value of the contingent liability was $86 thousand. Pursuant to the asset purchase agreement, the total earnout payment will be $238 thousand only if the earnout revenue milestone is achieved during the earnout period, otherwise the earnout will be zero. The asset will be amortized on a straight-line basis over a seven-year period.

In some instances, new government contract awards may allow for contract financing in the form of progress payments pursuant to Federal Acquisition Regulation 52.232-16, "Progress Payments." Subject to certain limitations, this clause provides for government payment of up to 90% of incurred program costs prior to product delivery for small businesses like us. To the extent any contracts allow for progress payments and the respective contracts would result in significant preproduction cash requirements for design, process development, tooling, material or other resources which could exceed our current working capital or line of credit availability, we intend to utilize this benefit to minimize any potential negative impact on working capital prior to receipt of payment for the associated contract deliveries. Currently none of our existing contracts allow for progress payments.

We refer to "*Note 4 – Commitments and Contingencies – Non-cancellable Operating Leases*" for a tabular depiction of our remaining minimum lease and estimated CAM payments under such leases as of March 31, 2024, which disclosure is incorporated herein by reference.

The Company expects to generate net income and positive cash flow from operating activities over the next twelve months. To achieve and retain profitability, we need to maintain a level of revenue adequate to support our cost structure. Management intends to manage operations commensurate with its level of working capital and line of credit during the next twelve months and beyond; however, uneven revenue levels driven by changes in customer delivery demands, first article inspection requirements or other program delays associated with the pandemic, labor shortages and supply chain issues could create a working capital shortfall. In the event the Company does not successfully implement its ultimate business plan, certain assets may not be recoverable.

On March 22, 2023, the Company and its subsidiary, Optex Systems, Inc. ("Optex", and with the Company, the "Borrowers"), entered into a Business Loan Agreement (the "Loan Agreement") with Texas Capital Bank (the "Lender"), pursuant to which the Lender will make available to the Borrowers a revolving line of credit in the principal amount of $3 million (the "Credit Facility"). The commitment period for advances under the Credit Facility is twenty-six months expiring on May 22, 2025. We refer to the expiration of that time period as the "Maturity Date." Outstanding advances under the Credit Facility will accrue interest at a rate equal to the secured overnight financing rate (SOFR) plus a specified margin, subject to a specified floor interest rate. The interest rate is currently at 8.08% per annum.

The Loan Agreement contains customary events of default (including a 25% change in ownership) and negative covenants, including but not limited to those governing indebtedness, liens, fundamental changes (including changes in management), investments, and restricted payments (including cash dividends). The Loan Agreement also requires the Borrowers to maintain a fixed charge coverage ratio of at least 1.25:1 and a total leverage ratio of 3.00:1. The Credit Facility is secured by substantially all of the operating assets of the Borrowers as collateral. The Borrowers' obligations under the Credit Facility are subject to acceleration upon the occurrence of an event of default as defined in the Loan Agreement. The Loan Agreement further provides for a $125,000 Letter of Credit sublimit. As of March 31, 2024, there was $0.5 million borrowed under the Credit Facility. As of March 31, 2024, the Company is in compliance with all covenants under the Credit Facility.

The Credit Facility replaced the prior $2 million line of credit with PNC Bank, National Association.

On September 22, 2021 the Company announced authorization for an additional $1 million stock repurchase program. As of March 31, 2024, there was an authorized balance of $560 thousand remaining to be spent against the repurchase program. During the six months ended March 31, 2024, there were no stock repurchases against the plan.

Critical Accounting Estimates

A critical accounting estimate is an estimate that:

- is made in accordance with generally accepted accounting principles,
- involves a significant level of estimation uncertainty, and
- has had or is reasonably likely to have a material impact on the company's financial condition or results of operation.

Our significant accounting policies are fundamental to understanding our results of operations and financial condition. Some accounting policies require that we use estimates and assumptions that may affect the value of our assets or liabilities and financial results. These policies are described in Note 2 (Accounting Policies) to consolidated financial statements in our Annual Report on Form 10-K for the year ended October 1, 2023.

Our critical accounting estimates include warranty costs, contract losses and the deferred tax asset valuation. Future warranty costs are based on the estimated cost of replacement for expected returns based upon our most recent experience rate of defects as a percentage of warranty covered sales. Our warranty covered sales primarily include the Applied Optics Center optical assemblies. While our warranty period is 12 months, our reserve balances assume a general 90-day return period for optical assemblies previously delivered plus any returned backlog in-house that has not yet been repaired or replaced to our customer. If our actual warranty returns should significantly exceed our historical rates on new customer products, significant production changes, or substantial customer changes to the 90-day turn-around times on returned goods, the impact could be material to our operating profit. We have not experienced any significant changes to our warranty trends in the preceding three years and do not anticipate any significant impacts in the near term. We monitor the actual warranty costs incurred to the expected values on a quarterly basis and adjust our estimates accordingly. As of March 31, 2024, the Company had accrued warranty costs of $69 thousand, as compared to $75 thousand as of October 1, 2023. The primary reason for the $6 thousand decrease in reserve balances relates to lower shipments against our warranty covered optical assemblies, combined with a favorable change in estimate due to lower historical return trends and repair costs.

As of March 31, 2024 and October 1, 2023, we had $150 thousand, and $243 thousand, respectively, of contract loss reserves included in our balance sheet accrued expenses. These loss contracts are related to some of our older legacy periscope IDIQ contracts which were priced in 2018 through early 2020, prior to Covid-19 and the significant downturn in defense spending on ground system vehicles. Due to inflationary price increases on component parts and higher internal manufacturing costs (as a result of escalating labor costs and higher burden rates on reduced volume), some of these contracts are in a loss condition, or at marginal profit rates. These contracts are typically three-year IDIQ contracts with two optional award years, and as such, we are obligated to accept new task awards against these contracts until the contract expiration. Should contract costs continue to increase above the negotiated selling price, or in the event the customer should release substantial quantities against these existing loss contracts, the losses could be material. For contracts currently in a loss status based on the estimated per unit contract costs, losses are booked immediately on new task order awards. During the three and six months ended March 31, 2024, the Company recognized a gain on changes in estimates for the contract loss reserves of $120 thousand and $30 thousand and applied reserves of $38 thousand $63 thousand to cost of sales against revenues booked during the periods, respectively.

As of March 31, 2024 and October 1, 2023, the Company had a deferred tax asset valuation allowance of ($0.8) million against deferred tax assets of $1.7 million for a net deferred tax asset of $0.9 million. The valuation allowance has been established due to historical losses resulting in a Net Operating Loss Carryforward for each of the fiscal years 2011 through 2016 which cannot be fully recognized due to an IRS Section 382 limitation related to a change in control. The valuation allowance covers certain deferred tax assets where we believe we will be unlikely to recover those tax assets through future operations. The valuation reserve includes assumptions related to future taxable income which would be available to cover net operating loss carryforward amounts. Because of the uncertainties of future income forecasts combined with the complexity of some of the deferred assets, these forecasts are subject to change over time. While we believe our current estimate to be reasonable, changing market conditions and profitability, changes in equity structure and changes in tax regulations may impact our estimated reserves in future periods.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, management performed, with the participation of our Principal Executive Officer and Principal Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's forms, and that such information is accumulated and communicated to our management including our Principal Executive Officer and our Principal Financial Officer, to allow timely decisions regarding required disclosures. Based upon the evaluation described above, our Principal Executive Officer and our Principal Financial Officer concluded that, as of March 31, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

During the three months ended March 31, 2024, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not aware of any material litigation pending or threatened against us.

Item 1A. Risk Factors

There have been no material changes in risk factors since the risk factors set forth in the Form 10-K filed for the year ended October 1, 2023.

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

Issuer Purchases of Equity Securities

There were no purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) of its common stock under the Exchange Act) during the three months ended March 31, 2024.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable**.**

Item 6. Exhibits

Exhibit No.	Description
10.1	Asset Purchase Agreement and Contract Manufacturing Agreement (RUB Aluminium s.r.o.)
10.2	Form of D&O Indemnification Agreement
31.1 and 31.2	Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002
32.1 and 32.2	Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002
EX-101.INS	Inline XBRL Instance Document
EX-101.SCH	Inline XBRL Taxonomy Extension Schema Document
EX-101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
EX-101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
EX-101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OPTEX SYSTEMS HOLDINGS, INC.

Date: May 14, 2024

By: */s/ Danny Schoening*
Danny Schoening
Principal Executive Officer

OPTEX SYSTEMS HOLDINGS, INC.

Date: May 14, 2024

By: */s/ Karen Hawkins*
Karen Hawkins
Principal Financial Officer and
Principal Accounting Officer

Exhibit 10.1

Exhibit Includes Redactions

Certain information identified with brackets ([***]) has been excluded from this exhibit in accordance with Item 601(b) of Regulation S-K because it is both not material and is the type that the registrant treats as private or confidential.

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**"), dated as of January 18, 2024, is entered into by and among RUB Aluminium s.r.o., Id - No: 24293385, with its registered seat at Tišice – Chrást, Všeteská 307, 277 15, Czech Republic, registered in the Commercial Register by the Municipal Court in Prague, Section C, Insert 193727, a Czech corporation ("**Seller**"), Optex Systems, Inc., with its principal place of business at 1420 Presidential Drive, Richardson, Texas, 75081, a Delaware corporation ("**Buyer**"), and, solely for purpose of the provision on the signature page hereto, Mikrometal s.r.o., Id - No: 18622682, with its registered seat at Ukrajinská 728/2, Vršovice, 101 00 Prague 10, Czech Republic, registered in the Commercial Register by the Municipal Court in Prague, Section C, Insert 4305, a Czech corporation. Capitalized terms used in this Agreement have the meanings given to such terms herein.

RECITALS

WHEREAS, Seller is engaged in the business of developing, manufacturing, marketing and distributing the Speedtracker Mach radar systems, which are primarily used for firearm projectile speed detection, measuring and tracking (collectively, the "**Mach Products**"), and associated products and accessories, including adapters (such products and accessories, collectively with the Mach Products, the "**Products**");

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all the assets, and certain specified liabilities, of the Restricted Business (defined below), subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
PURCHASE AND SALE

Section 1.01 Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, at the Closing, Seller shall sell, convey, assign, transfer, and deliver to Buyer, and Buyer shall purchase from Seller, all of Seller's right, title, and interest in, to, and under all of the tangible and intangible assets, properties, and rights of every kind and nature and wherever located (other than the Excluded Assets), which relate to, or are used or held for use in connection with the firearms and shooting market and military sales (such market and sales, the "**Restricted Business**") (collectively, the "**Purchased Assets**"), including the following:

(a) the assets identified on Section 1.01(a) of the disclosure schedules attached hereto (such devices, the "**Tangible Personal Property**" and such schedules, the "**Disclosure Schedules**");

(b) all Contracts (the "**Assigned Contracts**"), if any, and a list containing all relevant information (including contact information) on the Seller's current business partners and suppliers set forth on Section 1.01(b) of the disclosure schedules attached hereto. The term "Contracts" means all contracts, leases, licenses, instruments, notes, commitments, undertakings, indentures, join ventures, and all other agreements, commitments, and legally binding arrangements, whether written or oral.

(c) an exclusive, worldwide right to use the patent containing German patent number DE102019108741A1 (Rauschunterdrückungsvorrichtung für elektromagnetische Messsysteme, Radarmesssysteme und Verwendung desselben, owned by Dr. Dieter Girlich, Mikrometal s.r.o., and indie Semiconductor FFO GmbH (formerly Silicon Radar GmbH) (the "**Patent**") for the remaining useful life of the Patent for the purpose of developing, manufacturing, marketing and distributing the Products in connection with the Restricted Business (i.e. only in relation to firearm projectile speed detection, measuring and tracking, firearms and shooting market and military sales), and hereby covenants and agrees that it shall not grant a license to any other party for the purpose of developing, manufacturing, marketing or distributing the Product in connection with the Restricted Business. Notwithstanding anything to the contrary herein, the Buyer shall have the right to (i) sublicense the Patent to another party to manufacture, use and/or sell the Product in the Restricted Business and (ii) at its own expense, prosecute infringers of the Patent in connection with the Restricted Business in its own name and to retain any damages recovered.

(d) all rights to inventions, copyrights, trademarks and other source indicia (together with the goodwill symbolized by the commercial use thereof), trade secrets, proprietary information, know-how, technical data, and other intellectual property rights, in each case whether or not registered, and including applications for the grant of any of the foregoing and all rights or forms of protection having equivalent or similar effect to any of the foregoing which may subsist anywhere in the world, with respect to the Restricted Business (together with the Patent, the "**Intellectual Property**"), except that (i) the right to use the Patent for purposes other than in connection with the Restricted Business (i.e. other than in relation to firearm projectile speed detection, measuring and tracking, firearms and shooting market and military sales) is not part of the Purchased Assets and Buyer acknowledges that Seller will continue to use the Patent in the development, manufacturing and sale of products for speed tracking and measuring outside of the Restricted Business (ii) Seller may retain one copy of all documentation relating to Intellectual Property for the exclusive purposes of fulfilling its obligations to Buyer under the Contract Manufacturing Agreement;

(e) all ideas, concepts, inventions, processes, methods, devices, articles of manufacture, technology, know-how and data; protocols, research, procedures; process documentation; formulas and patterns; educational, research and development plans; blueprints, drawings, designs, specifications, algorithms, software, hardware and equipment; confidential business information, including technical information, financial information, customer lists, marketing plans, research, designs, plans, methods, techniques, and processes, computer software programs and applications, in both source and object code form; technical documentation of software programs; statistical models, supplier lists, email lists, databases, and data; and any and all other intellectual property, and all enhancements and improvements thereto; all with respect to the Restricted Business (the "**Proprietary Information**"), except that Seller may retain one copy of all documentation relating to Proprietary Information for the exclusive purposes of fulfilling its obligations to Buyer under the Contract Manufacturing Agreement;

(f) originals or, where not available, copies, of all books and records, including supply chain agreements and documentation, books of account, ledgers, and general, financial, and accounting records, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records, and data (including all correspondence with any federal, state, local, or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any arbitrator, court, or tribunal of competent jurisdiction (collectively, "**Governmental Authority**")), sales material and records, strategic plans and marketing, and promotional surveys, material, and research ("**Books and Records**"); and

(g) all goodwill and the going concern value of the Purchased Assets and the Restricted Business.

Section 1.02 Excluded Assets. Notwithstanding the foregoing, the Purchased Assets shall not include the assets, properties, and rights which do not relate to, or are not used or held for use in connection with, the Restricted Business or specifically set forth on Section 1.02 of the Disclosure Schedules (collectively, the "**Excluded Assets**").

Section 1.03 Assumed Liabilities.

(a) Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform, and discharge only the following Liabilities of Seller (collectively, the "**Assumed Liabilities**"), and no other Liabilities:

(i) all Liabilities in respect of the Assigned Contracts, if any, but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business, and do not relate to any failure to perform, improper performance, warranty, or other breach, default, or violation by Seller on or prior to the Closing. For purposes of this Agreement, "**Liabilities**" means liabilities, obligations, or commitments of any nature whatsoever, whether asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured, or otherwise.

(b) Notwithstanding any provision in this Agreement to the contrary, Buyer shall not assume and shall not be responsible to pay, perform, or discharge any Liabilities of Seller or any of its Affiliates of any kind or nature whatsoever other than the Assumed Liabilities (the "**Excluded Liabilities**"). For purposes of this Agreement: (i) "**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person; and (ii) the term "**control**" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

Section 1.04 Purchase Price and Payment.

(a) The aggregate purchase price for the Purchased Assets (the "**Purchase Price**"), shall consist of the sum of (i) USD 1,000,000 to be paid at Closing (the "**Closing Payment**"), plus (ii) the assumption of the Assumed Liabilities, if any, plus (iii) USD [***]**for the release of the Mach5 PRO Product prototype** if any, to be paid if, as and when specified in Section 1.04(b), plus (iv) the Earn Out Amount, if any, to be paid if, as and when specified in Section 1.04(c).

(b) USD [***]shall be paid on [***]if and only if on or prior to such date 10 units of the Mach5 PRO Product prototype have been successfully delivered to the Buyer.

(c) USD 238,000 (the "**Earn Out Amount**") shall be paid if and only if cumulative sales of Mach 4, Mach 4+, and Mach5 PRO Products, and/or material kits for these products, made under the Contract Manufacturing Agreement or otherwise made by or for Buyer, equal or exceed [***] units during the [***] ([***]) calendar months beginning on the Closing Date,

with any such payment required to be made within five (5) business days following the day on which it is finally determined in accordance with Section 1.04(e) hereof that the applicable sales threshold has been achieved (such day, the "**Determination Date**").

(d) Buyer shall pay the Purchase Price by wire transfer to Seller of immediately available funds in accordance with the wire transfer instructions set forth on Section 1.04 of the Disclosure Schedules.

(e) Buyer shall, on a periodic basis, but no less than quarterly, ensure that the Seller is provided with sales figures sufficient to permit Seller to determine whether the earn-out threshold in Section 1.04(c) has been met (such threshold, the "**Sales Threshold**"). The Buyer is obliged to ensure that the relevant sales figures and determination whether the Sales Threshold has been met is provided by the Buyer's certified public accountant ("**CPA**") who shall have previously been approved by the Seller in writing. If the CPA fails to provide such sales figures on at least a quarterly basis, and Buyer fails to cure such failure within 10 business days after a written request by Seller addressed to Buyer, it shall constitute a material breach of this Agreement by Buyer, and Seller may seek any legal or equitable remedies available to it, subject to the obligation to submit the matter to arbitration in accordance with Section 7.08(b).

Section 1.05 Allocation of Purchase Price. The Purchase Price and the Assumed Liabilities shall be allocated among the Purchased Assets for all purposes (including Tax and financial accounting) as shown on the allocation schedule set forth on Section 1.05 of the Disclosure Schedules (the "**Allocation Schedule**"). The Allocation Schedule shall be prepared in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and any corresponding provision of state, local and non-US Tax laws. Buyer and Seller shall file all returns, declarations, reports, information returns and statements, and other documents relating to Taxes (including amended returns and claims for refund) ("**Tax Returns**") in a manner consistent with the Allocation Schedule.

Section 1.06 Withholding Tax. Any and all payments by the Buyer to or for the account of the Seller pursuant to this Agreement shall be made free and clear of, and without deduction for, any and all taxes, excluding U.S. withholding taxes imposed on the portion of the Earn-Out Amount allocated to the Intellectual Property and Patent pursuant to the Allocation Schedule ("U.S. Withholding Taxes"). If the Buyer shall be required under applicable tax law to deduct U.S. Withholding Taxes from any payment of the Earn-Out Amount, (i) the Buyer shall make such deductions and (ii) the Buyer shall pay the full amount deducted to the relevant tax authority in accordance with applicable law. All such withheld amounts shall be treated as delivered to the Seller hereunder.

Section 1.07 Third-Party Consents. To the extent that Seller's rights under any Purchased Asset may not be assigned to Buyer without the consent of another Person which has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use its reasonable best efforts to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Buyer's rights under the Purchased Asset in question so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent permitted by Law and the Purchased Asset, shall act after the Closing as Buyer's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by Law and the Purchased Asset, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer.

ARTICLE II
CLOSING

Section 2.01 Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of RUB Aluminium s.r.o., Všetatská 307, 277 15 Tišice Chrást, Středočeský kraj, Czech Republic or remotely by exchange of documents and signatures (or their electronic counterparts) simultaneously with the execution of this Agreement, or at such other time or place or in such other manner as Seller and Buyer may mutually agree upon in writing.

The date on which the Closing is to occur is herein referred to as the "**Closing Date**."

Section 2.02 Closing Deliverables.

(a) At the Closing, Seller shall deliver to Buyer the following:

(i) a bill of sale in the form of **Exhibit A** attached hereto (the "**Bill of Sale**") and duly executed by Seller, transferring the Tangible Personal Property included in the Purchased Assets to Buyer;

(ii) an assignment and assumption agreement in the form of **Exhibit B** attached hereto (the "**Assignment and Assumption Agreement**") and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;

(iii) the Contract Manufacturing Agreement in the form of **Exhibit C** attached hereto (the "**Contract Manufacturing Agreement**") and duly executed by Seller;

(iv) a certificate of the Managing Director of Seller certifying that (A) the Seller has full legal capacity and is duly incorporated and validly existing under the laws of their state of incorporation and is entitled to, has full capacity to, and is not restricted by any public, corporate or contractual obligation, by any judicial or administrative writ, to enter into and execute the Agreement, the Assignment and Assumption Agreement, the Contract Manufacturing Agreement, and the other agreements, instruments, and documents required to be delivered in connection with this Agreement or at the Closing (collectively, the "**Transaction Documents**") and the consummation of the transactions contemplated hereby and thereby, for which it has obtained all necessary consents of its bodies, and (B) the Managing Director is authorized to sign this Agreement and the other Transaction Documents; and

(v) IRS Form W-8BEN-E, duly executed by Seller;

(vi) such other customary instruments of transfer or assumption, filings, or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to the transactions contemplated by this Agreement.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Assignment and Assumption Agreement duly executed by Buyer;

(ii) the Contract Manufacturing Agreement duly executed by Buyer; and

(iii) a certificate of the Secretary (or equivalent officer) of Buyer certifying as to (A) the resolutions of the board of directors of Buyer, which authorize the execution, delivery, and performance of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and (B) the names and signatures of the officers of Buyer authorized to sign this Agreement and the other Transaction Documents.

(c) The Closing Payment shall be paid by the Buyer no later than 5 business days starting from the Closing Date.

(d) The Seller confirms that prior to the date of this Agreement it has prepared technical documentation related to the Purchased Assets as agreed by the Parties ("**Technical Documentation**") which is saved on a cloud drive.

(e) After the Closing Payment is credited onto the Seller's bank account and such transfer is confirmed by the Seller and/or its legal representative, the Seller's legal representative shall, without undue delay, provide the Buyer's legal representative with the encryption code and other necessary information for retrieving the Technical Documentation.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that the statements contained in this ARTICLE III are true and correct as of the date hereof.

Section 3.01 Organization and Authority of Seller. Seller is a corporation duly organized, validly existing, and in good standing under the Laws of the Czech Republic. Seller has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder, and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate, board, and shareholder action on the part of Seller. This Agreement and the Transaction Documents constitute legal, valid, and binding obligations of Seller enforceable against Seller in accordance with their respective terms.

Section 3.02 No Conflicts or Consents. The execution, delivery, and performance by Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) violate or conflict with any provision of the certificate of incorporation, by-laws, or other governing documents of Seller; (b) violate or conflict with any provision of any statute, law, ordinance, regulation, rule, code, constitution, treaty, common law, other requirement, or rule of law of any Governmental Authority (collectively, "**Law**") or any order, writ, judgment, injunction, decree, stipulation, determination, penalty, or award entered by or with any Governmental Authority ("**Governmental Order**") applicable to Seller, the Restricted Business, or the Purchased Assets; (c) require the consent, notice, declaration, or filing with or other action by any individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity ("**Person**") or require any permit, license, or Governmental Order (except permits regarding possible use of the Products for military purposes; in such case section 5.09 of this Agreement applies); (d) violate or conflict with, result in the acceleration of, or create in any party the right to accelerate, terminate, modify, or cancel any Contract to which Seller is a party or by which Seller or the Restricted Business is bound or to which any of the Purchased Assets are subject; or (e) result in the creation or imposition of any charge, claim, pledge, equitable interest, lien, security interest, restriction of any kind, or other encumbrance ("**Encumbrance**") on the Purchased Assets.

Section 3.03 Financial Information. Complete copies of financial information consisting of the balance sheet of the Restricted Business as at November 30, 2023 and the income statement of the Restricted Business for the fiscal year ended December 31, 2022 and the eleven month period ended November 30, 2023 (the "**Financial Information**") have been delivered to Buyer. The Financial Information fairly presents the financial condition of the Restricted Business as of the respective dates they were prepared and the results of the operations of the Restricted Business for the periods indicated. The balance sheet of the Restricted Business as of November 30, 2023 is referred to herein as the "**Balance Sheet**" and the date thereof as the "**Balance Sheet Date**".

Section 3.04 Undisclosed Liabilities. Seller has no Liabilities with respect to the Restricted Business, except (a) those which are adequately reflected or reserved against in the Balance Sheet as of the Balance Sheet Date, and (b) those which have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date and which are not, individually or in the aggregate, material in amount.

Section 3.05 Absence of Certain Changes, Events, and Conditions. Since the Balance Sheet Date, the Restricted Business has been conducted in the ordinary course of business consistent with past practice and there has not been any change, event, condition, or development that is, or could reasonably be expected to be, individually or in the aggregate, materially adverse to: (a) the business, results of operations, condition (financial or otherwise), or assets of the Restricted Business; or (b) the value of the Purchased Assets.

Section 3.06 Assigned Contracts. Each Assigned Contract is valid and binding on Seller in accordance with its terms and is in full force and effect. Neither Seller nor, to Seller's knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Assigned Contract. No event or circumstance has occurred that would constitute an event of default under any Assigned Contract or result in a termination thereof. Complete and correct copies of each Assigned Contract (including all modifications, amendments, and supplements thereto and waivers thereunder) have been made available to Buyer. There are no disputes pending or threatened under any Assigned Contract.

Section 3.07 Title to Purchased Assets. Seller has good and valid title to all the Purchased Assets, free and clear of Encumbrances.

Section 3.08 Condition and Sufficiency of Assets. Each item of Tangible Personal Property is structurally sound, is in good operating condition and repair, and is adequate for the uses to which it is being put, and no item of Tangible Personal Property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost.

Section 3.09 Legal Proceedings; Governmental Orders.

(a) There are no claims, actions, causes of action, demands, lawsuits, arbitrations, inquiries, audits, notices of violation, proceedings, litigation, citations, summons, subpoenas, or investigations of any nature, whether at law or in equity (collectively, "**Actions**") pending or, to Seller's knowledge, threatened against or by Seller: (i) relating to or affecting the Restricted Business, the Purchased Assets, or the Assumed Liabilities; or (ii) that challenge or seek to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

(b) There are no outstanding Governmental Orders against, relating to, or affecting the Restricted Business or the Purchased Assets.

Section 3.10 Compliance with Laws. Seller is in compliance with all Laws applicable to the conduct of the Restricted Business as currently conducted or the ownership and use of the Purchased Assets.

Section 3.11 Taxes. All material Taxes due and owing by Seller with respect to the Restricted Business have been, or will be, timely paid. No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Seller. All income and other material Tax Returns with respect to the Restricted Business required to be filed by Seller for any tax periods prior to Closing have been, or will be, timely filed. Such Tax Returns are, or will be, true, complete, and correct in all material respects. The term "**Taxes**" means all federal, state, local, foreign, and other income, gross receipts, sales, use, production, ad valorem, transfer, documentary, franchise, registration, profits, license, withholding, payroll, employment, unemployment, excise, severance, stamp, occupation, premium, property (real or personal), customs, duties, or other taxes, fees, assessments, or charges of any kind whatsoever, together with any interest, additions, or penalties with respect thereto.

Section 3.12 Brokers. A finder's fee is payable by Seller to [***]in an amount corresponding to [***] percent ([***]%) of the Purchase Price, to be paid at or around such time or times as Seller is paid under Section 1.04 hereof, all as further detailed in Section 3.12 of the Disclosure Schedules.

Section 3.13 Full Disclosure. No representation or warranty by Seller in this Agreement and no statement contained in the Disclosure Schedules to this Agreement or any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this ARTICLE IV are true and correct as of the date hereof.

Section 4.01 Organization and Authority of Buyer. Buyer is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Delaware. Buyer has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder, and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement and the Transaction Documents constitute legal, valid, and binding obligations of Buyer enforceable against Buyer in accordance with their respective terms.

Section 4.02 No Conflicts; Consents. The execution, delivery, and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) violate or conflict with any provision of the certificate of incorporation, by-laws, or other organizational documents of Buyer; (b) violate or conflict with any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice, declaration, or filing with or other action by any Person or require any permit, license, or Governmental Order.

Section 4.03 Legal Proceedings. There are no Actions pending or, to Buyer's knowledge, threatened against or by Buyer that challenge or seek to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

Section 4.04 Infringement of the Patent. If Buyer becomes aware of any infringement of the rights related to the Patent, it shall inform the Seller without undue delay.

ARTICLE V
COVENANTS

Section 5.01 Confidentiality. From and after the Closing, the Parties shall, and shall cause their respective Affiliates to, hold, and shall use its reasonable best efforts to cause its or their respective directors, officers, employees, consultants, counsel, accountants, and other agents ("**Representatives**") to hold, in confidence any and all information, whether written or oral, concerning the Restricted Business, except to the extent that the other Party can show that such information: (a) is generally available to and known by the public through no fault of the other Party, any of its Affiliates, or their respective Representatives; or (b) is lawfully acquired by the other Party, any of its Affiliates, or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual, or fiduciary obligation. If any Party or any of its Affiliates or their respective Representatives are compelled to disclose any information by Governmental Order or Law, it shall promptly notify the other Party in writing and shall disclose only that portion of such information which is legally required to be disclosed, *provided that* the respective Party shall use reasonable best efforts to obtain as promptly as possible an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information., *provided, further*, that, such protective order or reasonable assurance is not available with respect to information that Buyer is required to disclose under U.S. securities laws.

Section 5.02 Non-Competition; Non-Solicitation.

(a) The Parties acknowledge the competitive nature of the Business and accordingly agree, in connection with the sale of the Purchased Assets, including the goodwill of the Business, which the Parties consider to be a valuable asset, and in exchange for good and valuable consideration, that for a period of five (5) years commencing on the Closing Date (the "**Restricted Period**"), Seller shall not, and shall not permit any of its Affiliates to, directly or indirectly, (i) engage in or assist others in engaging in the business of designing, manufacturing, marketing or distributing radar speed detection products for the worldwide (the "**Territory**") Restricted Business; (ii) have an interest in any Person that engages directly or indirectly in the Restricted Business in the Territory in any capacity, including as a partner, shareholder, director, member, manager, employee, principal, agent, trustee, or consultant; or (iii) cause, induce, or encourage any material actual or prospective client, customer, supplier, or licensor of the Restricted Business (including any existing or former client or customer of Seller and any Person that becomes a client or customer of the Restricted Business after the Closing), or any other Person who has a material business relationship with the Restricted Business, to terminate or modify any such actual or prospective relationship. Notwithstanding the foregoing, Seller may own, directly or indirectly, solely as an investment, securities of any Person traded on any national securities exchange if Seller is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own five percent (5%) or more of any class of securities of such Person.

(b) Seller acknowledges that a breach or threatened breach of this Section 5.02 would give rise to irreparable harm to Buyer, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by Seller of any such obligations, Buyer shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance, and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond).

(c) Seller acknowledges that the restrictions contained in this Section 5.02 are reasonable and necessary to protect the legitimate interests of Buyer and constitute a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this Section 5.02 should ever be adjudicated to exceed the time, geographic, product or service, or other limitations permitted by applicable Law in any jurisdiction or any Governmental Order, then any court is expressly empowered to reform such covenant in such jurisdiction to the maximum time, geographic, product or service, or other limitations permitted by applicable Law or such Governmental Order. The covenants contained in this Section 5.02 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

Section 5.03 No Trading; Public Announcements.

(a) Seller acknowledges that Buyer is a public company listed on a United States stock exchange and that confidential information provided by Buyer or on its behalf may constitute material, non-public information. Seller is aware that the securities laws of the United States and other relevant jurisdictions prohibit any person who has material, non-public information concerning the issuer of publicly traded securities from purchasing or selling such securities or from communicating such information to any other person when it is reasonably foreseeable that such person is likely to purchase or sell such securities. Seller covenants not to trade in securities of Buyer while in possession of non-public information regarding Buyer, this Agreement, the other Transaction Documents, or any other transactions contemplated between Seller and Buyer (collectively, "**Non-Public Information**") nor to disclose any Non-Public Information to any other person when it is reasonably foreseeable that such person is likely to purchase or sell such securities.

(b) Unless otherwise required by applicable Law, no party to this Agreement shall make any public announcements in respect of this Agreement or the transactions contemplated hereby without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed), and the parties shall cooperate as to the timing and contents of any such announcement.

Section 5.04 Receivables. From and after the Closing, if Seller or any of its Affiliates receives or collects any funds relating to any Purchased Asset, Seller or its Affiliate shall remit such funds to Buyer within five (5) business days after its receipt thereof. From and after the Closing, if Buyer or its Affiliate receives or collects any funds relating to any Excluded Asset, Buyer or its Affiliate shall remit any such funds to Seller within five (5) business days after its receipt thereof.

Section 5.05 Technical and Other Support. Seller agrees to cause [***]to travel to the offices of Buyer for a period of [***]to [***] weeks in [***]to assist with training and shop set up, including for sales, testing and customer service functions. Should Buyer request [***] to extend his trip beyond the time period set forth in the immediately preceding sentence, related travel and lodging expenses shall be covered by Buyer. Until such time, Seller agrees to use its best efforts to provide technical support to customers.

Section 5.06 Right of First Refusal. Seller provides Buyer with a right of first refusal in case Seller decides to develop firearm projectile speed detecting, measuring and tracking products using radar-detecting microchips or related hardware or software in the future, under which Buyer has the exclusive right, for 30 calendar days following notice from Seller of Seller's intention to develop such products, to determine whether it wishes to enter into an exclusive contract manufacturing agreement with Seller with respect to such products under the terms specified by Seller. If Buyer chooses not to exercise such right, or does not respond within such time period, Seller shall have the right to manufacture such products for its own account or for the account of a third party, but in the latter case not on terms more favorable to such third party than the terms offered to Buyer.

Section 5.07 Transfer Taxes. All sales, use, registration, and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents, if any, shall be borne and paid by the party upon which such Taxes and fees (including any penalties and interest) are imposed. Such party shall, at its own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and the other party shall reasonably cooperate with respect thereto as necessary).

Section 5.08 Registration of Patent. If any registration with U.S. Governmental Authority is required in regard to the Patent, the Buyer is obligated to ensure, at its own expense, that this is acquired in accordance with applicable law, whereas the Seller shall provide all necessary cooperation.

Section 5.09 Special Government Permits. Provided that any permit, consent, notice, declaration, or filing with or other action by any Governmental Authority is necessary in regard to possible use of the Products for military purposes, the Buyer is obligated to ensure, at its own expense, that these are acquired in accordance with applicable law, whereas the Seller shall provide all necessary cooperation.

Section 5.10 Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances, and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

ARTICLE VI
INDEMNIFICATION

Section 6.01 Survival. All representations, warranties, covenants, and agreements contained herein and all related rights to indemnification shall survive the Closing.

Section 6.02 Indemnification by Seller. Subject to the other terms and conditions of this ARTICLE VI, from and after Closing, Seller shall indemnify and defend each of Buyer and its Affiliates and their respective Representatives (collectively, the "**Buyer Indemnitees**") against, and shall hold each of them harmless from and against, any and all losses, damages, liabilities, deficiencies, Actions, judgments, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees (collectively, "**Losses**"), incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, or with respect to:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement, any other Transaction Document, or any schedule, certificate, or exhibit related thereto, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Seller pursuant to this Agreement, any other Transaction Document, or any schedule, certificate, or exhibit related thereto;

(c) any Third-Party Claim based upon, resulting from, or arising out of the business, operations, properties, assets, or obligations of Seller or any of its Affiliates (other than the Purchased Assets or Assumed Liabilities) conducted, existing, or arising on or prior to the Closing Date. For purposes of this Agreement, "**Third-Party Claim**" means notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing.

Seller's aggregate liability for any Losses arising out of or in connection with this Agreement is limited to an amount of USD 1,488,000.00, ***provided, however*****, that the preceding limitation shall not apply to Losses** arising out of or in connection with any claim relating to infringement of intellectual property. In no event and notwithstanding any other provisions under this Agreement, shall either Party be liable to the other Party for any consequential, incidental or indirect damages, including, but not limited to, lost profits, goodwill impairment, loss of production or similar damages or losses (whether direct, indirect or consequential). The limits in this clause shall not apply to damages resulting from gross negligence, willful misconduct or fraudulent conduct or bodily injury, death or any other compulsory liability under the governing law.

Section 6.03 Indemnification by Buyer. Subject to the other terms and conditions of this ARTICLE VI, from and after Closing, Buyer shall indemnify and defend each of Seller and its Affiliates and their respective Representatives (collectively, the "**Seller Indemnitees**") against, and shall hold each of them harmless from and against any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, or with respect to:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement, any other Transaction Document, or any schedule, certificate, or exhibit related thereto, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Buyer pursuant to this Agreement; or

(c) any Assumed Liability.

Section 6.04 Indemnification Procedures. Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the "**Indemnified Party**") shall promptly provide written notice of such claim to the other party (the "**Indemnifying Party**"). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a Person who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any Action without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld or delayed).

Section 6.05 Cumulative Remedies. The rights and remedies provided in this ARTICLE VI are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.

ARTICLE VII
MISCELLANEOUS

Section 7.01 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses; provided, however, that the expenses referenced in Section 3.13 shall be the sole responsibility of the Seller.

Section 7.02 Notices. All notices, claims, demands, and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a internationally recognized overnight courier (receipt requested); (c) on the date sent by email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient, or (d) on the seventh day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 7.02):

If to Seller: RUB Aluminium s.r.o.
Všetatská 307
277 15 Tišice Chrást
Středočeský kraj
Czech Republic
Email: [***]
Attention: [***]

with a copy to: [***]
Email: [***]
Attention: [***]

If to Buyer: Optex Systems, Inc.
1420 Presidential Drive
Richardson, TX 75081
U.S.A.
Email: dschoening@optexsys.com
Attention: Danny Schoening

with a copy to: Hill Ward Henderson
Email: roland.chase@hwhlaw.com
Attention: Roland S. Chase

Section 7.03 Interpretation; Headings. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 7.04 Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement.

Section 7.05 Entire Agreement. This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, the Exhibits, and the Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 7.06 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. Any purported assignment in violation of this Section shall be null and void. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 7.07 Amendment and Modification; Waiver. This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No failure to exercise, or delay in exercising, any right or remedy arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy.

Section 7.08 Governing Law; Submission to Arbitration.

(a) All matters arising out of or relating to this Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware (United States of America) without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction).

(b) All disputes arising out of or in connection with this Agreement or the other Transaction Documents shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. The language of arbitration shall be English and the place of arbitration shall be Paris, France.

Section 7.09 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their duly authorized representatives.

RUB ALUMINIUM S.R.O.

By _____
Ivo Urban
Acting Sole Managing Director

OPTEX SYSTEMS, INC.

By _____
Danny Schoening
President and CEO

Mikrometal s.r.o., Id - No: 18622682, with its registered seat at Ukrajinská 728/2, Vršovice, 101 00 Prague 10, Czech Republic, registered in the Commercial Register by the Municipal Court in Prague, Section C, Insert 4305, a Czech corporation, confirms that it has transferred to the Seller an exclusive, worldwide right to use the patent containing German patent number DE102019108741A1 (Rauschunterdrückungsvorrichtung für elektromagnetische Messsysteme, Radarmesssysteme und Verwendung desselben, owned by Dr. Dieter Girlich, Mikrometal s.r.o., and indie Semiconductor FFO GmbH (formerly Silicon Radar GmbH) (the "**Patent**") for the remaining useful life of the Patent for the purpose of developing, manufacturing, marketing and distributing the Products and in connection with the Restricted Business, and hereby covenants and agrees that it shall not grant a license to any other party for the purpose of developing, manufacturing, marketing or distributing the Product in connection with the Restricted Business.

Mikrometal s.r.o.

By _____
Michal Rýdlo
Acting Sole Managing Director

DISCLOSURE SCHEDULES

[***]

Exhibit Includes Redactions

Certain information identified with brackets ([***]) has been excluded from this exhibit in accordance with Item 601(b) of Regulation S-K because it is both not material and is the type that the registrant treats as private or confidential.

Master Contract Manufacturing Agreement

This Master Contract Manufacturing Agreement (the "Agreement"), is entered into as of January 18, 2024, by and between RUB Aluminium s.r.o., Id - No: 24293385, with its registered seat at Tišice – Chrást, Všeteská 307, 277 15, Czech Republic, registered in the Commercial Register by the Municipal Court in Prague, Section C, Insert 193727, a Czech corporation ("Co-Manufacturer") and Optex Systems, Inc., with its principal place of business at 1420 Presidential Drive, Richardson, Texas, 75081, a Delaware corporation ("Buyer" and together with Co-Manufacturer, the "Parties," and each a "Party").

RECITALS

WHEREAS, Co-Manufacturer has been engaged in the business of developing, manufacturing, marketing and distributing the Speedtracker Mach radar systems, which are primarily used for bullet speed detection (collectively, the "Mach Products"), and associated products and accessories, including adapters (such products and accessories, collectively with the Mach Products, the "Products," and such business, the "Business");

WHEREAS, pursuant to that certain asset purchase agreement between Co-Manufacturer and Buyer, dated the day hereof (the "Asset Purchase Agreement"), Co-Manufacturer is selling and assigning to Buyer, and Buyer is purchasing and assuming from Co-Manufacturer, substantially all the assets, and certain specified liabilities, of the Business, subject to the terms and conditions set forth therein;

WHEREAS, the Parties intend for Co-Manufacturer to manufacture, program, and package specified Products for the Buyer in accordance with this Agreement and have therefore made delivery of executed counterparts of this Agreement a closing condition under the Asset Purchase Agreement.

* * *

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Finished Products.

(a) Production. Co-Manufacturer shall manufacture the products (the "Finished Products") specified in Schedule 1, pursuant to (i) the terms and conditions set out in this Agreement, and (ii) subject to the pricing, quantity, production scheduling, and other business terms set out in Schedule 1 and in the purchase orders placed in accordance with Schedule 1 ("Purchase Orders") to be delivered by Buyer to RUB from time to time hereunder (all such terms, collectively, the "Business Terms"). Buyer may, from time to time, introduce new Finished Products, subject to good faith negotiation and agreement between Co-Manufacturer and Buyer as to applicable Business Terms. Co-Manufacturer shall inform Buyer promptly in writing if for any reason it is not able to manufacture new product(s) in the quantities Buyer requires. Upon agreement between the Parties, (i) the new products contemplated by this Section will be deemed "Finished Products" for purposes of this Agreement, (ii) Schedule 1 will be deemed revised to add the new Finished Product, and (iii) other exhibits and Purchase Orders will be added or revised as required. Finished Products may also be removed from production upon agreement of the Parties, in which case Schedule 1, any Purchase Orders and any other applicable exhibits will be amended accordingly.

(b) Specifications. Except as otherwise agreed, Co-Manufacturer shall supply, at its own expense, all facilities, equipment, supplies, personnel, and technical information (along with technical information of Buyer if supplied by Buyer to Co-Manufacturer) to manufacture, program and package the Finished Products in accordance with the specifications for each Finished Product, which are set forth in Schedule 1 (the "Specifications"). Buyer may at any time amend the Specifications by giving 30 days' prior written notice to Co-Manufacturer of such amendment unless otherwise mutually agreed. If Co-Manufacturer determines it will not be able to meet Buyer's revised Specifications, then within 30 days, Co-Manufacturer shall so notify Buyer, and Buyer shall have the right to terminate the Agreement and any corresponding Purchase Orders (but only with respect to the applicable Finished Product affected by such amendment), or Buyer shall have the right to revert to the prior Specifications and this Agreement and any corresponding Purchase Orders will remain in force with respect to such Finished Product. In the event that Buyer's amendments of the Specifications result in a change in Co-Manufacturer's actual costs of production, the Parties shall negotiate in good faith an appropriate adjustment in the fees paid to Co-Manufacturer for the applicable Finished Product. The Specifications and any and all amendments or improvements thereto, shall, except to the extent the information therein is not protected by Section 12(a), remain the property of Buyer. All packaging labels for the Finished Products shall be provided or pre-approved by Buyer.

(c) Volume Forecasts. To assist Co-Manufacturer in meeting Buyer's volume requirements, from time to time, Buyer shall provide Co-Manufacturer with a best estimate of Buyer's production requirements for the next twelve (12) months. Co-Manufacturer will notify Buyer immediately if at any time it determines it will not have sufficient capacity to meet the production outlined in the forecasts. Neither Party will be liable if actual production volumes do not meet forecast numbers.

(d) Capacity and Capacity Allocation. Throughout the Term, Co-Manufacturer shall maintain the capacity and availability, and an adequate quantity of safety stock of Finished Products, Buyer Materials, and Non-Buyer Materials, to supply Buyer's anticipated requirements of Finished Products (as communicated by Buyer to Co-Manufacturer in non-binding forecasts). If at any time during the Term of this Agreement Co-Manufacturer experiences an unscheduled interruption in the production of the Finished Products hereunder that is not due to actions by Buyer prohibited under this Agreement or omissions to act by Buyer if action was required under this Agreement or Force Majeure as set forth in Section 14 below, Co-Manufacturer shall indemnify Buyer and hold Buyer harmless from any damages and expenses arising out of the unscheduled interruption.

2. Materials.

(a) Buyer Materials. If requested by Buyer in writing, Co-Manufacturer shall purchase from vendors specified by Buyer, a supply of raw materials or components (including packaging materials) that are unique to the Finished Products as identified by Buyer in such writing, and approved by Co-Manufacturer; *provided that* Co-Manufacturer shall not unreasonably withhold such approval (the "Buyer Materials"), sufficient to carry out all production under this Agreement and any Purchase Orders. For the sake of clarity, as of the date first set forth above, no Buyer Materials have been identified by Buyer. Co-manufacturer will use Buyer Materials solely to produce Finished Products hereunder. Co-Manufacturer will allocate sufficient space to store a supply of Buyer Materials adequate to meet Co-Manufacturer's production obligations. Prices and fees according to Section 5 of this Agreement and Schedule 1 hereto shall be amended accordingly when Buyer requests the use of Buyer Materials.

(b) Non-Buyer Materials. Co-Manufacturer will provide all components (including Co-Manufacturer's products, if applicable), raw materials, labeling, and packaging (other than the Buyer Materials, as defined above) required to produce Finished Products hereunder in accordance with the Specifications ("Non-Buyer Materials") or acquire Non-Buyer Materials from vendors approved by Buyer in writing. Such Buyer's approval shall not be unreasonably withheld. Such Non-Buyer Materials shall include radar-detecting microchips and related hardware and supporting software for specific use in the Finished Products. Co-Manufacturer will use its reasonable best efforts to timely obtain a sufficient supply of all Non-Buyer Materials necessary to produce the Finished Products as required herein at the lowest cost for the quality required to meet the Specifications. Buyer Materials and Non-Buyer Materials may be referred to together in this Agreement as "Materials."

(c) Inventory Audits. At Buyer's reasonable request from time to time, Co-Manufacturer will promptly conduct a full physical inventory or a spot inventory of Materials and Finished Products then in Co-Manufacturer's possession or under its control, in accordance with policies and procedures to be mutually agreed upon in writing. Co-Manufacturer will promptly furnish the results of any such inventory to Buyer in such form and manner as Buyer may reasonably request.

3. Right of Inspection.

(a) From time to time during normal business hours and upon no less than ten (10) days' prior notice (except in case of an emergency affecting the quality of Finished Products, in which case Buyer shall provide as much notice as reasonably practicable), Buyer shall have the right to inspect Co-Manufacturer's plant and to review Co-Manufacturer's records pertaining to the Finished Products (including Materials) and the services provided hereunder to the extent necessary to protect Buyer's rights under this Agreement, to inspect the portions of Co-Manufacturer's facilities that produce or handle Finished Products, and to inspect the Finished Products prior to delivery.

(b) If such inspection and/or review reveals that the processes, procedures, or equipment used by Co-Manufacturer in performing its obligations hereunder fail to conform to the requirements of this Agreement (including Schedule 1 hereto), Co-Manufacturer shall immediately take appropriate corrective actions (which may include suspension of Co-Manufacturer's services hereunder), at Buyer's direction, until Co-Manufacturer can show to Buyer's reasonable satisfaction that Co-Manufacturer's non-conformities have been corrected to conform to the requirements of this Agreement (including Schedule 1 hereto).

(c) Buyer shall not be obligated to undertake any inspection or review and, whether or not Buyer inspects the Finished Products or Co-Manufacturer's facilities, none of Co-Manufacturer's obligations with respect to the Finished Products, including representations and warranties, shall be affected or released by Buyer's inspection or acceptance of the Finished Products.

4. No Licenses.

(a) This Agreement shall not be construed to be or to contain an express or implied license by Buyer to Co-Manufacturer under any patents, patent applications, Buyer trademarks, trade name, label design, color combination, insignia, or other intellectual properties owned by Buyer, including without limitation those intellectual properties assigned to Buyer under the Asset Purchase Agreement, except that Co-Manufacturer shall be entitled to keep a copy of all documentation relating to Intellectual Property and Proprietary Information (as those terms are defined under the Asset Purchase Agreement) for the exclusive purposes of manufacturing the Finished Product under this Agreement. Co-Manufacturer agrees that it shall not use any such property of Buyer without Buyer's prior written approval. Co-Manufacturer also agrees and acknowledges that Buyer is the owner of all trademarks and such other intellectual properties under which the Finished Products will be packaged. Co-Manufacturer represents, warrants and agrees that it shall not use packaging supplies provided by Buyer except for packing the Finished Products and that such packaging supplies shall not be sold, assigned, given, transferred to third parties, or otherwise disposed of without Buyer's prior written consent, such consent not to be unreasonably withheld.

5. Price and Payment.

(a) Fees. Buyer shall pay Co-Manufacturer the fees stated in Schedule 1 for the Finished Products. These fees shall remain valid for the first **[***]** of manufactured units of Finished Products (and/or material kits for these products) and specified in Schedule 1, after which the Parties shall work in good faith to agree on an amendment to Schedule 1 considering the then-current prices of work and material.

(b) Invoices. Co-Manufacturer shall issue invoices to Buyer monthly in arrears for all fees incurred during the previous month, together with a written report detailing the quantity of Finished Products manufactured, stored, and shipped during such month. Buyer shall pay all properly invoiced amounts due to Co-manufacturer within 30 days after Buyer's receipt of such invoice, except for any amounts disputed by Buyer in good faith. All payments hereunder must be in US dollars and made per Co-Manufacturer's prior written instructions. Without prejudice to any other right or remedy it may have, Buyer reserves the right to set off at any time any amount owing to it by Co-Manufacturer against any amount payable by Buyer to Co-Manufacturer.

(c) Continuous Improvement. Co-Manufacturer agrees to work jointly with Buyer to continually improve upon quality, cost, service, and customer and consumer related issues and opportunities pertaining to the Finished Product.

(d) Taxes.

(i) Amounts to be paid to Co-Manufacturer under this Agreement are inclusive of all taxes in respect of the Finished Products supplied by Co-Manufacturer hereunder (including withholding, sales, value-added, use, excise, or services tax). If a Tax is assessed or otherwise applicable in respect of the supply of the Finished Products hereunder, it shall be for the account of Buyer, and Buyer hereby agrees to pay such tax.

(ii) Any and all payments by the Buyer hereunder shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto ("Taxes"). If the Buyer shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder (i) the sum payable by the Buyer shall be increased as may be necessary so that after the Buyer has made all required deductions (including deductions applicable to additional sums payable under this Section 5(d)(ii)), the Co-Manufacturer receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Buyer shall make all such deductions, and (iii) the Buyer shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. The Buyer shall indemnify the Co-Manufacturer for and hold it harmless against the full amount of Taxes, and for the full amount of taxes of any kind imposed by any jurisdiction on amounts payable under this Section 5(d)(ii), imposed on or paid by the Co-Manufacturer and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto.

6. Storage and Shipment, Ownership.

(a) Buyer shall arrange for pickup and delivery of the Finished Product by common carrier at Co-Manufacturer's plant outside the United States pursuant to Co-Manufacturer 's reasonable written instructions. Buyer shall be responsible for the safe and proper loading of the Finished Product onto shipping vehicles. Buyer will maintain adequate and accurate shipping records in order that Finished Product lots on all shipments may be traced. Delivery shall be made FOB Co-Manufacturer's plant (or as otherwise mutually agreed upon by Buyer and Co-Manufacturer) on such carriers, to such destinations, and in such quantities as may be mutually agreed upon by Buyer and Co-Manufacturerin writing. Title and risk of loss passes to Buyer or Buyer's customer upon delivery and pick-up of the Finished Product by the common carrier at Co-Manufacturer's plant outside the United States.

7. Representations and Warranties; Quality Defects.

(a) Co-Manufacturer represents and warrants that all Finished Products and all Non-Buyer Materials incorporated by Co-Manufacturer into the Finished Products shall be:

(i) fully compliant with the Specifications and all applicable laws and regulations;

(ii) free from any defects in workmanship, materials, and design;

(iii) merchantable; and

(iv) fit for their intended purpose.

(b) Co-Manufacturer represents and warrants that Finished Products do not and will not infringe or misappropriate any third party's patent, trade secret, or other intellectual property rights; provided that Co-Manufacturer makes no representations or warranties of non-infringement with respect to any Buyer Materials or other materials supplied by Buyer.

(c) If the Finished Product or any part thereof does not, for any reason, comply with the warranties set forth in this Agreement ("Unacceptable Product"), then in addition to any other remedies available to Buyer at law or in this Agreement:

(i) Buyer or its customers may refuse to accept delivery thereof and Co-Manufacturer shall not sell or otherwise dispose of such Unacceptable Product without Buyer's prior written consent, which shall not be unreasonably withheld.

(ii) Buyer may dispose of Unacceptable Product in a manner as the circumstances may reasonably dictate and Co-Manufacturer shall reimburse Buyer for the costs of such disposition. If Buyer reasonably determines that Unacceptable Product is suitable only for disposal as waste, Co-Manufacturer shall replace all Unacceptable Product at no cost to Buyer and, in addition, reimburse Buyer for all reasonable costs of handling and/or disposal of Unacceptable Product.

8. Product Recall. If any governmental authority determines that any Finished Products are Unacceptable Product and a recall campaign is necessary, Buyer will have the right to implement such recall campaign and return Unacceptable Product to Co-Manufacturer or destroy such Unacceptable Product, as determined by Buyer in its reasonable discretion, at Co-Manufacturer's sole cost and risk. If a recall campaign is implemented, then at Buyer's reasonable option and Co-Manufacturer's sole cost, Co-Manufacturer shall promptly replace any Unacceptable Products and provide such replacement Finished Products to Buyer or Buyer's designee. Co-Manufacturer will be liable for all of Buyer's costs associated with any recall campaign if such recall campaign is based upon a reasonable determination that the Finished Products fail to conform to the warranties set forth in this Agreement or applicable law.

9. Term and Termination.

(a) This Agreement shall be effective as of the date first set forth above and shall continue through and including 31 December 2024 (the "Initial Term") and any Renewal Terms, as defined below, unless sooner terminated in accordance with this Section 9. The Agreement may be renewed when agreed by both Parties for additional one-year terms ("Renewal Term").

(b) Notwithstanding the foregoing or anything contained herein to the contrary, either Party may immediately terminate this Agreement or any Purchase Order if the other Party is in material breach of the Agreement or such Purchase Order. Except as otherwise specifically provided herein, termination of this Agreement shall not relieve the Parties of any obligation accruing with respect to this Agreement prior to such termination. For purposes of this Section 9(c), a "material breach" shall include but not be limited the following:

(i) a Party materially fails to comply with or to perform any provision or condition of this Agreement or any Purchase Order for ten (10) days after written notice thereof to such Party, or if such breach or default is of a nature that cannot be remedied within ten (10) days, failure by a Party to commence curing such breach or default within ten (10) days of written notice and to proceed thereafter with due diligence and good faith to complete the curing as soon as possible;

(ii) a Party becomes insolvent, is unable to pay its debts as they mature or is the subject of a petition in bankruptcy, whether voluntary or involuntary, or of any other proceeding under bankruptcy, insolvency or similar laws; or makes an assignment for the benefit of creditors; or is named in, or its property is subject to a suit for appointment of a receiver; or is dissolved or liquidated;

(iii) any representation or warranty made in this Agreement is materially breached, materially false, or misleading in any material respect.

(c) Either Party may terminate this Agreement if the other Party is unable to perform due to a continuing force majeure event, in accordance with and subject to the terms of Section 14.

(d) In addition, Buyer may terminate this Agreement if Co-Manufacturer or any product or service of Co-Manufacturer becomes the subject of adverse publicity, which in the reasonable judgment of Buyer is or is likely to be materially detrimental to Buyer or the intended purpose of the Agreement.

(e) In the event of termination, the non-defaulting Party shall be entitled to pursue any remedy provided in law or equity, including indemnification to the extent permitted in this Agreement, injunctive relief, and the right to recover any damages it may have suffered by reason of any material breach.

(f) If Co-Manufacturer fails to comply with any of its obligations three or more times in any consecutive 12-month period, such repeated failures shall in and of themselves constitute a material breach hereunder and shall constitute grounds for immediate termination, regardless of whether any such failures are cured.

10. Survival. Co-Manufacturer's representations and warranties under this Agreement and Sections 11, 12, 14, 15(b), 15(d) and 16 of this Agreement, and any other provision that reasonably should survive in order to give proper effect to its intent will survive the expiration or earlier termination of this Agreement.

11. Indemnification and Insurance.

(a) General Buyer Indemnification. Co-Manufacturer shall indemnify, defend, and hold harmless Buyer and its officers, directors, employees, agents, affiliates, successors, and permitted assigns against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including attorneys' fees, fees, and the costs of enforcing any right to indemnification under this Agreement and the cost of pursuing any insurance providers, incurred by such indemnified party (collectively, "Losses"), arising out of or resulting from any claim of a third party arising out of or occurring in connection with the Finished Products or Co-Manufacturer's negligence, willful misconduct, or breach of this Agreement. Co-Manufacturer shall not enter into any related settlement without Buyer's prior written consent.

(b) General Co-Manufacturer Indemnification. Buyer shall indemnify, defend, and hold harmless Co-Manufacturer and its officers, directors, employees, agents, affiliates, successors, and permitted assigns against any and all Losses arising out of or resulting from any claim of a third party arising out of or occurring in connection with Buyer's negligence, willful misconduct, or breach of this Agreement. Buyer shall not enter into any related settlement without Co-Manufacturer's prior written consent.

(c) Intellectual Property Indemnification. Co-Manufacturer shall, at its expense, defend, indemnify, and hold harmless Buyer and any Indemnified Party against any and all Losses arising out of or in connection with any claim that the Finished Products infringe or misappropriate the patent, copyright, trade secret or other intellectual property right of any third party. Co-Manufacturer shall not enter into any settlement without Buyer's prior written consent.

(d) Co-Manufacturer**'s** aggregate liability for any Losses arising out of or in connection with this Agreement is limited to an amount of USD **[***]**or to the price paid for Finished Products under this Agreement, whichever is lower; *provided, however*, that the preceding limitation shall not apply to Losses arising out of or in connection with any claim described in Section 11(c) above. In no event and notwithstanding any other provisions under this Agreement, shall either Party be liable to the other Party for any consequential, incidental or indirect damages, including, but not limited to, lost profits, loss of production or similar damages or losses (whether direct, indirect or consequential). The limits in this clause shall not apply to damages resulting from the gross negligence, willful misconduct or fraudulent conduct or bodily injury, death or any other compulsory liability under governing law.

(e) Insurance. Co-Manufacturer shall maintain, throughout the Term and for a period of 180 days thereafter, at its expense and from a carrier satisfactory to Buyer:

(i) commercial general liability insurance (including product liability and vendors liability insurance) in a minimum amount of $**[***]** per occurrence, for bodily injury and property damage, and endorsed to provide contractual liability insurance in the amount specified above, specifically covering Co-Manufacturer's obligations to indemnify Buyer pursuant to this Section 11; and

(ii) statutory workers' compensation coverage meeting all European Union and Czech requirements including coverage for employers' liability with limits of no less than $**[***]**, including a waiver of subrogation in favor of Buyer.

Co-Manufacturer shall deliver to Buyer a certificate of insurance for the coverages required by this Agreement upon the execution of this Agreement and annually thereafter. The certificate shall specify that the insurer or Co-Manufacturer shall give Buyer at least thirty (30) days prior written notice by the insurer in the event of any cancellation, termination or material modification of coverage. The insurance certificates required under this subsection (c) shall designate Buyer as an additional insured. The insurance must be primary coverage without right of contribution from any other Buyer insurance. Insurance maintained by Buyer is for the exclusive benefit of Buyer and will not inure to the benefit of Co-Manufacturer.

12. Confidentiality.

(a) "Confidential Information" means all non-public or proprietary information that either Party treat as confidential, whether or not marked, designated or otherwise identified as "confidential," including but not limited to the Specifications and all information such Party may receive from the other Party concerning the processing of, production of, marketing of, distribution of, selling of, strategic plans for, designs for, and quantities of the Finished Products, whether such information is conveyed orally or in written form (including without limitation by e-mail or other electronic communication) or by observation or in any other manner, and furthermore including without limitation any production output, sales volume, costing/financial information, productivity, research/developmental activities, location of manufacturing, or manufacturing processes used in the production of the Finished Products. Each Party's Confidential Information shall be the exclusive and sole property of such Party.

(b) Each Party shall treat the Confidential Information of the other Party as confidential, proprietary, and trade secret information of the other Party, shall keep all such Confidential Information strictly confidential and secret, and shall not divulge, communicate, or transmit it to third parties nor use it in any commercial manner, except for the limited purpose of processing and packaging the Finished Products solely and exclusively for Buyer hereunder. The Parties shall restrict disclosure of Confidential Information only to such directors, officers, employees, and advisors who need such information in order to perform the obligations imposed by this Agreement. During production of the Finished Products, Co-Manufacturer shall not allow access by third parties (other than its employees or service or maintenance providers, state authorities or agents) to the production line or packaging areas in its facility involved in producing the Finished Products without Buyer's prior written consent. These obligations of confidentiality and limits on use of said information shall survive the termination or expiration of this Agreement for a period of three (3) years, except for information that constitutes a Party's trade secrets, which shall remain confidential for as long as such information continues to qualify as trade secrets. Upon termination or expiration of this Agreement, each Party shall return or certify to the destruction of all Confidential Information to the other Party.

(c) The obligations of this Section 12 shall not apply to any information which (i) was generally available to the public at the time of disclosure to the receiving Party, (ii) becomes generally available to the public other than as a result of an action of the receiving Party subsequent to the disclosure to the receiving Party, (iii) was available to the receiving Party on a non-confidential basis prior to its disclosure by the disclosing Party as demonstrated by the receiving Party's written records, (iv) becomes available to the receiving Party from a source other than the disclosing Party without violating any obligation of confidentiality, or (v) is independently developed by the receiving Party without reference to the confidential information.

(d) In the event that any Party is required by applicable law to disclose all or any part of the Confidential Information, such Party will provide the other Party with prompt notice of such request so that the other Party may seek an appropriate protective order. If such a protective order is not obtained, the first Party agree to furnish only that portion of the Confidential Information that its counsel determines is legally required, and will provide a copy of any such Confidential Information to the other Party prior to disclosing it to a third party.

(e) Each Party acknowledges and agrees that money damages might not be a sufficient remedy for any breach or threatened breach of this Section 12 by it or its representatives. Therefore, in addition to all other remedies available at law (which neither Party waives by exercising any rights hereunder), the Parties shall be entitled to seek specific performance and injunctive and other equitable relief as a remedy for any such breach or threatened breach.

(f) Buyer acknowledges that Co-Manufacturer may from time to time produce products for third parties ("Other Customers"). Solely with respect to preventing disclosures to Other Customers by virtue of their inspections of Co-Manufacturer's facilities, Co-Manufacturer shall satisfy its obligations under this Section 12 by restricting Other Customers' access to Co-Manufacturer's facilities in a manner substantially the same as any restrictions imposed upon Buyer under this Agreement; provided, however, that the foregoing shall not in any way diminish or mitigate Co-Manufacturer's obligations to prevent the disclosure (whether verbally, in writing, or otherwise) of any of Buyer's confidential and proprietary information to any third parties.

(g) Unless otherwise required by applicable law or stock exchange requirements (based upon the reasonable advice of counsel), a Party shall not make any public announcements in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other Party, and the Parties shall cooperate as to the timing and contents of any such announcement.

13. Independent Contractor. Nothing contained herein shall be deemed or construed to create any agency, partnership or joint venture between Buyer and Co-Manufacturer. The operation of any equipment or machinery or devices used by Co-Manufacturer and the employment of labor to process, package, pack, code date, stencil, store, assemble, load, and deliver the Finished Product shall be the sole responsibility of Co-Manufacturer. All activities by Co-Manufacturer under the terms of this Agreement shall be carried on by Co-Manufacturer as an independent contractor and not as an agent for or employee of Buyer. Under no circumstances shall any employee of Co-Manufacturer be deemed or construed to be an employee of Buyer or any employee of Buyer be deemed or construed to be an employee of Co-Manufacturer.

14. Force Majeure. Neither Party shall be liable or responsible to the other Party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement, when and to the extent such Party's (the "Impacted Party") failure or delay is caused by or results from the following force majeure events ("Force Majeure Event(s)"): (a) acts of God; (b) flood, fire, earthquake, hurricane, tropical storm or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order, law, or action; (e) embargoes or blockades in effect on or after the date of this Agreement; and (f) national or regional emergency. The Impacted Party shall give notice within three (3) days of the Force Majeure Event to the other Party, stating the period of time the occurrence is expected to continue.

The Impacted Party shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized. The Impacted Party shall resume the performance of its obligations as soon as reasonably practicable after the removal of the cause. In the event that the Impacted Party's failure or delay remains uncured for a period of fifteen (15) days following written notice given by it under this Section 15, the other Party may thereafter terminate this Agreement upon ten (10) days' written notice.

15. Miscellaneous.

(a) Co-Manufacturer may not assign any of its rights or delegate any of its obligations under this Agreement to another party (including, but not limited to, the manufacturing/processing/packaging of the Finished Product by a third party other than Co-Manufacturer) without the prior written consent of Buyer. Any purported assignment or delegation in violation of this Section 15(a) shall be null and void. Any such consent by Buyer does not relieve Co-Manufacturer of any obligations hereunder including, but not limited to, its obligations to indemnify under Section 11 above. This Agreement shall inure to the benefit of Buyer and Co-Manufacturer and to their respective permitted successors, assigns or affiliates. In the event of a transfer of ownership (by sale, merger, etc.) by Co-Manufacturer, including without limitation the proposed sale by Co-Manufacturer of its business or assets that produce the Finished Product, Buyer shall be given 90 days' advance notice of such transfer or sale and, upon receipt of said notice, shall have, in its sole discretion, the right to transfer to another co-manufacturer or terminate this Agreement and any Purchase Orders immediately, all without penalty.

(b) All notices, requests, consents, claims, demands, waivers, and other communications hereunder (each, a "Notice") shall be in writing and shall be deemed to have been given (i) when delivered by hand (with written confirmation of receipt); (ii) when received by the addressee if sent by a internationally recognized overnight courier (receipt requested); (iii) on the date sent by email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient, or (iv) on the seventh day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Notices must be sent to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a Notice given in accordance with this Section 16(b)):

If to Co-Manufacturer:

RUB Aluminium s.r.o.
Všetatská 307
277 15 Tišice Chrást
Středočeský kraj
Czech Republic
Email: **[***]**
Attention: **[***]**

With a copy to:

[***]
Email: **[***]**Attention: **[***]**

If to Buyer:

Optex Systems, Inc.
1420 Presidential Drive
Richardson, TX 75081
U.S.A.
Email: dschoening@optexsys.com
Attention: Danny Schoening

With a copy to:

Hill Ward Henderson
Email: roland.chase@hwhlaw.com
Attention: Roland S. Chase

(c) This Agreement shall be governed by and construed in accordance with the internal laws of Delaware without giving effect to any choice of law or conflict of law provision or rule (whether of Delaware or any other jurisdiction).

(d) All disputes arising out of or in connection with this Agreement shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said rules. The language of arbitration shall be English and the place of arbitration shall be Paris, France.

(e) If any provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement or render such provision invalid or unenforceable in any other jurisdiction. Upon a determination that any term or provision is invalid, illegal, or unenforceable, the court may modify this Agreement to effect the original intent of the Parties as closely as possible in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

(f) This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Parties.

(g) No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach, or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power, or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

(h) This Agreement, together with all related exhibits and schedules, constitutes the sole and entire agreement of the Parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter.

16. Dispute Resolution.

(a) The Parties shall attempt in good faith to resolve any dispute arising under this Agreement or any Purchase Order by negotiation and consultation between themselves. If such dispute is not resolved on an informal basis within thirty (30) business days after the commencement of negotiations, either Party may initiate mediation proceedings as set forth below.

(b) If the Parties cannot resolve the dispute within the time period set forth above, the Parties may submit the dispute to any mutually agreed mediation service for mediation. The Parties shall cooperate with each other in selecting a mediation service, and shall cooperate with the mediation service and with each other in selecting a neutral mediator and in scheduling the mediation proceedings. The mediator’s fees and expenses and the costs incidental to the mediation will be shared equally between the Parties.

(c) If the Parties cannot resolve any dispute for any reason, including, but not limited to, the failure of either Party to agree to enter into mediation or agree to any settlement proposed by the mediator, within thirty (30) days after submission to mediation, either Party may commence an arbitration proceedings pursuant to Section 15(d) above.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth above.

RUB ALUMINIUM S.R.O.

By _____
Ivo Urban
Managing Director

OPTEX SYSTEMS, INC.

By _____
Danny Schoening
President and CEO

SCHEDULE 1

FINISHED PRODUCTS, SPECIFICATIONS, AND BUSINESS TERMS

The list of Finished Products under the Co-Manufacturing Service Agreement is as follows:

- Speedtracker Mach Products
- Swing Adapters
- Parabolic Adapters
- ARCA Rail Adapters

The specifications for such Finished Products are as follows:

To be provided in accordance with Section 2.02(e) of the Asset Purchase Agreement by and among the Parties of even date herewith.

Per Unit Fees for such Finished Products are as follows:

Product	Per Unit Fee
Speedtracker Mach Products	USD **[$***]**
Swing Adapters	USD **[$***]**
Parabolic Adapters	USD **[$***]**
ARCA Rail Adapters	USD **[$***]**

Production Scheduling/Quantities:

[***] - [***]per month for **[***]-[***]**units projected for calendar year 2024

Exhibit 10.2

Optex Systems Holdings, Inc.
DIRECTOR AND OFFICER INDEMNIFICATION AGREEMENT

This Director and Officer Indemnification Agreement, dated as of [Date] (this "***Agreement***"), is made by and between Optex Systems Holdings, Inc., a Delaware corporation (the "***Company***"), and ("***Indemnitee***").

RECITALS:

A. Section 141 of the Delaware General Corporation Law provides that the business and affairs of a corporation shall be managed by or under the direction of its board of directors.

B. Pursuant to Sections 141 and 142 of the Delaware General Corporation Law, significant authority with respect to the management of the Company has been delegated to the officers of the Company.

C. By virtue of the managerial prerogatives vested in the directors and officers of a Delaware corporation, directors and officers act as fiduciaries of the corporation and its stockholders.

D. Thus, it is critically important to the Company and its stockholders that the Company be able to attract and retain the most capable persons reasonably available to serve as directors and officers of the Company.

E. In recognition of the need for corporations to be able to induce capable and responsible persons to accept positions in management, Delaware law authorizes (and in some instances requires) corporations to indemnify their directors and officers, and further authorizes corporations to purchase and maintain insurance for the benefit of their directors and officers.

F. The Delaware courts have recognized that indemnification by a corporation serves the dual policies of (1) allowing officials to resist unjustified lawsuits, secure in the knowledge that, if vindicated, the corporation will bear the expense of litigation and (2) encouraging capable women and men to serve as directors and officers, secure in the knowledge that the corporation will absorb the costs of defending their honesty and integrity.

G. The number of lawsuits challenging the judgment and actions of directors and officers of public companies, the costs of defending those lawsuits, and the threat to directors' and officers' personal assets have all materially increased over the past several years, chilling the willingness of capable women and men to undertake the responsibilities imposed on directors and officers.

H. Recent federal legislation and rules adopted by the Securities and Exchange Commission and the national securities exchanges have imposed additional disclosure and corporate governance obligations on directors and officers of public companies and have exposed such directors and officers to new and substantially broadened civil liabilities.

I. These legislative and regulatory initiatives have also exposed directors and officers of public companies to a significantly greater risk of criminal proceedings, with attendant defense costs and potential criminal fines and penalties.

J. Under Delaware law, a director's or officer's right to be reimbursed for the costs of defense of criminal actions, whether such claims are asserted under state or federal law, does not depend upon the merits of the claims asserted against the director or officer and is separate and distinct from any right to indemnification the director or officer may be able to establish, and indemnification of the director or officer against criminal fines and penalties is permitted if the director or officer satisfies the applicable standard of conduct.

K. Indemnitee is a director or officer of the Company and his or her willingness to serve in such capacity is predicated, in substantial part, upon the Company's willingness to indemnify him or her in accordance with the principles reflected above, to the fullest extent permitted by the laws of the state of Delaware, and upon the other undertakings set forth in this Agreement.

L. Therefore, in recognition of the need to provide Indemnitee with substantial protection against personal liability, in order to procure Indemnitee's continued service as a director or officer of the Company and to enhance Indemnitee's ability to serve the Company in an effective manner, and in order to provide this protection pursuant to express contract rights, intended to be enforceable irrespective of, among other things, any amendment to the Company's certificate of incorporation or bylaws (collectively, the "***Constituent Documents***"), any change in the composition of the Company's Board of Directors (the "***Board***") or any change-in-control or business combination transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancement of Expenses (as defined in Section 1(f), to Indemnitee as set forth in this Agreement and for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies.

M. In light of the considerations referred to in the preceding recitals, it is the Company's intention and desire that the provisions of this Agreement be construed liberally, subject to their express terms, to maximize the protections to be provided to Indemnitee hereunder.

AGREEMENT:

NOW, THEREFORE, the parties hereby agree as follows:

1. Certain Definitions. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

(a) "***Claim***" means (i) any threatened, asserted, pending or completed claim, demand, action, suit or proceeding, whether civil, criminal, administrative, arbitrative, investigative or other, and whether made pursuant to federal, state or other law; and (ii) any threatened, pending or completed inquiry or investigation, whether made, instituted or conducted by the Company or any other person, including any federal, state or other governmental entity, that Indemnitee determines might lead to the institution of any such claim, demand, action, suit or proceeding.

(b) "***Controlled Affiliate***" means any corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit, that is directly or indirectly controlled by the Company. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity or enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise; *provided* that direct or indirect beneficial ownership of capital stock or other interests in an entity or enterprise entitling the holder to cast 20% or more of the total number of votes generally entitled to be cast in the election of directors (or persons performing comparable functions) of such entity or enterprise shall be deemed to constitute control for purposes of this definition.

(c) "***Director***" means a member of the Board.

(d) "***Disinterested Director***" means a Director who is not and was not a party to the Claim in respect of which indemnification is sought by Indemnitee.

(e) "***ERISA Losses***" means any taxes, penalties or other liabilities under the Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended.

(f) "***Expenses***" means attorneys' and experts' fees and expenses and all other costs and expenses paid or payable in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in (including on appeal), any Claim.

(g) "***Incumbent Directors***" means the individuals who, as of the date hereof, are Directors of the Company and any individual becoming a Director subsequent to the date hereof whose election, nomination for election by the Company's stockholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); *provided*, *however*, that an individual shall not be an Incumbent Director if such individual's election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Securities Exchange Act of 1934, as amended) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(h) "***Indemnifiable Claim***" means any Claim based upon, arising out of or resulting from (i) any actual, alleged or suspected act or failure to act by Indemnitee in his or her capacity as a director, officer, employee or agent of the Company or as a director, officer, employee, member, manager, trustee or agent of any other corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise, whether or not for profit (including any employee benefit plan or related trust), as to which Indemnitee is or was serving at the request of the Company as a director, officer, employee, member, manager, trustee or agent, (it being understood that reimbursement by the Company for the expense of participation in any industry group or other non-profit organization shall be deemed to evidence that such service is or was at the request of the Company), (ii) any actual, alleged or suspected act or failure to act by Indemnitee in respect of any business, transaction, communication, filing, disclosure or other activity of the Company or any other entity or enterprise referred to in clause (i) of this sentence, or (iii) Indemnitee's status as a current or former director, officer, employee or agent of the Company or as a current or former director, officer, employee, member, manager, trustee or agent of the Company or any other entity or enterprise referred to in clause (i) of this sentence or any actual, alleged or suspected act or failure to act by Indemnitee in connection with any obligation or restriction imposed upon Indemnitee by reason of such status. In addition to any service at the actual request of the Company, for purposes of this Agreement, Indemnitee shall be deemed to be serving or to have served at the request of the Company as a director, officer, employee, member, manager, trustee or agent of another entity or enterprise if Indemnitee is or was serving as a director, officer, employee, member, manager, trustee or agent of such entity or enterprise and (i) such entity or enterprise is or at the time of such service was a Controlled Affiliate, (ii) such entity or enterprise is or at the time of such service was an employee benefit plan (or related trust) sponsored or maintained by the Company or a Controlled Affiliate, or (iii) the Company or a Controlled Affiliate directly or indirectly caused or authorized Indemnitee to be nominated, elected, appointed, designated, employed, engaged or selected to serve in such capacity.

(i) "***Indemnifiable Losses***" means any and all Losses relating to, arising out of or resulting from any Indemnifiable Claim.

(j) "***Independent Counsel***" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company (or any Subsidiary) or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other named (or, as to a threatened matter, reasonably likely to be named) party to the Indemnifiable Claim giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

(k) "***Losses*"** means any and all Expenses, damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), ERISA Losses and amounts paid in settlement, including all interest, assessments and other charges paid or payable in connection with or in respect of any of the foregoing.

(l) "***Subsidiary***" means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding Voting Stock.

(m) "***Voting Stock***" means securities entitled to vote generally in the election of directors (or similar governing bodies).

2. Indemnification Obligation. Subject to Section 8, the Company shall indemnify, defend and hold harmless Indemnitee, to the fullest extent permitted or required by the laws of the State of Delaware in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted or required indemnification, against any and all Indemnifiable Claims and Indemnifiable Losses; *provided*, *however*, that (a) except as provided in Sections 4 and 21, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company unless the Company has joined in or consented to the initiation of such Claim and (b) no repeal or amendment of any law of the State of Delaware shall in any way diminish or adversely affect the rights of Indemnitee pursuant to this Agreement in respect of any occurrence or matter arising prior to any such repeal or amendment.

3. Advancement of Expenses. Indemnitee shall have the right to advancement by the Company prior to the final disposition of any Indemnifiable Claim of any and all Expenses relating to, arising out of or resulting from any Indemnifiable Claim paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee. Indemnitee's right to such advancement is not subject to the satisfaction of any standard of conduct and is not conditioned upon any prior determination that Indemnitee is entitled to indemnification under this Agreement with respect to the Indemnifiable Claim or the absence of any prior determination to the contrary. Without limiting the generality or effect of the foregoing, within five business days after any request by Indemnitee, the Company shall, in accordance with such request (but without duplication), (a) pay such Expenses on behalf of Indemnitee, (b) advance to Indemnitee funds in an amount sufficient to pay such Expenses, or (c) reimburse Indemnitee for such Expenses; *provided* that Indemnitee shall repay, without interest any amounts actually advanced to Indemnitee that, at the final disposition of the Indemnifiable Claim to which the advance related, were in excess of amounts paid or payable by Indemnitee in respect of Expenses relating to, arising out of or resulting from such Indemnifiable Claim. In connection with any such payment, advancement or reimbursement, if delivery of an undertaking is a legally required condition precedent to such payment, advance or reimbursement, Indemnitee shall execute and deliver to the Company such undertaking, which need not be secured and shall be accepted by the Company without reference to Indemnitee's ability to repay the Expenses.

4. Indemnification for Additional Expenses. Without limiting the generality or effect of the foregoing, the Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within five business days of such request, any and all Expenses paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee in connection with any Claim made, instituted or conducted by Indemnitee for (a) indemnification or payment, advancement or reimbursement of Expenses by the Company under any provision of this Agreement, or under any other agreement or provision of the Constituent Documents now or hereafter in effect relating to Indemnifiable Claims, and/or (b) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless in each case of whether Indemnitee ultimately is determined to be entitled to such indemnification, reimbursement, advance or insurance recovery, as the case may be; *provided*, *however*, that Indemnitee shall return, without interest, any such advance of Expenses (or portion thereof) which remains unspent at the final disposition of the Claim to which the advance related.

5. Contribution. To the fullest extent permissible under applicable law in effect on the date hereof or as such law may from time to time hereafter be amended to increase the scope of permitted or required indemnification, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the payment of any and all Indemnifiable Claims or Indemnifiable Losses, in such proportion as is fair and reasonable in light of all of the circumstances in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Indemnifiable Claim or Indemnifiable Loss; and/or (ii) the relative fault of the Company (and its other directors, managers, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

6. **Partial Indemnity.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Indemnifiable Loss, but not for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

7. Procedure for Notification. To obtain indemnification under this Agreement in respect of an Indemnifiable Claim or Indemnifiable Loss, Indemnitee shall submit to the Company a written request therefor, including a brief description (based upon information then available to Indemnitee) of such Indemnifiable Claim or Indemnifiable Loss. If, at the time of the receipt of such request, the Company has directors' and officers' liability insurance in effect under which coverage for such Indemnifiable Claim or Indemnifiable Loss is potentially available, the Company shall give prompt written notice of such Indemnifiable Claim or Indemnifiable Loss to the applicable insurers in accordance with the procedures set forth in the applicable policies. The Company shall provide to Indemnitee a copy of such notice delivered to the applicable insurers, and copies of all subsequent correspondence between the Company and such insurers regarding the Indemnifiable Claim or Indemnifiable Loss, in each case substantially concurrently with the delivery or receipt thereof by the Company. The failure by Indemnitee to timely notify the Company of any Indemnifiable Claim or Indemnifiable Loss shall not relieve the Company from any liability hereunder unless, and only to the extent that, the Company did not otherwise learn of such Indemnifiable Claim or Indemnifiable Loss and such failure results in forfeiture by the Company of substantial defenses, rights or insurance coverage.

8. Determination of Right to Indemnification.

(a) To the extent that Indemnitee shall have been successful on the merits or otherwise in defense of any Indemnifiable Claim or any portion thereof or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against Indemnifiable Losses relating to, arising out of or resulting from such Indemnifiable Claim in accordance with Section 2 and no Standard of Conduct Determination (as defined in Section 8(b)) shall be required with respect to such Indemnifiable Claim.

(b) To the extent that the provisions of Section 8(a) are inapplicable to an Indemnifiable Claim that shall have been finally disposed of, any determination of whether Indemnitee has satisfied any applicable standard of conduct under Delaware law that is a legally required condition precedent to indemnification of Indemnitee hereunder against Indemnifiable Losses relating to, arising out of or resulting from such Indemnifiable Claim (a "***Standard of Conduct Determination***") shall be made as follows: (i) by a majority vote of the Disinterested

Directors, even if less than a quorum of the Board, (ii) if such Disinterested Directors so direct, by a majority vote of a committee of Disinterested Directors designated by a majority vote of all Disinterested Directors, or (iii) if there are no such Disinterested Directors or if Indemnitee so requests, by Independent Counsel, selected by the Indemnitee and approved by the Board (such approval not to be unreasonably withheld, delayed or conditioned), in a written opinion addressed to the Board, a copy of which shall be delivered to Indemnitee; *provided*, *however*, that if at the time of any Standard of Conduct Determination Indemnitee is neither a director nor an officer of the Company, such Standard of Conduct Determination may be made by or in the manner specified by the Board, any duly authorized committee of the Board or any duly authorized officer of the Company (unless Indemnitee requests that such Standard of Conduct Determination be made by Independent Counsel, in which case such Standard of Conduct Determination shall be made by Independent Counsel). Indemnitee will cooperate with the person or persons making such Standard of Conduct Determination, including providing to such person or persons, upon reasonable advance request, any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. The Company shall indemnify and hold harmless Indemnitee against and, if requested by Indemnitee, shall reimburse Indemnitee for, or advance to Indemnitee, within five business days of such request, any and all costs and expenses (including attorneys' and experts' fees and expenses) incurred by Indemnitee in so cooperating with the person or persons making such Standard of Conduct Determination.

(c) The Company shall use its reasonable best efforts to cause any Standard of Conduct Determination required under Section 8(b) to be made as promptly as practicable. If (i) the person or persons empowered or selected under Section 8 to make the Standard of Conduct Determination shall not have made a determination within 30 days after the later of (A) receipt by the Company of written notice from Indemnitee advising the Company of the final disposition of the applicable Indemnifiable Claim (the date of such receipt being the "***Notification Date***") and (B) the selection of an Independent Counsel, if such determination is to be made by Independent Counsel, and (ii) Indemnitee shall have fulfilled his or her obligations set forth in the second sentence of Section 8(b), then Indemnitee shall be deemed to have satisfied the applicable standard of conduct; *provided* that such 30-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person or persons making such determination in good faith requires such additional time for the obtaining or evaluation or documentation and/or information relating thereto.

(d) If (i) Indemnitee shall be entitled to indemnification hereunder against any Indemnifiable Losses pursuant to Section 8(a), (ii) no determination of whether Indemnitee has satisfied any applicable standard of conduct under Delaware law is a legally required condition precedent to indemnification of Indemnitee hereunder against any Indemnifiable Losses, or (iii) Indemnitee has been determined or deemed pursuant to Section 8(b) or (c) to have satisfied any applicable standard of conduct under Delaware law which is a legally required condition precedent to indemnification of Indemnitee hereunder against any Indemnifiable Losses, then the Company shall pay to Indemnitee, within five business days after the later of (x) the Notification Date in respect of the Indemnifiable Claim or portion thereof to which such Indemnifiable Losses are related, out of which such Indemnifiable Losses arose or from which such Indemnifiable Losses resulted and (y) the earliest date on which the applicable criterion specified in clause (i), (ii) or (iii) above shall have been satisfied, an amount equal to the amount of such Indemnifiable Losses.

9. Presumption of Entitlement.

(a) In making any Standard of Conduct Determination, the person or persons making such determination shall presume that Indemnitee has satisfied the applicable standard of conduct, and the Company may overcome such presumption only by its adducing clear and convincing evidence to the contrary. Any Standard of Conduct Determination that is adverse to Indemnitee may be challenged by Indemnitee in the Court of Chancery of the State of Delaware. No determination by the Company (including by the Directors or any Independent Counsel) that Indemnitee has not satisfied any applicable standard of conduct shall be a defense to any Claim by Indemnitee for indemnification or reimbursement or advance payment of Expenses by the Company hereunder or create a presumption that Indemnitee has not met any applicable standard of conduct.

(b) Without limiting the generality or effect of Section 9(a), (i) to the extent that any Indemnifiable Claim relates to any entity or enterprise referred to in clause (i) of the first sentence of the definition of "Indemnifiable Claim," Indemnitee shall be deemed to have satisfied the applicable standard of conduct if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the interests of such entity or enterprise (or the owners or beneficiaries thereof, including in the case of any employee benefit plan the participants and beneficiaries thereof) and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful, and (ii) in all cases, any belief of Indemnitee that is based on the records or books of account of the Company, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Company in the course of their duties, or on the advice of legal counsel for the Company, the Board, any committee of the Board or any director, or on information or records given or reports made to the Company, the Board, any committee of the Board or any director by an independent certified public accountant or by an appraiser or other expert selected by or on behalf of the Company, the Board, any committee of the Board or any director shall be deemed to be reasonable.

10. No Adverse Presumption. For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere* or its equivalent, will not create a presumption that Indemnitee did not meet any applicable standard of conduct or that indemnification hereunder is otherwise not permitted.

11. Non-Exclusivity. The rights of Indemnitee hereunder will be in addition to any other rights Indemnitee may have under the Constituent Documents, or the substantive laws of the Company's jurisdiction of incorporation, any other contract or otherwise (collectively, "***Other Indemnity Provisions***"); *provided*, *however*, that (a) to the extent that Indemnitee otherwise would have any greater right to indemnification under any Other Indemnity Provision, Indemnitee will be deemed to have such greater right hereunder and (b) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, Indemnitee will be deemed to have such greater right hereunder. The Company will not adopt any amendment to any of the Constituent Documents the effect of which would be to deny, diminish or encumber Indemnitee's right to indemnification under this Agreement or any Other Indemnity Provision.

12. Liability Insurance and Funding. For the duration of Indemnitee's service as a director or officer of the Company, and thereafter for so long as Indemnitee shall be subject to any pending or possible Indemnifiable Claim, the Company shall use commercially reasonable efforts (taking into account the scope and amount of coverage available relative to the cost thereof) to cause to be maintained in effect policies of directors' and officers' liability insurance providing coverage for directors and/or officers of the Company that is at least substantially comparable in scope and amount to that provided by the Company's current policies of directors' and officers' liability insurance. The Company shall provide Indemnitee with a copy of all directors' and officers' liability insurance applications, binders, policies, declarations, endorsements and other related materials, and shall provide Indemnitee with a reasonable opportunity to review and comment on the same. Without limiting the generality or effect of the two immediately preceding sentences, the Company shall not discontinue or significantly reduce the scope or amount of coverage from one policy period to the next (i) without the prior approval thereof by a majority vote of the Incumbent Directors, even if less than a quorum, or (ii) if at the time that any such discontinuation or significant reduction in the scope or amount of coverage is proposed there are no Incumbent Directors, without the prior written consent of Indemnitee (which consent shall not be unreasonably withheld or delayed). In all policies of directors' and officers' liability insurance obtained by the Company, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits, subject to the same limitations, as are accorded to the Company's directors, managers and officers most favorably insured by such policy. The Company may, but shall not be required to, create a trust fund, grant a security interest or use other means, including a letter of credit, to ensure the payment of such amounts as may be necessary to satisfy its obligations to indemnify and advance expenses pursuant to this Agreement.

13. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the related rights of recovery of Indemnitee against other persons or entities (other than Indemnitee's successors), including any entity or enterprise referred to in clause (i) of the definition of "Indemnifiable Claim" in Section 1(h). Indemnitee shall execute all papers reasonably required to evidence such rights (all of Indemnitee's reasonable Expenses, including attorneys' fees and charges, related thereto to be reimbursed by or, at the option of Indemnitee, advanced by the Company).

14. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment to Indemnitee in respect of any Indemnifiable Losses to the extent Indemnitee has otherwise actually received payment (net of any Expenses incurred in connection therewith and any repayment by Indemnitee made with respect thereto) under any insurance policy, the Constituent Documents and Other Indemnity Provisions or otherwise (including from any entity or enterprise referred to in clause (i) of the definition of "Indemnifiable Claim" in Section 1(h)) in respect of such Indemnifiable Losses otherwise indemnifiable hereunder.

15. Defense of Claims. The Company shall be entitled to participate in the defense of any Indemnifiable Claim or to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee; *provided* that if Indemnitee believes, after consultation with counsel selected by Indemnitee, that (a) the use of counsel chosen by the Company to represent Indemnitee would present such counsel with an actual or potential conflict, (b) the named parties in any such Indemnifiable Claim (including any impleaded parties) include both the Company and Indemnitee and Indemnitee shall conclude that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company, or (c) any such representation by such counsel would be precluded under the applicable standards of professional conduct then prevailing, then Indemnitee shall be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular Indemnifiable Claim) at the Company's expense. The Company shall not be liable to Indemnitee under this Agreement for any amounts paid in settlement of any threatened or pending Indemnifiable Claim effected without the Company's prior written consent. The Company shall not, without the prior written consent of Indemnitee, effect any settlement of any threatened or pending Indemnifiable Claim to which Indemnitee is, or could have been, a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of Indemnitee from all liability on any claims that are the subject matter of such Indemnifiable Claim. Neither the Company nor Indemnitee shall unreasonably withhold its consent to any proposed settlement; *provided* that Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of Indemnitee.

16. Successors and Binding Agreement.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to Indemnitee and his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement shall be binding upon and inure to the benefit of the Company and any successor to the Company, including any person acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "***Company***" for purposes of this Agreement), but shall not otherwise be assignable or delegatable by the Company.

(b) This Agreement shall inure to the benefit of and be enforceable by Indemnitee's personal or legal representatives, executors, administrators, heirs, distributees, legatees and other successors.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 16(a) and 16(b). Without limiting the generality or effect of the foregoing, Indemnitee's right to receive payments hereunder shall not be assignable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by Indemnitee's will or by the laws of descent and distribution, and, in the event of any attempted assignment or transfer contrary to this Section 16(c), the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

17. Notices. For all purposes of this Agreement, all communications, including notices, consents, requests or approvals, required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service, addressed to the Company (to the attention of the Secretary of the Company) and to Indemnitee at the applicable address shown on the signature page hereto, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

18. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without giving effect to the principles of conflict of laws of such State. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the Chancery Court of the State of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the Chancery Court of the State of Delaware.

19. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent, and only to the extent, necessary to make it enforceable, valid or legal. In the event that any court or other adjudicative body shall decline to reform any provision of this Agreement held to be invalid, unenforceable or otherwise illegal as contemplated by the immediately preceding sentence, the parties thereto shall take all such action as may be necessary or appropriate to replace the provision so held to be invalid, unenforceable or otherwise illegal with one or more alternative provisions that effectuate the purpose and intent of the original provisions of this Agreement as fully as possible without being invalid, unenforceable or otherwise illegal.

20. Miscellaneous. No provision of this Agreement may be waived, modified or discharged unless such waiver, modification or discharge is agreed to in writing signed by Indemnitee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement.

21. Legal Fees and Expenses; Interest.

(a) It is the intent of the Company that Indemnitee not be required to incur legal fees and or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to Indemnitee hereunder. Accordingly, without limiting the generality or effect of any other provision hereof, if it should appear to Indemnitee that the Company has failed to comply with any of its obligations under this Agreement (including its obligations under Section 3) or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, Indemnitee the benefits provided or intended to be provided to Indemnitee hereunder, the Company irrevocably authorizes Indemnitee from time to time to retain counsel of Indemnitee's choice, at the expense of the Company as hereafter provided, to advise and represent Indemnitee in connection with any such interpretation, enforcement or defense, including the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to Indemnitee's entering into an attorney-client relationship with such counsel, and in that connection the Company and Indemnitee agree that a confidential relationship shall exist between Indemnitee and such counsel. Without respect to whether Indemnitee prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by Indemnitee in connection with any of the foregoing to the fullest extent permitted or required by the laws of the State of Delaware in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted or required payment of such fees and expenses.

(b) Any amount due to Indemnitee under this Agreement that is not paid by the Company by the date on which it is due will accrue interest at the maximum legal rate under Delaware law from the date on which such amount is due to the date on which such amount is paid to Indemnitee.

22. Certain Interpretive Matters. Unless the context of this Agreement otherwise requires, (a) "it" or "its" or words of any gender include each other gender, (b) words using the singular or plural number also include the plural or singular number, respectively, (c) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement, (d) the terms "Section" or "Exhibit" refer to the specified Section or Exhibit of or to this Agreement, (e) the terms "include," "includes" and "including" will be deemed to be followed by the words "without limitation" (whether or not so expressed), and (f) the word "or" is disjunctive but not exclusive. Whenever this Agreement refers to a number of days, such number will refer to calendar days unless business days are specified and whenever action must be taken (including the giving of notice or the delivery of documents) under this Agreement during a certain period of time or by a particular date that ends or occurs on a non-business day, then such period or date will be extended until the immediately following business day. As used herein, "business day" means any day other than Saturday, Sunday or a United States federal holiday.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Indemnitee has executed and the Company has caused its duly authorized representative to execute this Agreement as of the date first above written.

Optex Systems Holdings, Inc.

By: _____
Name:
Title:

[INDEMNITEE]

_____
[Indemnitee]

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Danny Schoening, certify that:

1. I have reviewed this Form 10-Q of Optex Systems Holdings, Inc.:

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

By:*/s/ Danny Schoening*
Danny Schoening
Principal Executive Officer

Dated: May 14, 2024

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Karen Hawkins, certify that:

1. I have reviewed this Form 10-Q of Optex Systems Holdings, Inc.:

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

By:*/s/ Karen Hawkins*
Karen Hawkins
Principal Financial Officer and Principal Accounting Officer

Dated: May 14, 2024

Exhibit 32.1

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

In connection with this Quarterly Report of Optex Systems Holdings, Inc. (the "Company") on this Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Danny Schoening, Principal Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By:*/s/ Danny Schoening*
Danny Schoening
Principal Executive Officer

Dated: May 14, 2024

Exhibit 32.2

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

In connection with this Quarterly Report of Optex Systems Holdings, Inc. (the "Company") on this Form 10-Q for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karen Hawkins, Principal Financial Officer and Principal Accounting Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

By:*/s/ Karen Hawkins*
Karen Hawkins
Principal Financial Officer and Principal Accounting Officer

Dated: May 14, 2024