

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

Or

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

For the transition period from _____ to _____

Commission file number **000-51372**

Omega Flex, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

23-1948942
(I.R.S. Employer Identification No.)

451 Creamery Way, Exton, PA
(Address of principal executive offices)

19341
(Zip Code)

(610) 524-7272
Registrant's telephone number, including area code

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	OFLX	NASDAQ Global Market

Securities registered pursuant to section 12(g) of the Act:

Not applicable
(Title of class)

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act Yes No

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

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

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

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

The aggregate market value of voting and non-voting shares of common stock held by non-affiliates of the registrant as of June 28, 2024, the last business day of the second quarter of 2024, was \$180,289,727.

The number of shares of common stock outstanding as of March 1, 2025 was 10,094,322.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13, and 14) is incorporated by reference from the registrant's definitive proxy statement (to be filed pursuant to Regulation 14A no later than 120 days after December 31, 2024, or April 30, 2025) for the 2025 annual meeting of shareholders.

Omega Flex, Inc.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K (“annual report” or “report”) of Omega Flex, Inc. that are not historical facts -- but rather reflect our current expectations concerning future results and events -- constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believes,” “expects,” “intends,” “plans,” “anticipates,” “intends,” “estimates,” “potential,” “continues,” “hopes,” “likely,” “will,” and similar expressions, or the negative of these terms, identify such forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause the actual results, performance or achievements of Omega Flex, Inc., or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements are set forth in Part I, Item 1A. Risk Factors, and other parts of this annual report.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s view only as of the date of this annual report. We undertake no obligation to update or revise any forward-looking statements, whether to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions, or circumstances, except as required by law. In addition, certain sections of this annual report contain information obtained from independent industry sources and other sources that we have not independently verified.

Unless otherwise indicated or the context otherwise requires, all references in this annual report to the terms “Omega Flex,” the “Company,” “us,” “we”, and “our” refer to Omega Flex, Inc. and its subsidiaries.

PART I

Item 1 - BUSINESS

Overview of the Company

The Company is a leading manufacturer of flexible metal hose, which is used in a variety of ways to carry gases and liquids within their particular applications. Some of the more prominent uses include:

- carrying fuel gases within residential and commercial buildings;
- carrying gasoline and diesel gasoline products (both above and below the ground) in a double containment piping to contain any possible leaks, which is used in automotive and marina refueling, and fueling for back-up generation;
- using copper-alloy corrugated piping in medical or health care facilities to carry medical gases (oxygen, nitrogen, vacuum) or pure gases for pharmaceutical applications; and
- industrial applications where the customer requires the piping to have both a degree of flexibility and/or an ability to carry corrosive compounds or mixtures, or to carry at both very high and very low (cryogenic) temperatures.

The Company’s business is managed as a single operating segment that consists of the manufacture and sale of flexible metal hose (also described as corrugated tubing), as well as the sale of the Company’s related proprietary fittings and a vast array of accessories.

The Company manufactures flexible metal hose at its facilities in Exton, Pennsylvania and Houston, Texas in the United States (U.S.), and in Banbury, Oxfordshire in the United Kingdom (U.K.). The Company primarily sells its products through distributors, wholesalers and to original equipment manufacturers (“OEMs”) throughout North America and Europe, and to a lesser extent other global markets.

Industry Overview

The flexible metal hose industry is highly fragmented and diverse, with more than eight companies producing flexible metal hose in the U.S., and at least that many in Europe and Asia. Because of its simple and ubiquitous nature, flexible metal hose has been applied to a number of different applications across a broad range of industries.

The major market categories for flexible metal hose include (1) automotive, (2) aerospace, (3) residential, commercial, and institutional construction, and (4) general industrial. Omega Flex participates in the latter two markets for flexible metal hose. The residential and commercial construction market utilizes corrugated stainless steel tubing (CSST) primarily for flexible gas piping and double containment piping for conveying diesel fuel and gasoline from a storage tank to a dispenser or back-up generator. The Company produces corrugated copper tubing for medical gases in medical care facilities, including hospitals, clinics, dental and veterinary offices, and long-term care facilities. The general industrial market includes all the processing industries, the most important of which include primary steel, petrochemical, pharmaceutical, and specialty applications for the transfer of fluids at both extremely low and high temperatures, (such as the conveying of cryogenic liquids) and a highly fragmented OEM market, as well as the maintenance and repair market.

None of our competitors appears to be dominant in more than one market. We believe that we are a leading supplier of flexible metal hose in each of the U.S. markets in which we participate. Our assessment of our overall competitive position is based on several factors. The flexible gas piping market in the U.S. is currently concentrated in the residential housing market. Based on the reports issued by the national trade groups on housing construction, the level of acceptance of flexible gas piping in the construction market, and the average usage of flexible gas piping in a residential building, we believe that we can estimate with a reasonable level of accuracy the size of the total gas piping market. In addition, the Company is a member of an industry trade group comprised of the largest manufacturers of CSST in the U.S., which compiles and distributes sales volume statistics for its members relative to flexible gas piping. Based on our sales and the statistics described above, the Company believes it can estimate its position within that market. For other applications, industry trade groups collect, and report data related to these markets, and we can then compare and estimate our status within that group as a whole. In addition, the customer base for the products that we sell, and the identity of the manufacturers aligned with those customers is fairly well known, which again allows the Company to extract information and estimate its market position. Lastly, the term “leading” implies a host of factors other than sales volume and market share position. It includes the range and capability of the product line, history of product development and new product launches, all of which information is in the public domain. Based on all this information, the Company is reasonably confident that it is indeed a leader in the major U.S. market segments in which it participates.

Development of Business

Incorporated as a Pennsylvania corporation in 1975 under the name of Tofle America, Inc., the Company was originally established as the subsidiary of a Japanese manufacturer of flexible metal hose. For a number of years, the Company was a manufacturer of flexible metal hose that was sold primarily to customers using the hose for incorporation into finished assemblies for industrial applications. The Company later changed its name to Omega Flex, Inc., and in 1996, the Company was acquired by Mestek, Inc. (Mestek).

In 2005, Mestek distributed its equity ownership in our common stock to Mestek shareholders and the shares of our common stock started trading on The NASDAQ Stock Market LLC under the stock symbol “OFLX.”

Over the years, most of the Company’s business has been concentrated in North America, but the Company also has foreign subsidiaries located in the U.K. and France, which are largely focused on European and other international markets. The Company also has a U.S. subsidiary which owns the Company’s Exton, Pennsylvania real estate and, in October 2024, formed a new U.S. subsidiary, Flex-Trac, Inc., for its MediTrac® corrugated medical gas tubing products.

Overview of Current Business

Strategy

The Company's strategy has been, and continues to be, focused on its core strengths in the development, manufacture, and sale of flexible metal hose for use in a variety of applications. We believe the Company is uniquely situated to exploit its capabilities in this area due to its long experience in engineering and bringing new products to market, and its proprietary rotary process, which permits the Company to manufacture flexible metal hose with superior quality and efficiency as compared to its competitors. The Company's strategy is to develop flexible metal products in new and developing markets that would recognize and compensate for the value-added propositions that each product brings to that industry. Typically, this would involve a new flexible metal hose that replaces traditional rigid products, and thereby improves the quality of the installed product, increases installation efficiency, and provides an overall cost and time savings. Examples of such products are our flexible gas piping sold under the TracPipe[®] CounterStrike[®] trademarks, our MediTrac[®] corrugated medical gas tubing, our DoubleTrac[®] double-containment piping, and DEF-Trac[®] flexible piping. In each instance, we believe that the products we bring to market offer customers superior quality, expanded applications due to the products' flexibility, and reduced total costs. The Company seeks to protect its investments in product development by obtaining patent protection for new and unique features of its products.

Sales, Products and Customers

We sell our products to customers scattered across a wide and diverse set of industries ranging from construction to pharmaceutical. These sales channels include sales through independent sales representatives, distributors, OEM, and direct sales. We utilize various distribution companies in the sale of our TracPipe[®] and Counterstrike[®] CSST, and these distribution customers in the aggregate represent a significant portion of our business. In particular, the Company has one significant distribution customer, whose various branches had sales in the range of 14% to 15% of total sales during the periods of 2023 to 2024 and were 23% and 19% of the Company's accounts receivable balance as of December 31, 2024 and 2023, respectively. All of this business is done on a purchase order basis for immediate resale commitments or stocking, and there are no long-term purchase commitments. In the event we were to lose an account, we would not expect any long-term reduction in our sales due to the broad end-user acceptance of our products. We would anticipate that in the event of a loss of any one or more distributors, that after an initial transition period, the sales of our products would resume at or near their historical levels. Furthermore, in the case of certain national distribution chains, which is the case regarding the Company's largest customer noted above, and other distributors, it is possible that there would continue to be purchasing activity from one or more regional or branch distribution customers. We sell our products within North America, primarily in the U.S. and Canada, and we also sell our products internationally, primarily in Europe through our manufacturing facility located in Banbury, U.K. Our sales outside of North America were in the range of 3% to 4% of our total sales during the last two years, with most of the sales occurring in the U.K. and elsewhere in Europe. We do not have a material portion of our long-lived assets located outside of the U.S.

TracPipe[®] CSST

The Company has had the most success within the residential construction industry with its flexible gas piping products, TracPipe[®] CSST, which was introduced in 1997, and its more robust counterpart TracPipe[®] CounterStrike[®] CSST, which came to market in 2004. Partnered with the development of our AutoFlare[®] and AutoSnap[®] fittings and accessories, both have enjoyed wide acceptance due to their reliability and durability. In late 2023, we discontinued the AutoSnap[®] fitting, due to overwhelming market acceptance of the AutoFlare[®] fitting. Within the residential construction industry, the flexible gas piping products that we offer, and similar products offered by our competitors have sought to overcome the use of black iron pipe that has traditionally been used by the construction industry in the U.S. and Canada for the piping of fuel gases within a building. Prior to the introduction of the first CSST system in 1989, nearly all construction in the U.S. and Canada used traditional black iron pipe for gas piping. However, the advantages of CSST in areas subject to high incidence and likelihood of seismic events had been first demonstrated in Japan. In seismic testing, the CSST was shown to withstand the stresses on a piping system created by the shifting and movement of an earthquake better than rigid pipe. The advantages of CSST over the traditional black iron pipe also include lower overall installation costs because it can be installed in long uninterrupted

lines within the building.

The flexibility of the tube allows it to be bent by hand without any tools when a change in direction in the line is required. In contrast, black iron pipe requires that each bend in the pipe have a separate fitting attached. This requires the installer to thread the ends of the black iron pipe, apply an adhesive to the threads, and then screw on the fitting, all of which is labor intensive and costly, including testing and rework if the work is not done properly. As a result of these advantages, the Company estimates that CSST now commands over one-half of the market for fuel gas piping in new and remodeled residential construction in the U.S., and the use of rigid iron pipe, and to a lesser degree copper tubing, accounts for the remainder of the market. The Company plans to continue its growth trend by demonstrating its advantages against other technologies, in both the residential and commercial markets, in both the U.S. and overseas in geographic areas that have access to natural gas distribution systems.

CounterStrike® CSST

As previously mentioned, in 2004, the Company introduced a new brand of flexible gas piping sold under the registered trademark “CounterStrike®”. CounterStrike® CSST is designed to be more resistant to damage from transient electrical arcing. In a lightning strike, the electrical energy of the lightning can energize all metal systems and components in a building. This electrical energy, in attempting to reach ground, may arc between metal systems that have different electrical resistance, and arcing can cause damage to the metal systems. In standard CSST systems, an electrical bond between the CSST and the building’s grounding electrode would address this issue, but lightning is an extremely powerful and unpredictable force. CounterStrike® CSST is designed to be electrically conductive and therefore disperse the energy of any electrical charge over the entire surface of the CounterStrike® line. In 2007, the Company introduced a new version of CounterStrike® CSST that was tested to be even more resistant to damage from electrical arcing than the original version, and substantially more effective than standard CSST products. As a result of its robust performance, the new version of CounterStrike® CSST has been widely accepted in the market, and thus during 2011, the Company made the decision to sell exclusively CounterStrike® CSST within the U.S. This move demonstrated the Company’s commitment to innovation and safety and further enhanced its leadership in the marketplace.

DoubleTrac® Piping

In 2008, the Company introduced its first double containment piping product – DoubleTrac®. DoubleTrac® double containment piping has earned stringent industry certifications for its ability to safely contain and convey liquid fuels. DoubleTrac® piping received certification from Underwriters Laboratory, the testing and approval agency, that our product is fully compliant with UL 971A, which is the product standard in the U.S. for metallic underground fuel piping, ULc S679 which is the product standard in Canada for metallic underground fuel piping, as well as approvals from other relevant state agencies that have more stringent testing procedures for the product. Additionally, DoubleTrac® is fully compliant with UL 1369, which is the bi-national U.S. and Canada standard for aboveground piping for flammable and combustible liquids. DoubleTrac® piping is one of a select few piping systems having listings and approvals for both belowground and aboveground piping systems. Similar to our flexible gas piping, DoubleTrac® piping provides advantages over older rigid pipe technologies. DoubleTrac® piping is made and can be installed in long continuous runs, eliminating the need for manually assembling rigid pipe junctions at the end of a pipe or at a turn in direction. In addition, DoubleTrac® piping has superior performance in terms of its ability to safely convey fuel from the storage tank to the dispenser, primarily because DoubleTrac® piping is essentially a zero permeation piping system, far exceeding the most stringent government regulations. Originally designed for applications involving automotive fueling stations running from the storage tank to the fuel dispenser, the ability of DoubleTrac® piping to handle a variety of installation challenges has broadened its applications to include refueling at marinas, fuel lines for back-up generators, and corrosive liquids at waste treatment plants. In short, in applications where double containment piping is required to handle potentially contaminating fluids or corrosive fluids, DoubleTrac® piping is engineered to handle those demanding applications.

DEF-Trac® Piping

DEF-Trac® piping, a complementary product which is very similar to DoubleTrac® piping, was brought to the marketplace in 2011. DEF-Trac® piping is specifically engineered to handle the demanding requirements for diesel

emissions fluid (DEF). Federal regulations require all diesel engines to use DEF to reduce the particulate contaminants from the diesel combustion process. However, DEF is highly corrosive and cannot be pre-mixed with diesel fuel. This requires that new diesel trucks and automobiles must have separate tanks built into the vehicle so that the diesel emissions fluid can be injected into the catalytic converter after the point of combustion. Similarly, a large portion of fueling stations carrying diesel fuel are now also selling DEF through a separate dispenser. In addition to being highly corrosive, DEF also has a high freezing temperature, requiring a heat trace in the piping in applications in northern areas of the U.S. DEF-Trac[®] flexible piping is uniquely suited to handle all of these challenges, as the stainless steel inner core is corrosion resistant, and DEF-Trac[®] piping also comes with options for heat trace that is extruded directly into the wall of the product. In summary, DEF-Trac[®] piping provides a complete solution to the demanding requirements of this unique application, as such, DEF-Trac[®] piping has been met with wide acceptance from the industry that was searching for a solution to the new environmental requirement. The advantageous market position of DEF-Trac[®] has leveraged the penetration of DoubleTrac[®] piping into the broader market for automotive fueling applications.

MediTrac[®] Corrugated Medical Tubing

In 2019, the Company commercialized MediTrac[®] corrugated medical tubing (“CMT”), following its 2018 launch with several beta sites. Developed for the healthcare industry, the product can be used in hospitals, ambulatory care centers, dental, physician and veterinary clinics, laboratories, and any facility that uses medical gases (oxygen, nitrogen, carbon dioxide, etc.). Made from a copper alloy with an exterior fire-retardant jacket, MediTrac[®] is made and sold in long continuous-length rolls. MediTrac[®] CMT’s flexible nature and storage in rolls allows it to be transported to and installed in health care facilities much more easily and quickly than traditional medical grade rigid copper pipe, which generally comes in 20 foot long sections. MediTrac[®] CMT is unrolled from a spool and installed in a medical facility in one long continuous length and is bent by hand when a change in direction is needed. The long lengths and ability to change direction with ease eliminates labor that would otherwise be needed to braze connections to straight sections of copper pipe or elbows or tees for changes in direction, while increasing installation efficiency and operational safety and minimizing downtime for healthcare facilities. Easy to assemble axial swaged brass fittings connect with all K, L and DWV medical tubing that is sized from ½” to 2” in diameter and provides a leak-tight seal using ordinary hand tools. The patented fitting also prevents tampering or disassembly using a tamper-proof sleeve that is required by the Health Care Facilities Code (NFPA 99 – 2018 edition). Rated at 185 psig, MediTrac[®] CMT can deliver the necessary volume of gas wherever it is needed across a facility. A recent case study comparing the installation of rigid copper pipe and MediTrac[®] CMT showed that MediTrac[®] CMT increases installation efficiency by a factor of five (i.e., a 500% increase in efficiency). By reducing the number of joints and brazed connections, MediTrac[®] CMT also reduces possible contamination into the medical gas system along with the fire risk associated with brazing. MediTrac[®] CMT is currently listed at UL 1365 and has an ASTM E84 rating of 25/50 and meets all 2018 requirements of the Health Care Facilities Code (NFPA 99 – 2018). MediTrac[®] CMT also meets Canadian standard Z7396.1, Medical Gas Pipeline Systems.

In 2020, the MediTrac[®] product line experienced increased sales in use and acceptance in the marketplace resulting from its ability to be quickly and safely installed to meet the unprecedented crisis caused by the COVID-19 pandemic. Numerous medical institutions and emergency medical centers used MediTrac[®] CMT to quickly install medical gas lines in tent hospitals or in converted facilities to handle the surging demand. For example, MediTrac[®] medical gas piping was installed in a City of New York temporary hospital located in Central Park and in the Cleveland Clinic for patients with COVID-19 infections and in need of supplemental oxygen treatments. On September 25, 2020, the Centers for Medicare & Medicaid Services (CMS) issued a waiver allowing the use of CMT in new and existing healthcare facilities based on the provisions in NFPA 99 – 2018, allowing MediTrac[®] CMT to be installed in all facilities in the U.S.

In 2024, the Company formed a new U.S. subsidiary, Flex-Trac, Inc., for the MediTrac[®] CMT product line.

Additional Market Applications

In addition to the flexible gas piping and other previously described markets, our flexible metal hose is used in a wide variety of other applications. Our involvement in these markets is important because just as the flexible gas piping applications have sprung from our expertise in manufacturing metal hose, other applications may also evolve

from our participation in the industry. Flexible metal hose is used in a wide variety of industrial and processing applications where the characteristics of the flexible hose in terms of its flexibility, and its ability to absorb vibration and thermal expansion and contraction, have substantial benefits over rigid piping. For example, in certain pharmaceutical processing applications, the process of developing the specific pharmaceutical may require rapid freezing of various compounds through the use of liquefied gases, such as liquefied nitrogen, helium or hydrofluorocarbons. The use of flexible metal tubing is particularly appropriate in these types of applications. Flexible metal hose can accommodate the thermal expansion caused by the liquefied gases carried through the hose, and the total length of the hose will not significantly vary. In contrast, fixed or rigid metal pipe would expand and contract along its length as the liquid gases passed through it, causing stress on the pipe junctions that would over time cause fatigue and failure. Alternatively, within certain industrial or commercial applications using steam, either as a heat source or in the industrial process itself, the pumps used to transfer the liquid or steam within the system are subject to varying degrees of vibration. Additionally, flexible metal hoses can also be used as connections between the pump and the intake of the fluids being transferred to eliminate the vibration effects of the pumps on the piping transfer system. All of these areas provide opportunities for the flexible metal hose arena, and thus the Company continues to participate in these markets, as it seeks new innovative solutions which will generate additional revenue streams for the future.

In each instance, whether the application is for CSST for fuel gases, flexible metal hose for handling specialty chemicals or gases, flexible double containment piping, unique industrial applications requiring the ability to withstand wide variations in temperature and vibration, or copper alloyed CMT for medical facilities, all of our success rests on our metal hose. Most of our flexible metal hoses range in diameter from 1/4" to 2" while certain applications require diameters of up to 16". All of our smaller diameter pipe (2" inner diameter and smaller) are made by a proprietary process that is known as the rotary process. The proprietary process that we use to manufacture our annular hose is the result of a long-term development effort begun in 1995. Through continuous improvement over the years, we have developed and fine-tuned the process so that we can manufacture annular flexible metal hose on a high speed, continuous process. We believe that our own rotary process for manufacturing annular corrugated metal hose is the most cost efficient method in the industry, and that our rotary process provides us with a significant advantage in many of the industries in which we participate. As a result, we can generally provide our product on a demand basis. Over the years, the Company has had great success in achieving on-time delivery performance to the scheduled ship date. The quick inventory turnover reduces our costs for in-process inventory and further contributes to our gross profit levels.

Markets and Competition

There are approximately eight manufacturers or importers of flexible metal hose in the U.S., and at least that many in Europe and Asia. The U.S. manufacturers and importers include Titeflex Corporation, Ward Manufacturing, Pro-Flex, Microflex Inc., Hose Master, Pennflex, and several smaller privately held companies. No one manufacturer or importer, as a general rule, participates in more than two of the major market categories, automotive, aerospace, residential and commercial construction, and general industrial, with most concentrating on just one. We estimate that we are at or near the top position of the two major categories in which we participate regarding U.S. market share. In the flexible gas piping market, the U.S. market is currently concentrated in the residential housing market. Based on the reports issued by the national trade groups on housing construction, the level of acceptance of flexible gas piping in the construction market, and the average usage of flexible gas piping in a residential building, as well as through our sales position within that market, we can estimate with a high level of accuracy the size of the total gas piping market. In addition, the Company is a member of an industry trade group which compiles and distributes sales statistics for its members relative to flexible gas piping. For other applications, industry trade groups collect and report on the size of the relevant market, and we can estimate our percentage of the relevant market based on our sales as compared to the market as a whole. The larger of our two markets, the construction industry, has seen a modest decrease in the number of residential housing starts in 2024, as compared to the previous year. As discussed elsewhere, black iron pipe or copper tubing was historically used by all builders of commercial and residential buildings until the advent of flexible gas piping and changes in the relevant building codes. Since that time, flexible gas piping has taken an increasing share of the total amount of fuel gas piping used in construction.

Due to the number of applications in which flexible metal hose may be used, and the number of companies engaged in the manufacture, import and sale of flexible metal hose, the general industrial market is very fragmented,

and we estimate that no one company has a predominant market share of the business over other competitors. In the market for double containment piping, we compete primarily against rigid pipe systems that are more costly to install than DoubleTrac® double containment piping. For medical tubing applications, the main competitor is medical grade (Type K or Type L) rigid copper pipe. MediTrac® CMT is the only corrugated medical tubing in the U.S. that is approved to the stringent requirements of UL 1365. The general industrial markets within Europe are very mature and tend to offer opportunities that are interesting to us in niche markets or during periods in which a weak dollar increases the demand for our products on a competitive basis. Currently, we are not heavily engaged in the manufacture of flexible metal hose for the aerospace or automotive markets, but we continue to review opportunities in all markets for our products to determine appropriate applications that will provide growth potential and high margins. In some cases, where the product offering is considered a commodity, price is the overriding competing factor. In other cases, a proprietary product offering, or superior performance will be the major factors with pricing being secondary, and in some cases, an even lesser factor. Most of our sales are to distributors and wholesalers, and our relationships with these customers are on an arms-length basis in that neither we nor the customers are so dependent on the other to yield any significant business advantage. See Note 2, Significant Accounting Policies -- Significant Concentrations, to the Consolidated Financial Statements included in this report for additional details. From our perspective, we can maintain a steady demand for our products due to broad acceptance of our products by end users, regardless of which distributor or wholesaler sells the product.

Resources and Raw Materials

We use various materials in the manufacture of our products, primarily stainless steel for our flexible metal hose and plastics for our jacketing material on TracPipe® CounterStrike® CSST and DoubleTrac® double containment piping, as well as a copper alloy for our MediTrac® CMT. We also purchase all of our proprietary fittings for use with the TracPipe® and CounterStrike® CSST, DoubleTrac® double containment piping, and MediTrac® CMT. We have multiple sources qualified for all of our major raw materials and components. Nickel is a prime material in stainless steel which the Company utilizes to manufacture CSST, and copper is a key component of the Company's brass fittings and our MediTrac® CMT. Fortunately, the Company was able to maintain reasonably stable margins during 2024 as the cost of these prime materials, mainly nickel, decreased. We believe that with our purchase commitments for stainless steel, polyethylene and for our proprietary fittings, we have adequate sources of supply for these raw materials and components. Like most other manufacturers, we had sporadic supply chain issues in 2024, but we believe our multiple suppliers have sufficient raw materials and capacity minimizing any potential disruption. We believe that the supply sufficiency of stainless steel will continue until there is a reduction in global capacity, such as mine closures, which would then cause constriction. Volatility in the commodities marketplace and competitive conditions in the sale of our products could potentially restrict us from passing along raw materials or component part price increases to our customers.

Government Regulations, Including Environmental Regulations

The Company believes that its businesses and operations, including its manufacturing plants and equipment, are in substantial compliance with all applicable government laws and regulations, including those related to environmental, consumer protection, international trade, labor and employment, human rights, tax, anti-bribery, and competition matters. Any additional measures to maintain compliance are not expected to materially affect the Company's capital expenditures (including expenditures for environmental control facilities), competitive position, financial position, or results of operations.

Various legislative and administrative regulations applicable to the Company in the matters noted above have become effective or are under consideration in many parts of the world. To date, such developments have not had a substantial adverse impact on the Company. However, if new or amended laws or regulations impose significant operational restrictions and compliance requirements upon the Company or its products, the Company's business, capital expenditures, results of operations, financial condition and competitive position could be negatively impacted. Refer to Item 1A. Risk Factors for further information.

Human Capital

As of December 31, 2024, the Company and its subsidiaries had approximately 175 full-time employees and no part-time employees.

Intellectual Property

We have a comprehensive portfolio of intellectual property including over 120 patents issued in various countries around the world and trademarks registered around the world such as OmegaFlex®, AutoFlare®, TracPipe®, CounterStrike®, DoubleTrac®, and MediTrac®. We also have several patent applications pending in the U.S. and internationally covering improvements to our CounterStrike® and MediTrac® products. Finally, and as mentioned above, our unique rotary process for manufacturing flexible metal hose has been developed over a number of years and constitutes a valuable trade secret.

Available Information

You may learn more about our Company by visiting our website at www.omegaflex.com. Among other things, you can access our filings with the SEC on our website free of charge. These filings include proxy statements, annual reports (Form 10-K), quarterly reports (Form 10-Q), and current reports (Form 8-K), as well as Section 16 reports filed by our officers and directors (Forms 3, 4 and 5). All of these reports will be available on our website as soon as reasonably practicable after we file the reports with the SEC. In addition, we have made available on our website under the heading “Compliance” the charters for the Audit, Compensation and Nominating/Governance Committees of our Board of Directors and our Code of Business Conduct and Ethics. We intend to make available on our website any future amendments or waivers to our Code of Business Conduct and Ethics. The SEC maintains a website at www.sec.gov that also contains the Company’s various reports, proxy, and information statements and other filings. The information contained on or accessible through the websites referred to above is not incorporated by reference in, or otherwise a part of, this annual report, and any references to these websites are intended to be inactive textual references only.

Item 1A – RISK FACTORS

You should carefully consider the following risk factors and all the other information contained in this annual report in evaluating our business and investment in our common stock. If any of these risks occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that case, the market price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially harm our business, operating results and financial condition and could result in a complete loss of your investment.

Risk Relating to Our Business – Sales and Competition

We are primarily dependent on one product line for most of our sales.

Most of our sales are derived from the sale of TracPipe® and CounterStrike® CSST systems, including Autoflare® fittings and a variety of accessories. Sales of our flexible metal hose for other applications represent a small portion of our overall sales and income. Any event or circumstance that adversely affects our TracPipe® or CounterStrike® CSST could have a greater impact on our business and financial results than if our business were more evenly distributed across several different product lines. The effects of such an adverse event or circumstance would be magnified in terms of our company as a whole as compared to one or more competitors whose product lines may be more diversified, or who are not as reliant on the sales generated by their respective flexible gas piping products. Therefore, risks relating to our TracPipe® and CounterStrike® CSST business – in particular, loss of distributors or sales channels, technological changes, loss of our key personnel involved in the flexible gas piping product line, increases in commodity prices, particularly in stainless steel, copper, and polyethylene – could damage our business, competitive position, results of operations or financial condition.

We face intense competition in all our markets.

The markets for flexible metal hose are intensely competitive. There are a number of competitors in all markets in which we operate, and generally none of these markets have one dominant competitor. One or more of our competitors may develop technologies and products that are more effective, or which may cost less than our current or future products or could potentially render our products noncompetitive or obsolete. Volumes of competing low price imports has increased, and may continue to increase, negatively affecting our earnings. Our prior success has been due to our ability to develop new products and product improvements and establish and maintain an effective distribution network, which to some extent came at the expense of several competing manufacturers. Our business, competitive position, results of operations or financial condition could be negatively impacted if we are unable to maintain and develop our competitive products.

We may not retain our independent sales organizations.

Almost all our products and product lines are sold by outside sales organizations. These independent sales organizations or sales representatives are geographically dispersed in certain territorial markets across the U.S., Canada and elsewhere. These outside sales organizations are independent of us and are typically owned by the individual principals of such firms. We enter into agreements with such outside sales organizations for the exclusive representation or distribution of our products, but such agreements are generally terminable on short notice. At the expiration of the agreement, the agent or distributor may elect to represent a different manufacturer. As a result, we have no ability to control which flexible metal hose manufacturer any such sales organization may represent or carry. The competition to retain quality outside sales organizations is also intense between manufacturers of flexible metal hose since it is these sales organizations that generally can direct the sales volume to distributors and, ultimately, contractors and installers in important markets across the country, and in other countries in which we operate. The failure to obtain the best outside sales organization within a particular geographic market can limit our ability to generate sales of our products. While we currently have a fully developed sales and distribution network of superior outside sales organizations, there can be no assurance that any one or more of the outside sales organizations will elect to remain with us, or that our competitors will not be able to disrupt our distribution network by causing one or more of our sales representatives to drop our product lines. Our business, competitive position, results of operations or financial condition could be negatively impacted if we cannot maintain adequate sales and distribution networks.

We are dependent on wholesale distribution channels for a significant portion of our business.

Of the various sales channels that we use to sell our products, a significant portion of such sales are made through our wholesale stocking distributors. These and other distributors purchase our products, and stock the goods in warehouses for resale, either to their own local branches or to end users. Because of the breadth and penetration of the distribution networks, and the range of complementary products they offer for sale, these wholesale distributors can sell large amounts of our products to end users across the U.S. and Canada. The decision by a major wholesaler distributor to stop distributing our products such as TracPipe[®] and CounterStrike[®] CSST, and to distribute a competitive flexible gas piping product, could significantly affect our business, competitive position, results of operations or financial condition.

Certain of our competitors may have greater resources, or they may acquire greater resources.

Some of our competitors have substantially more resources than are available to us as a stand-alone company. For example, in the CSST market, two of our competitors are divisions of large corporations with revenues measured in the billions of dollars. These competitors may be able to devote substantially greater resources to the development, manufacture, distribution, and sale of their products than would be available to us as a stand-alone company. One or more competitors may acquire several other competitors, or may be acquired by a larger entity, and through a combination of resources be able to devote additional resources to their businesses. These additional resources could be devoted to product development, reduced costs in an effort to obtain market share, greater flexibility in terms of profit margin as part of a larger business organization, increased investment in plant, machinery, distribution and sales concessions. As a stand-alone company, the resources that may be devoted by us to meet any potential developments by larger, well-financed competitors may be limited.

Our business may be subject to macroeconomic effects caused by increased trade tariffs, changes to existing trade agreements and changes in international trade relations.

Changes in U.S. and foreign government trade policies, including tariffs and potential modifications to existing trade agreements, and further restrictions on free trade, are introducing uncertainty. These increased tariffs may cause the cost of materials to rise and may add additional expenses to exported goods. However, we do not believe that increased tariffs will materially affect our sales or gross profits, as most of the raw materials and supplies used to manufacture our products are sourced domestically in the U.S. and most of our sales of product manufactured in the U.S. are domestic. Further, exports of our flexible gas piping products from our Exton, Pennsylvania facility are primarily to Canada. Sales to Europe, Asia and Africa are primarily handled from our U.K and France facilities, which are not affected by U.S. trade tariffs and retaliatory tariffs but may be subject to other border and customs controls which could increase costs and delay incoming and outgoing shipments.

Our international sales subject us to additional risks that can adversely affect our business, operating results, and financial condition.

During 2024 and 2023, we derived 3% to 4% of our revenue from sales to customers located outside the U.S. Our ability to convince customers to expand their use of our products or renew their agreements with us is directly correlated to our direct engagement with such customers. To the extent that we are unable to engage with non-U.S. customers effectively, we may be unable to grow sales to international customers to the same degree we have experienced in the past.

Our international operations are subject to a variety of risks and challenges, including:

- general economic or geopolitical conditions in each country or region;
- the effects of a widespread outbreak of an illness or disease, or any other public health crisis, including the COVID-19 pandemic, in each country or region;
- economic uncertainty around the world; and
- compliance with laws and regulations imposed on foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our products in certain foreign markets, and the risks and costs of non-compliance.

For example, in response to the continuing conflict between Russia and Ukraine, the U.S. has imposed and may further impose, and other countries may additionally impose, broad sanctions or other restrictive actions against governmental and other entities in Russia, and such sanctions or actions could cut off or impede the flow of raw materials for our products, including minerals, such as nickel, that are used in our stainless steel and copper alloys. Additionally, further escalation of geopolitical tensions could have a broader impact that extends into other markets where we do business. Any of these risks could adversely affect our international sales, reduce our international revenues, or increase our operating costs, adversely affecting our business, financial condition, or operating results.

Risk Relating to Our Business – Manufacturing and Operations

Our manufacturing plants may be damaged, destroyed or disrupted.

The majority of our manufacturing capacity is currently located in Exton, Pennsylvania, where we own two manufacturing facilities which are in close proximity to each other, and in Banbury, England in the U.K. where we lease a manufacturing facility. On a smaller scale we also have manufacturing operations in Houston, Texas. We do not have any operational manufacturing capacity for flexible metal hose outside of these locations. We cannot replicate our manufacturing methods at a supplier's facility due to the confidential and proprietary nature of our manufacturing process. If one of the manufacturing facilities were destroyed or damaged in a significant manner or otherwise disrupted for more than a short time, we would likely experience a delay or some interruption of our flexible metal hose operations. This could lead to a reduction in sales volume if customers were to purchase their requirements from our competitors, claims for breach of contract by certain customers with contracts for delivery of flexible metal hose by a certain date, and costs to replace our destroyed or damaged manufacturing capacity. The fittings and

accessories for the flexible metal hose are manufactured for us by suppliers not located at our manufacturing facilities, and we also have outside warehouses which contain finished goods inventory. Disruption of or damage to our supply of these items could damage our business, competitive position, results of operations or financial condition.

We are dependent on certain raw materials and supplies that could be subject to volatile price escalation.

As a manufacturer of flexible metal hose, we must use certain raw materials in the manufacture of the hose. The primary raw material is stainless steel that is used in the forming of the hose, and various other steel products used in the wire braid overlay over some flexible metal hoses for additional strength and durability, as well as copper alloy for MediTrac® CMT. We also use polyethylene in pellet form for the forming and extrusion of a polyethylene jacket over CSST for use in fuel gas applications, underground installations, and other installations that require that the metal hose be isolated from the environment. Finally, we also purchase brass and stainless steel for our proprietary fittings used with the flexible metal hose that provides a mechanical means of attaching the hose to an assembly or junction. We attempt to limit the effects of volatile raw material prices, and to ensure adequate and timely supply of material, by committing to annual purchase contracts for the bulk of our steel and polyethylene requirements, and for our fitting requirements. The contracts typically represent a significant portion of our annual planned usage and are set at a designated fixed price or a range of prices. These agreements sometimes require us to accept delivery of the commodity in the quantities committed, at the agreed upon prices. Transactions in excess of the pre-arranged commitments are conducted at current market prices at our discretion. We have identified multiple qualified vendors to produce or manufacture our critical purchase requirements. Although we tend to rely on more than one source for each of our primary components to leverage the relationship and pricing, there is no assurance that we would be able to eliminate all or most of the adverse effects of a sudden increase in the cost of materials or key components, or that the loss of one or more of our key sources would not lead to higher costs or a disruption in our business, which could damage our business, competitive position, results of operations or financial condition.

If we were to lose the services of one or more members of our senior management team, we may not be able to execute our business strategy.

Our future success depends in large part upon the continued service of key members of our senior management team. The senior executives are critical to the development of our products and our strategic direction and have a keen knowledge of business operations and processes. Their unique abilities, experience and expertise cannot be easily duplicated or replaced. Although, as much as possible, senior executives strive to educate and develop other layers of staff for succession planning purposes, the loss of any members of our current senior management could seriously harm our business.

Risk Relating to Our Business – Legal

Susceptibility to litigation and significant legal costs or settlements.

In the ordinary and normal conduct of our business, we are subject to periodic lawsuits, investigations, and claims (collectively, the “Claims”). We have continued to receive repeat pattern Claims relating to our flexible gas piping products, although the pace of new Claims has generally declined. While we do not believe the Claims have legal merit, and have successfully defended against such Claims, we cannot predict whether the pace of Claims will increase or subside. Any significant increase in the number of Claims, the financial magnitude of Claims brought against us, the costs of defending the Claims, particularly under higher retentions of our current product liability insurance policies, could have a detrimental and material impact on our business, competitive position, results of operations or financial condition.

If we are not able to protect our intellectual property rights, we may not be able to compete as effectively.

We possess a wide array of intellectual property rights, including patents, trademarks, copyrights, and applications for the above, as well as trade secrets, manufacturing know-how, and other proprietary information. Certain of these intellectual property rights form the basis of our competitive advantage in the marketplace through a superior product design, a superior business process, superior manufacturing methods or other features that we believe provide an advantage over our competitors. Intellectual property rights are sometimes subject to infringement or

misappropriation by other organizations, and failing an amiable resolution, we may be forced to resort to legal proceedings to protect our rights in such intellectual property.

In the past, we needed to protect our company and resort to legal action, in one instance regarding a trade secret, and other instances where we sued flexible gas pipe competitors for infringement of one or more of our U.S. patents covering our various piping and/or fitting products. In each instance, we received favorable rulings, thus solidifying the validity of our intellectual property. Although we had past success, the results we may obtain from resorting to any such legal proceedings are never assured, and it is possible that an adverse decision may be delivered in any particular proceeding. As a result, we may not be able to retain the exclusive rights to utilize and practice such intellectual property rights, and one or more of our competitors could utilize and practice such intellectual property rights. This development may lessen our competitive advantage vis-à-vis one or more competitors, and lead to a reduction in sales volume in one or more product lines, a reduction in profit margin in such product lines, or both, which would damage our business, competitive position, results of operations or financial condition.

Risk Relating to Our Business – General and Macroeconomic

Our business may be subject to the supply and availability of fuel gas supplies and infrastructure.

With increasing awareness of the effect of human activities on climate change, there has been a focus on transitioning energy and heating in buildings away from fossil fuels, such as natural gas and liquid propane, mainly to electric. Some states and several municipalities in the U.S. have announced policy decisions to move away from fossil fuel applications in the future, including prohibiting the new installation of appliances fueled by natural gas or liquid propane. Although there are significant technical and economic hurdles, it is possible that a large scale movement, in individual cities and states or on a federal level, away from fossil fuels may increase in the future. Such moves could reduce the demand for our flexible gas piping products that carry natural gas or liquid propane from the building's meter to the gas-fired appliance, which represent a major part of our sales and net profits. As a result, it is possible in the future that proposals to limit or eliminate the use of fossil fuels could adversely impact our financial results, perhaps materially.

Our TracPipe[®] and CounterStrike[®] CSST products are used to convey fuel gas, primarily natural gas, but also propane within a building from the exterior wall of the building to any gas-fired appliances within the building. Because those products are used in the transmission of fuel gas, the applications are limited to geographic areas where such fuel gas is available. Certain geographic areas of the U.S. and other countries do not have the infrastructure to make natural gas available. Other types of fuel gas may be used in areas where there are no natural gas pipelines, but these alternate fuel gas sources have other distribution issues that may constrict their availability. Our prospects for future growth of the TracPipe[®] and CounterStrike[®] CSST products are largely limited to those areas that have natural gas transmission lines available for use in residences and commercial buildings.

We may substantially increase our debt in the future or be restricted from accessing funds.

We are currently not carrying any long-term debt, although we have a line of credit facility available for use as described in Note 6, Line of Credit and Other Borrowings, to the Consolidated Financial Statements included in this report. We may consider borrowing funds for purposes of working capital, capital purchases, research and development, potential acquisitions, and business development. If we do use credit facilities, interest costs associated with any such borrowings and the terms of the loan could potentially adversely affect our profitability. Additionally, the current line of credit has debt covenants associated with it which may restrict the level of borrowing we may incur. Lack of access to financing or to reasonable terms could damage our business, competitive position, results of operations or financial condition.

Our credit facility bears a variable rate of interest that is based on the Secured Overnight Financing Rate ("SOFR"), which may have consequences for us that cannot be reasonably predicted and may adversely affect our liquidity, financial condition, and earnings.

Borrowings under our credit facility bear interest at a rate per annum of either, at our election, (i) Term SOFR plus a margin or (ii) the Prime Rate plus a margin, with the applicable margin depending on specified financial

ratios. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates, and SOFR over time may bear little or no relation to the historical actual or historical indicative data. As of December 31, 2024, we had no outstanding borrowings under this credit facility. If we were to borrow under this credit facility, it is possible that the volatility of SOFR could result in higher borrowing costs for us and could adversely affect our liquidity, financial condition, or earnings.

Our business may be subject to varying demands based on market interest rates.

Our TracPipe® and CounterStrike® CSST products are used in the construction industry, both in residential, commercial, and industrial segments, for the piping of fuel gas within a building. The demand for new or remodeled construction in the construction industry – and in particular the residential construction industry – is susceptible to fluctuations in interest rates charged by banks and other financial institutions as well as consumer demand. The purchasers of new or remodeled construction generally finance the construction or acquisition of the residential, commercial, or industrial buildings, and increases in the interest rates on such financing raise the acquisition cost of the potential purchaser. Interest rates have been increasing and there is no guarantee that they will not continue to increase in the future. If costs continue to increase, a higher number of potential buyers may not be able to support the level of financing under a higher interest rate environment. Increased acquisition costs may lead to a continued decline in the demand for new or remodeled construction, and as a result may also lead to a continued, reduced demand for our products used in the construction industry, which could damage our business, competitive position, results of operations or financial condition.

Our business may be subject to cyclical demands.

The demand for our products may be subject to cyclical demand in the markets in which we operate. Our customers who use our products in industrial and commercial applications are generally manufacturing capital equipment for their customers. Similarly, our TracPipe® and CounterStrike® CSST products are used primarily in residential construction, both in single-family buildings, and in larger multi-unit buildings. Should there be any change in factors that affect the rate of new residential construction, our growth rate would likely be impacted. To the extent that interest rates increase, in conjunction with an economic cycle or as part of the general economic conditions in the U.S. or abroad, the demand for our products in such applications may decrease as well, which could damage our business, competitive position, results of operations or financial condition.

Our business may be subject to seasonal or weather related factors.

The demand for our products may be affected by factors relating to seasonal demand for the product, or a decline in demand due to inclement weather. Our TracPipe® and CounterStrike® CSST products are installed in new or remodeled buildings, including homes, apartment buildings, office buildings, warehouses, and other commercial or industrial buildings. Generally, the rate of new or remodeled buildings in the U.S. and in the other geographic markets in which we are present decline in the winter months due to the inability to dig foundations, challenges at the job site relating to snow, or generally due to low temperatures and stormy weather. As the rate of construction activity declines during the winter, the demand for our corrugated stainless steel tubing may also decrease or remain static.

Our business may be subject to the impact of currency volatility.

We have operations in the U.K. and France, and execute business transactions elsewhere in the world outside of the U.S. While the magnitude of these transactions outside of the U.S. have thus far not been significant, and typically not in currencies of high volatility, it is possible that they could be material. Events such as Brexit, or other instances of political and economic turmoil or uncertainty, could create a weakened British Pound (“BP”), Euro and Canadian Dollar (“CAD”) in comparison to other currencies. A weakened BP, Euro or CAD would in turn have a direct negative impact, as we would experience losses when settling transactions in other currencies, and experience unfavorable results due to the translation of financial statements with a lower exchange rate. During the fourth quarter of 2024, the U.S. Dollar strengthened relative to the value of the BP, Euro and CAD partly due to the results of the U.S. elections. This in turn had a direct negative impact on the Company’s financial statements and results. Going forward, it is possible that the BP, Euro, CAD, and other currencies that we engage in may materially impact on our financial position, operations, or liquidity.

A cybersecurity incident or other technology disruption could harm us.

We face certain cybersecurity threats and technology disruptions, including threats to our information technology (“IT”) infrastructure, attempts to gain access to our or our customers’ proprietary or confidential information, and failures of our technology tools and systems. Our IT networks and related systems are critical to the operation of our business and essential to our ability to successfully perform day-to-day operations. Cybersecurity threats, which include, but are not limited to, computer viruses, spyware, and malware, attempts to access information, denial of service attacks and other electronic security breaches, are persistent and evolve quickly. In general, such threats have increased in frequency, scope, and potential impact in recent years. Further, a variety of technological tools and systems, including both company-owned IT and technological services provided by outside parties, support our critical functions. These technologies are subject to failure and the user’s inability to have such technologies properly supported, updated, expanded, or integrated into other technologies and, in certain cases, may contain open source and third-party software which may unbeknownst to us contain defects or viruses that pose unintended risks. These risks, if not effectively mitigated or controlled, could materially harm our business or reputation. While we believe that we have implemented appropriate measures and controls, there can be no assurance that such actions will be sufficient to prevent disruptions to critical systems, unauthorized release of confidential information or corruption of data.

The security measures we have implemented may become subject to third-party security breaches, employee error, malfeasance, faulty password management or other irregularities. For example, third parties may attempt to fraudulently induce employees or customers into disclosing usernames, passwords, or other sensitive information, which may in turn be used to access our IT systems. These security systems cannot provide absolute security. To the extent we were to experience a breach of our systems and were unable to protect sensitive data, such a breach could materially damage business partner and customer relationships and curtail or otherwise impact the use of our IT systems. Moreover, if a security breach of our IT systems affects our computer systems or results in the release of personally identifiable or other sensitive information of customers, business partners, employees and other third parties, our reputation and brand could be materially damaged, use of our products and services could decrease, and we could be exposed to a risk of loss, litigation, and potential liability. Such an event could require significant management attention and resources, negatively impact our reputation among our customers and the public, which could have a material adverse effect on our business, financial condition, or results of operations.

A pandemic, like COVID-19 pandemic, may adversely affect our business.

The COVID-19 pandemic created significant uncertainty and adversely impacted many industries throughout the global economy. Although we have not seen a material impact from the COVID-19 pandemic on our business, financial position, liquidity, or ability to service customers or maintain critical operations, the extent to which a future pandemic may impact our business is difficult to predict, and it is dependent on many factors over which we have no control. Such factors include, but are not limited to, the duration and severity of the pandemic; government restrictions on businesses and individuals; potential significant adverse impacts on our employees, customers, suppliers, or service providers; the impact on U.S. and global economies, and the timing and rate of economic recovery.

In case of a future pandemic, we could face liquidity shortages, weaker product demand from our customers, disruptions in our supply chain, and/or staffing shortages in our workforce due to the direct and indirect effects of a pandemic.

Various other general and macroeconomic issues may impact the business.

Conflicts, wars, natural disasters, infectious disease outbreaks (such as COVID-19 pandemic), active shooter or other workplace violence, or terrorist acts could also cause significant damage or disruption to our operations, employees, facilities, systems, suppliers, supply chain, distributors, resellers, or customers in the U.S. and internationally for extended periods of time and could also affect demand for our products.

Risks Associated with Our Common Stock

The concentration of ownership of our common stock could impact on its market price.

As of December 31, 2024, approximately 65% of our issued and outstanding common stock was owned or controlled by certain of our directors and officers and their respective affiliates, with the largest holders being: The John E. Reed Trust and other Reed family trusts, Stewart B. Reed, and Kevin R. Hoben. Stewart B. Reed currently serves as Vice Chairman of the Board of Directors, and Mr. Hoben serves as the Executive Chairman of the Board. This concentration of ownership may have the effect of reducing the volume of trading of the common stock on the NASDAQ. A decrease in trading volume could result in lower prices for the common stock because there is not a sufficient supply of shares to create a vibrant market for our shares on the NASDAQ, or inversely could drive the common stock price higher when demand exceeds supply.

This concentration of ownership of common stock could exert significant influence over matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combinations. This concentration also could have the effect of delaying, preventing, or deterring a change in control of our company.

Item 1B – UNRESOLVED STAFF COMMENTS

None.

Item 1C – CYBERSECURITY

Our IT networks and related systems are critical to the operation of our business and essential to our ability to successfully perform day-to-day operations. We have implemented security measures and controls to mitigate risks to our IT networks and related systems, including the risks of disruption, release of confidential information, and corruption of data. This includes a variety of technological tools and systems, including both company-owned IT and technology services provided by outside parties to support our critical functions, and in particular, the following:

- External port penetration testing;
- Security violation report reviewed routinely for any abnormalities;
- Ongoing employee training and testing on cyber risks;
- Site assessment, procedural review and testing in connection with cyber insurance renewals; and
Routine server back-up.

In terms of governance, the Company employs an IT director, with over 20 years of relevant experience, who supervises our other IT employees and is also responsible for our outside technology services. Our IT director reports directly to our President and reviews cybersecurity assessments with our President on at least a monthly basis. Our President is responsible for escalating any cybersecurity matters as appropriate, in consultation with our General Counsel. Our Board of Directors is ultimately responsible for oversight of cybersecurity risk management and receives regular reports from, and engages in regular dialogue with, Company management.

While we believe we have implemented appropriate measures and controls for our business, there can of course be no assurance that cyber incidents will be prevented or of their severity if they occur. To date, to our knowledge, there have been no incidents materially affecting the Company, but a material incident could result in disruption of critical IT networks and systems, impeding our operations, release of confidential information, and/or corruption of data. Such an incident could damage our reputation and brand and our future sales and could expose us to potential liability. See Item 1A. Risk Factors - A cyber security incident or other technology disruption could harm us.

Item 2 - PROPERTIES

The Company owns two facilities in Exton, Pennsylvania, which is located approximately one hour west of Philadelphia, Pennsylvania. These facilities contain approximately 113,000 square feet of manufacturing and office

space. Most of the manufacturing of flexible metal hose is performed at the Exton facilities. In the U.S., the Company also leases facilities in West Chester, Pennsylvania, providing approximately 28,000 square feet of warehousing and storage, quality control, distribution, and office space and in Houston, Texas, providing approximately 25,000 square feet for manufacturing, stocking and sales operations. The Company also leases office space in Middletown, Connecticut. In the U.K., the Company leases a facility in Banbury, England, which manufactures products and serves sales, warehousing, and operational functions.

Item 3 - LEGAL PROCEEDINGS

See legal proceedings disclosure in Note 7, Commitments and Contingencies, to the Consolidated Financial Statements included in this report.

Item 4 – MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock is listed on the NASDAQ Global Market, under the symbol OFLX. The number of shareholders of record as of December 31, 2024, based on inquiries of the registrant's transfer agent, was 277. For this purpose, shareholders whose shares are held by brokers on behalf of such shareholders (shares held in "street name") are not separately counted or included in that total.

Dividends

The Company currently has a policy of paying regular quarterly dividends, which is expected to continue. In addition, the Company may pay special dividends from time to time. Further details regarding dividends are contained in Note 12, Shareholders' Equity to the Consolidated Financial Statements included in this report.

The Board, in its sole discretion, has a general policy of reviewing the cash needs of the Company from time to time, and based on results of operations, financial condition and capital expenditure plans, possible acquisitions, as well as other factors that the Board may consider relevant, determine on a quarterly basis whether to declare a regular quarterly dividend, or a special dividend.

Item 6 – [RESERVED]

Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes included in this annual report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section titled "Risk Factors" or in other parts of this annual report. See "Cautionary Note Regarding Forward-Looking Statements" in this annual report. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

The Company is a leading manufacturer of flexible metal hose and is currently engaged in a number of different markets, including construction, manufacturing, transportation, petrochemical, pharmaceutical and other industries.

The Company's business is managed as a single operating segment that consists of the manufacture and sale of flexible metal hose, fittings, and accessories. The Company's products are concentrated in residential and commercial construction within buildings, and general industrial markets, with a comprehensive portfolio of intellectual property and patents issued in various countries around the world. The residential and commercial construction market also utilizes corrugated stainless steel tubing ("CSST") primarily for flexible gas piping. Through its flexibility and ease of use, the Company's TracPipe® CSST and TracPipe® CounterStrike® CSST, along with its fittings distributed under the trademark AutoFlare®, allows users to substantially cut the time required to install gas piping, as compared to traditional methods. The Company's newest product line MediTrac® corrugated medical tubing ("CMT") is used for piping medical gases (oxygen, nitrogen, nitrous oxide, carbon dioxide, and medical vacuum) in health care facilities. Building on the recognized strengths and strategies employed in the flexible gas piping market, MediTrac® CMT can be used in place of rigid copper pipe, and due to its long continuous lengths and flexibility, it can be installed approximately five times faster than rigid copper pipe, saving on installation labor and construction schedules. The Company's products are manufactured at its Exton, Pennsylvania and Houston, Texas facilities in the U.S., and in Banbury, Oxfordshire in the U.K. A majority of the Company's sales across all industries are generated through independent outside sales organizations such as sales representatives, wholesalers and distributors, or a combination of both. The Company has a broad distribution network in North America and to a lesser extent in other global markets.

Changes in Financial Condition

The Company's cash and cash equivalents balance of \$51,699,000 as of December 31, 2024 increased \$5,343,000 or 11.5% from a \$46,356,000 balance at December 31, 2023. The primary reason for the increase is due to income generated from operations during 2024. This was partially offset by dividend payments during 2024 totaling \$13,527,000, as detailed in Note 12, Shareholders' Equity, to the Consolidated Financial Statements included in this report. See the Company's Consolidated Statements of Cash Flows for further details regarding the change in cash and cash equivalents.

Retained earnings were \$72,880,000 and \$68,493,000 as of December 31, 2024 and December 31, 2023, respectively, increasing \$4,387,000 or 6.4%. The increase was primarily due to an increase from net income during the year, as provided on the Company's Consolidated Statements of Operations, partially offset by dividends declared during 2024, as discussed in detail in Note 12, Shareholders' Equity, to the Consolidated Financial Statements included in this report.

Results of Operations

Twelve months ended December 31, 2024 vs. twelve months ended December 31, 2023

The Company reported comparative results from operations for the twelve month periods ended December 31, 2024 and 2023 as follows:

	<u>Twelve-months ended December 31,</u> (dollars in thousands)			
	<u>2024</u>	<u>%</u>	<u>2023</u>	<u>%</u>
Net Sales	\$ 101,681	100.0%	\$ 111,465	100.0%
Gross Profit	\$ 62,263	61.2%	\$ 68,365	61.3%
Operating Profit	\$ 21,571	21.2%	\$ 25,799	23.1%

Net Sales. The Company's sales for the year were \$101,681,000, reflecting a decrease of \$9,784,000, or 8.8%, compared to \$111,465,000 in the previous year. The decrease in sales is mainly due to lower sales unit volumes as a result of the overall market being suppressed because of, among other factors, a decline in housing starts.

Gross Profit. The Company's gross profit margins were 61.2% and 61.3% for the years ended December 31, 2024, and 2023, respectively.

Selling Expenses. Selling expenses consist primarily of employee salaries and associated overhead costs, commissions, and the cost of marketing programs such as advertising, trade shows and related communication costs, and freight. Selling expenses were \$20,539,000 and \$20,993,000 for 2024 and 2023, respectively, representing a decrease of \$454,000, or 2.2%. The decrease is mostly related to commissions due to the lower net sales, which were partially offset by higher travel. As a percentage of net sales, selling expenses were 20.2% and 18.8% for the twelve months ended December 31, 2024 and 2023, respectively.

General and Administrative Expenses. General and administrative expenses consist primarily of employee salaries, benefits for administrative, executive and finance personnel, legal and accounting, insurance, and corporate general and administrative services. General and administrative expenses were \$16,085,000 and \$17,705,000 for the years ended December 31, 2024 and 2023, respectively, decreasing \$1,620,000, or 9.1% between periods. The incentive compensation component which is aligned with profitability decreased due to lower operating profit and due to changes in the executive management team at the beginning of the year. In addition, product liability reserves and expenses and stock based compensation, which moves in relation to the Company's stock price, as detailed in Note 8, Stock Based Compensation Plans, were lower. These were partly offset by increases in staffing related costs, computer and information technology related expenses, and umbrella insurance premiums. As a percentage of net sales, general and administrative expenses were 15.8% and 15.9% for the twelve months ended December 31, 2024 and 2023, respectively.

Engineering Expenses. Engineering expenses consist of development expenses associated with the development of new products, and costs related to enhancements of existing products and manufacturing processes. Engineering expenses increased \$200,000 or 5.2% between periods, being \$4,068,000 and \$3,868,000 for the years ended December 31, 2024 and 2023, respectively, mainly associated with increases in consulting and staffing related costs. As a percentage of net sales for the year, engineering expenses were 4.0% in 2024 and 3.5% in 2023.

Operating Profit. Reflecting all the factors mentioned above, operating profits decreased \$4,228,000, or 16.4%, between periods, reflecting a profit of \$21,571,000 in 2024, as compared to \$25,799,000 in 2023.

Interest Income. Interest income is recorded on investments in cash equivalents, and interest expense is recorded at times when the Company has debt amounts outstanding on its line of credit. The Company recorded

interest income of \$2,278,000 for 2024, compared to \$1,700,000 for 2023. The increase in interest income was mainly due to higher invested cash equivalent balances during 2024. There were no borrowings on its line of credit during 2024 or 2023.

Other Income (Expense). Other income (expense) primarily consists of foreign currency exchange gains (losses) on transactions settled in currencies other than the Company's local currency, typically related to the Company's foreign U.K. and France subsidiaries and Canada. The Company recognized other expense of \$227,000 during 2024 and other income of \$46,000 during 2023.

Income Tax Expense. Income tax expense was \$5,707,000 for 2024, compared to \$6,825,000 for 2023. The \$1,118,000 or 16.4% decrease in tax expense was largely the result of the decrease in income before taxes. The effective tax rate for 2024 and 2023 was approximately 24% and 25% of income before taxes respectively.

Commitments and Contingencies

See Note 7 to the Consolidated Financial Statements included in this report for a detailed description of commitments and contingencies.

Liquidity and Capital Resources

Historically, the Company's primary cash needs have been related to working capital items, which the Company has largely funded through cash generated from operations.

As of December 31, 2024, the Company had a cash and cash equivalents balance of \$51,699,000. Additionally, the Company has a \$15,000,000 line of credit available, as discussed in detail in Note 6, Line of Credit and Other Borrowings, which had no borrowings outstanding against it as of December 31, 2024. As of December 31, 2023, the Company had a cash and cash equivalents balance of \$46,356,000, with no borrowings against the line of credit.

Operating Activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain assets and liabilities, such as those included in working capital.

For 2024, the Company's cash provided from operating activities was \$20,857,000, compared to \$23,422,000 of cash provided during 2023. This illustrates a decrease of \$2,565,000 during 2024. For details of the operating cash flows refer to the Consolidated Statements of Cash Flows in the Company's Consolidated Financial Statements.

As a general trend, the Company tends to deplete or generate lower amounts of cash early in the year, as significant payments are typically made for accrued promotional incentives, incentive compensation, and taxes. Cash has then historically shown a tendency to be restored and accumulated during the latter portion of the year.

Investing Activities

Cash used in investing activities during 2024 and 2023 was \$2,006,000 and \$1,642,000, respectively, all related to various capital expenditure projects.

Financing Activities

All financing activities relate to dividend payments, which are detailed in Note 12, Shareholders' Equity, in the Consolidated Financial Statements included in this report. Dividend payments for 2024 and 2023 amounted to \$13,527,000 and \$13,124,000, respectively. The Company had no borrowings or payments on its line of credit during

2024 or 2023 as described in Note 6, Line of Credit and Other Borrowings.

Liquidity

We believe our existing cash and cash equivalents, along with our borrowing capacity, will be sufficient to meet our anticipated cash needs for at least the next twelve months. Our future capital requirements will depend upon many factors including our rate of revenue growth, the timing and extent of any expansion efforts, the potential for investments in, or the acquisition of any complementary products, businesses, or supplementary facilities for additional capacity.

Future Impact of Known Trends or Uncertainties

The Company's operations are sensitive to a number of market and extrinsic factors, any one of which could materially adversely affect the Company's business, competitive position, results of operations or financial condition in any given year. See Item 1A, Risk Factors, for a detailed description.

Critical Accounting Policies and Estimates

Note 2, Significant Accounting Policies, to the Consolidated Financial Statements included in this report, includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements.

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis. Estimates are used for, but not limited to, revenue recognition and related sales incentives, provisions for credit losses, inventory reserves, valuation of goodwill, product liability reserves, valuation of phantom stock, and accounting for income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We believe our judgments related to these accounting estimates are appropriate. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

The Company applies the requirements of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606"). The standard requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The principle of Topic 606 is achieved through applying a five-step approach, which is discussed further in the Notes to the Consolidated Financial Statements. The Company sells goods on typical, unmodified free on board (FOB) shipping point terms. As the seller, it can be determined that the shipped goods meet the agreed-upon specifications in the contract or customer purchase order (e.g., items, quantities, and prices) with the buyer, so customer acceptance would be deemed a formality, as noted in ASC 606-10-55-86. As a result, the Company has a legal right to payment upon shipment of the goods. Based upon the above, the Company has concluded that transfer of control substantively transfers to the customer upon shipment. Other than standard product warranty provisions, the sales arrangements provide for no other post-shipment obligations. The Company offers rebates and other sales incentives, promotional allowances, or discounts to certain customers, typically related to purchase volume, and are classified as a reduction of revenue and recorded at the time of sale. The Company periodically evaluates whether an allowance for sales returns is necessary. Historically, the Company has experienced minimal sales returns. If it is believed there are to be material potential sales returns, the Company will provide the necessary provision against sales.

Provision for Credit Losses

The Company maintains allowances for credit losses, which represent an estimate of expected losses over the remaining contractual life of its receivables considering current market conditions and estimates for supportable forecasts when appropriate. The estimate is a result of the Company's ongoing assessments and evaluations of collectability, historical loss experience, and future expectations in estimating credit losses in its receivable portfolio. For accounts receivable, the Company uses historical loss experience rates and applies them to a related aging analysis while also considering customer and/or economic risk where appropriate. Determination of the proper amount of allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, as a result, net earnings. The allowances consider numerous quantitative and qualitative factors that include receivable type, historical loss experience, delinquency trends, collection experience, current economic conditions, estimates for supportable forecasts, when appropriate, and credit risk characteristics. Changes in allowances may occur in the future as the above referenced quantitative and qualitative factors change.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined by the first-in, first-out (FIFO) method. The Company generally considers inventory quantities beyond two years of usage, measured on a historical usage basis, to be excess inventory and reduces the carrying value of inventory accordingly. These reductions to the inventory carrying values are estimates, which could vary significantly, either favorably or unfavorably, from actual amounts if future economic conditions, sales levels, or competitive conditions change.

Goodwill

In accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other (ASU 2017-04)*, using the simplified method as adopted, the Company performed an annual impairment test as of December 31, 2024. This test did not indicate any impairment of goodwill as the Company's estimated fair value of the reporting unit exceeded carrying value. The test may be performed more frequently if we believe indicators of impairment might exist. These indicators may include changes in macroeconomic and industry conditions, overall financial performance, and other relevant entity-specific events.

Product Liability Reserves

Product liability reserves represent the estimated unpaid amounts under the Company's insurance policies with respect to existing claims. The Company uses the most current available data to estimate claims. As explained more fully under Note 7, Commitments and Contingencies, to the Consolidated Financial Statements included in this report for various product liability claims covered under the Company's general liability insurance policies, the Company must pay certain defense and settlement costs within its deductible or self-insured retention limits, ranging primarily from \$250,000 to \$3,000,000 per claim, depending on the terms of the policy and the applicable policy year, up to an aggregate amount. The Company is vigorously defending against all known claims. It is possible that the Company may incur increased litigation costs in the future due to a variety of factors, including a higher number of claims, higher financial magnitude of claims, higher legal costs, and higher insurance deductibles or retentions. Litigation is subject to many uncertainties and management is unable to predict the outcome of the pending suits and claims. From time to time, depending upon the nature of a particular case, the Company may decide to spend more than a deductible or retention to enable more discretion regarding the defense, although this is not common. It is possible that the results of operations or liquidity of the Company, as well as the Company's ability to procure reasonably priced insurance, could be adversely affected by the pending litigation, potentially materially. The Company is currently unable to estimate the ultimate liability, if any, that may result from the pending litigation, or potential litigation from future claims or claims that have not yet come to our attention, and accordingly, the liability in the Consolidated Financial Statements primarily represents an accrual for legal costs for services previously rendered, settlements for Claims not yet paid, and anticipated settlements for claims within the Company's remaining retention under its insurance policies.

Stock Based Compensation Plans

In 2006, the Company adopted a Phantom Stock Plan (the “Plan”), which allows the Company to grant phantom stock units (“Units”) to certain key employees, officers, or directors. The Units each represent a contractual right to payment of compensation in the future based upon the market value of the Company’s common stock and are accordingly recorded as liabilities. The Units follow a vesting schedule over three years from the grant date and are then paid upon maturity. In accordance with FASB ASC Topic 718, *Compensation - Stock Compensation* (“Topic 718”), the Company uses the Black-Scholes option pricing model as its method for determining the fair value of the Units. The liabilities for the Units are adjusted to market value over time from the grant dates to the related maturity dates. The Company recognizes the reversal of any previously recognized compensation expense on forfeited nonvested Units in the period the Units are forfeited.

The Plan has been amended and restated, for all grants made starting January 1, 2023, to set the vesting method to three-year cliff vesting following the grant date, with full value paid upon maturity. Additionally, for grants made starting January 1, 2023, upon retirement at age 67 or greater, and with one year of continuous service prior to retirement, vesting of the issued grant(s) would accelerate on a pro-rata basis, 1/3 per year from the grant date. The amended and restated plan did not have a material impact upon compensation expense.

Further details of the Plan are provided in Note 8, Stock Based Compensation Plans, to the Consolidated Financial Statements included in this report. Any significant changes in the Company’s stock price may have a material impact upon the valuation of the Units.

Income Taxes

The Company accounts for tax liabilities in accordance with the FASB ASC Topic 740, *Income Taxes*. Under this method the Company recorded tax expense and related deferred taxes and tax benefits.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain. The Company’s accounting for deferred tax consequences represents the best estimate of those future events. Changes in estimates, due to unanticipated events or otherwise, could have a material effect on the financial condition and results of operations of the Company. The Company continually evaluates its deferred tax assets to determine if a valuation allowance is required.

Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, updated in December 2022 by ASU No. 2022-06, *Deferral of Sunset Date of Topic 848*. The ASUs apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The ASUs provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the ASUs do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-04, as updated by ASU 2022-06, is effective for all entities as of March 12, 2020, through December 31, 2024. The impact of the adoption did not have a material impact on the Company’s Consolidated Financial Statements.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The purpose of the guidance is to enable investors to better understand an entity's overall performance and assess potential future cash flows. The amendment is effective for fiscal years beginning after December 15, 2023 and interim periods in fiscal years beginning after December 15, 2024. The impact of the adoption did not have a material impact on the Company's Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU expands public entities tax disclosures including improving disclosures surrounding the company's rate reconciliation, cash taxes paid, and disaggregation of income tax expense (or benefit) from continuing operations. The amendment is effective for annual periods beginning after December 15, 2024. The Company is in the process of evaluating the impact of ASU No. 2023-09 on its Consolidated Financial Statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The ASU requires new tabular disclosures disaggregating prescribed expense categories within relevant income statement captions. The amendment is effective for annual periods beginning after December 15, 2026 and interim periods in fiscal years beginning after December 15, 2027. The Company is in the process of evaluating the impact of ASU No. 2024-03 on its Consolidated Financial Statements.

Item 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**Omega Flex, Inc.
Index to Consolidated Financial Statements**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Omega Flex, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Omega Flex, Inc. and its subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the two years in the period ended December 31, 2024, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 7, 2025, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Product liability claims

As described in Notes 2 and 7 of the financial statements, the Company is subject to periodic lawsuits, investigations and claims, primarily relating to potential lightning damage to its flexible gas piping products (the "Claims"). The Company accrues an estimated product liability reserve related to the resolution cost of the Claims for which management believes a loss is probable of occurring, and the amount of the loss is reasonably estimable and also discloses the aggregate maximum exposure for all open Claims. As of December 31, 2024, the Company accrued a product liability reserve of \$706,000 and disclosed that the aggregate maximum exposure for all current open Claims is estimated not to exceed \$3,620,000. Due to the uncertainty of potential costs to be incurred related to the Claims, and the uncertainty of the ultimate outcome of each of the individual Claims, management applies significant judgments and estimates in determining the probability that a loss has been incurred and the amount to accrue for such loss.

We identified the accrual and disclosure of the Claims as a critical audit matter due to the significant judgments made by management when assessing the probability of a loss as well as the ultimate resolution costs of the Claims. Auditing management's estimates and assumptions required a high degree of auditor judgment and increased audit effort due to the impact these assumptions have on the accrued product liability reserves and disclosures.

Our audit procedures related to the Claims included the following, among others:

- We obtained an understanding of the relevant controls related to management's evaluation of the Claims for accrual and disclosure and tested such controls for design and operating effectiveness, including controls around management's evaluation of the probability that a loss has been incurred and management's estimate of the amount of the loss.
- We tested the accuracy and completeness of the underlying data that served as the basis for management's estimates of the probability that a loss has been incurred and the amount of the loss, including payment activity, relevant insurance coverage, lawsuit or claim status, and any settlement activity.
- We evaluated the methods and assumptions used by management to develop the estimate of the probability a loss has been incurred on individual product liability claims and the amount of such loss through consideration of historical claim and loss experience as well as current claim status.
- We performed confirmation procedures with the Company's external legal counsel to corroborate management's assertions regarding claim information, claim status, the probability the Company has incurred a loss, and the estimated amount of any potential loss. These confirmation procedures were also used to test the completeness and accuracy of the underlying source data that served as the basis of management's estimates.
- We tested claim and settlement payment activity occurring subsequent to year-end to assess the reasonableness of management's estimates and disclosures.

/s/ RSM US LLP

We have served as the Company's auditor since 2010.

Boston, Massachusetts
March 7, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Omega Flex, Inc.

Opinion on the Internal Control Over Financial Reporting

We have audited Omega Flex, Inc.'s (the Company) internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2024 consolidated financial statements of the Company and our report dated March 7, 2025 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ RSM US LLP

Boston, Massachusetts
March 7, 2025

OMEGA FLEX, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31,

(Dollars in Thousands, except Common Stock par value)

	2024	2023
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 51,699	\$ 46,356
Accounts Receivable - less allowances of \$866 and \$1,126, respectively	14,381	15,361
Inventories - Net	14,559	15,597
Other Current Assets	2,983	2,874
Total Current Assets	83,622	80,188
Right-Of-Use Assets - Operating	4,944	2,940
Property and Equipment - Net	9,700	8,951
Goodwill - Net	3,526	3,526
Deferred Taxes	365	189
Other Long Term Assets	3,734	4,440
Total Assets	\$ 105,891	\$ 100,234
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 2,661	\$ 2,090
Accrued Compensation	1,989	3,198
Accrued Commissions and Sales Incentives	3,873	4,428
Dividends Payable	3,432	3,332
Taxes Payable	710	190
Lease Liability - Operating	712	454
Other Liabilities	4,061	4,390
Total Current Liabilities	17,438	18,082
Lease Liability - Operating, net of current portion	4,566	2,492
Deferred Taxes	181	-
Taxes Payable Long Term	-	205
Other Long Term Liabilities	525	603
Total Liabilities	22,710	21,382
Commitments and Contingencies (Note 7)		
Shareholders' Equity:		
Omega Flex, Inc. Shareholders' Equity:		
Common Stock – par value \$0.01 share: authorized 20,000,000 shares: 10,153,633 shares issued and 10,094,322 shares outstanding as of December 31, 2024 and December 31, 2023, respectively	102	102
Treasury Stock	(1)	(1)
Paid-in Capital	11,025	11,025
Retained Earnings	72,880	68,493
Accumulated Other Comprehensive Loss	(892)	(930)
Total Omega Flex, Inc. Shareholders' Equity	83,114	78,689
Noncontrolling Interest	67	163
Total Shareholders' Equity	83,181	78,852
Total Liabilities and Shareholders' Equity	\$ 105,891	\$ 100,234

See accompanying Notes which are an integral part of the Consolidated Financial Statements.

OMEGA FLEX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31,
(Amounts in Thousands, except per Common Share Data)

	<u>2024</u>	<u>2023</u>
Net Sales	\$ 101,681	\$111,465
Cost of Goods Sold	<u>39,418</u>	<u>43,100</u>
Gross Profit	62,263	68,365
Selling Expense	20,539	20,993
General and Administrative Expense	16,085	17,705
Engineering Expense	<u>4,068</u>	<u>3,868</u>
Operating Profit	21,571	25,799
Interest Income	2,278	1,700
Other Income (Expense)	<u>(227)</u>	<u>46</u>
Income Before Income Taxes	23,622	27,545
Income Tax Expense	<u>5,707</u>	<u>6,825</u>
Net Income	17,915	20,720
Less: Net Loss – Noncontrolling Interest	<u>99</u>	<u>43</u>
Net Income attributable to Omega Flex, Inc.	<u>\$ 18,014</u>	<u>\$ 20,763</u>
Basic and Diluted Earnings per Common Share	\$ 1.78	\$ 2.06
Cash Dividends Declared per Common Share	\$ 1.35	\$ 1.31
Basic and Diluted Weighted Average Shares Outstanding	10,094	10,094

See accompanying Notes which are an integral part of the Consolidated Financial Statements.

OMEGA FLEX, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31,
(Dollars in Thousands)

	2024	2023
Net Income	\$ 17,915	\$ 20,720
Other Comprehensive Income:		
Foreign Currency Translation Adjustment	41	183
Other Comprehensive Income	41	183
Comprehensive Income	17,956	20,903
Comprehensive Loss Attributable to the Noncontrolling Interest	96	33
Total Comprehensive Income	\$ 18,052	\$ 20,936

See accompanying Notes which are an integral part of the Consolidated Financial Statements.

OMEGA FLEX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2024 and 2023
(Amounts in Thousands, Except Share Amounts)

	Common Stock Outstanding	Common Stock	Treasury Stock	Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Shareholders' Equity
December 31, 2022	10,094,322	\$ 102	\$ (1)	\$ 11,025	\$ 60,954	\$ (1,103)	\$ 196	\$ 71,173
Net Income					20,763		(43)	20,720
Cumulative Translation Adjustment						173	10	183
Dividends Declared					(13,224)			(13,224)
December 31, 2023	10,094,322	\$ 102	\$ (1)	\$ 11,025	\$ 68,493	\$ (930)	\$ 163	\$ 78,852
Net Income					18,014		(99)	17,915
Cumulative Translation Adjustment						38	3	41
Dividends Declared					(13,627)			(13,627)
December 31, 2024	10,094,322	\$ 102	\$ (1)	\$ 11,025	\$ 72,880	\$ (892)	\$ 67	\$ 83,181

See accompanying Notes which are an integral part of the Consolidated Financial Statements.

OMEGA FLEX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,
(Dollars in Thousands)

	2024	2023
Cash Flows from Operating Activities:		
Net Income	\$ 17,915	\$ 20,720
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Non-Cash Compensation Expense	54	292
Non-Cash Lease Expense	759	462
Depreciation and Amortization	1,255	1,099
Provision for Losses on Accounts		
Receivable, net of write-offs and recoveries	(259)	5
Deferred Taxes	5	728
Provision for Inventory Reserves	177	1,107
Changes in Assets and Liabilities:		
Accounts Receivable	1,231	2,182
Inventories	829	1,227
Other Assets	598	1,344
Accounts Payable	574	(205)
Accrued Compensation	(1,209)	(590)
Accrued Commissions and Sales Incentives	(556)	(572)
Lease Liabilities	(432)	(461)
Other Liabilities	(84)	(3,916)
Net Cash Provided by Operating Activities	20,857	23,422
Cash Flows from Investing Activities:		
Capital Expenditures	(2,006)	(1,642)
Net Cash Used In Investing Activities	(2,006)	(1,642)
Cash Flows from Financing Activities:		
Dividends Paid	(13,527)	(13,124)
Net Cash Used In Financing Activities	(13,527)	(13,124)
Net Increase in Cash and Cash Equivalents	5,324	8,656
Translation effect on cash	19	(3)
Cash and Cash Equivalents - Beginning of Year	46,356	37,703
Cash and Cash Equivalents - End of Year	\$ 51,699	\$ 46,356
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid for Income Taxes	\$ 5,535	\$ 6,057
Cash paid for Interest	\$ -	\$ -
Declared Dividend	\$ 3,432	\$ 3,332
Additions to Right-Of-Use Assets obtained from new operating Lease		
Liabilities	\$ 2,804	\$ 65

See accompanying Notes which are an integral part of the Consolidated Financial Statements.

OMEGA FLEX, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND CONSOLIDATION

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Omega Flex, Inc. and its subsidiaries (collectively the “Company”). The Company’s audited Consolidated Financial Statements for the years ended December 31, 2024 and 2023 have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB) and Article 5 of Regulation S-X. All material intercompany accounts and transactions have been eliminated in consolidation.

Description of Business

The Company is a leading manufacturer of flexible metal hose, which is used in a variety of applications to carry gases and liquids within their particular applications. The Company’s business is controlled as a single operating segment that consists of the manufacture and sale of flexible metal hose and accessories. These applications include carrying fuel gases within residential and commercial buildings; gasoline and diesel gasoline products (both above and below the ground) in a double containment piping to contain any possible leaks, which is used in automotive and marina refueling, and fueling for back-up generation; and medical gases in health care facilities. The Company’s flexible metal piping is also used to carry other types of gases and fluids in a number of industrial applications where the customer requires the piping to have both a degree of flexibility and/or an ability to carry corrosive compounds or mixtures, or to carry at both very high and very low (cryogenic) temperatures.

The Company manufactures flexible metal hose at its facilities in Exton, Pennsylvania and Houston, Texas, in the U.S., and in Banbury, Oxfordshire in the U.K., and sells its products through distributors, wholesalers and to OEMs throughout North America, and in certain European markets.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management develops, and changes periodically, these estimates and assumptions based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ significantly from these estimates.

Revenue Recognition

The Company applies the requirements of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“Topic 606”). The standard requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services.

The principle of Topic 606 is achieved through applying the following five-step approach:

- *Identification of the contract, or contracts, with a customer* — a contract with a customer exists when the Company enters into an enforceable contract with a customer, typically a purchase order initiated by the customer, that defines each party’s rights regarding the goods to be transferred and identifies the payment terms related to these goods.

- *Identification of the performance obligations in the contract* — performance obligations promised in a contract are identified based on the goods that will be transferred to the customer that are distinct, whereby the customer can benefit from the goods on their own or together with other resources that are readily available from third parties or from us. Persuasive evidence of an arrangement for the sale of product must exist. The Company ships products in accordance with the purchase order and standard terms as reflected within the Company’s order acknowledgments and sales invoices.
- *Determination of the transaction price* — the transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods to the customer. This would be the agreed upon quantity and price per product type in accordance with the customer purchase order, which is aligned with the Company’s internally approved pricing guidelines.
- *Allocation of the transaction price to the performance obligations in the contract* — if the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. This applies to the Company as there is only one performance obligation to ship the goods.
- *Recognition of revenue when, or as, the Company satisfies a performance obligation* — the Company satisfies performance obligations at a point in time when control of the goods transfers to the customer. Determining the point in time when control transfers requires judgment. Indicators considered in determining whether the customer has obtained control of a good include:
 - The Company has a present right to payment
 - The customer has legal title to the goods
 - The Company has transferred physical possession of the goods
 - The customer has the significant risks and rewards of ownership of the goods
 - The customer has accepted the goods

It is important to note that the indicators are not a set of conditions that must be met before the Company can conclude that control of the goods has transferred to the customer. The indicators are a list of factors that are often present if a customer has control of the goods.

The Company has typical, unmodified FOB shipping point terms. As the seller, the Company can determine that the shipped goods meet the agreed-upon specifications in the contract or customer purchase order (e.g., items, quantities, and prices) with the buyer, so customer acceptance would be deemed a formality, as noted in ASC 606-10-55-86. As a result, the Company has a legal right to payment upon shipment of the goods.

Based upon the above, the Company has concluded that control substantively transfers to the customer upon shipment.

Other considerations of Topic 606 include the following:

- *Contract Costs* - costs to obtain a contract (e.g. customer purchase order) include sales commissions. Under Topic 606, these costs may be expensed as incurred for contracts with a duration of one year or less. The majority of the Company’s customer purchase orders are fulfilled (e.g. goods are shipped) within two days of receipt.
- *Warranties* - the Company does not offer a warranty as a separate component for customers to purchase. A warranty is generally included with each purchase, providing assurance that the goods comply with agreed-upon specifications, and the cost is therefore accrued accordingly, but contracts do not include any requirement for additional distinct services. Therefore, there is not a separate performance obligation, and there is no impact of warranties under Topic 606 upon the financial reporting of the Company.
- *Returned Goods* - from time to time, the Company provides authorization to customers to return goods. If deemed to be material, the Company would record a “right of return” asset for the cost of the returned goods which would reduce cost of sales.

- *Volume Rebates (Promotional Incentives)* - volume rebates are variable (dependent upon the volume of goods purchased by our eligible customers) and, under Topic 606, must be estimated and recognized as a reduction of revenue as performance obligations are satisfied (e.g. upon shipment of goods). Also under Topic 606, to ensure that the related revenue recognized would not be probable of a significant reversal, the four following factors are considered:
 - The amount of consideration is highly susceptible to factors outside the Company's influence.
 - The uncertainty about the amount of consideration is not expected to be resolved for a long period of time.
 - The Company's experience with similar types of contracts is limited.
 - The contract has a large number and broad range of possible consideration amounts.

If it was concluded that the above factors were in place for the Company, it would support the probability of a significant reversal of revenue. However, as none of the four factors apply to the Company, promotional incentives are recorded as a reduction of revenue based upon estimates of the eligible products expected to be sold.

Accounts receivable, net of allowances, was \$17,503,000 as of January 1, 2023.

Regarding disaggregated revenue disclosures, as previously noted, the Company's business is controlled as a single operating segment that consists of the manufacture and sale of flexible metal hose. Most of the Company's transactions are very similar in nature, contract, terms, timing, and transfer of control of goods. As indicated in this Note 2, Significant Accounting Policies, in these Consolidated Financial Statements, under the caption "Significant Concentrations", the majority of the Company's sales were geographically contained within North America, with the remainder scattered internationally. All performance assessments and resource allocations are generally based upon the review of the results of the Company as a whole.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents include investments in an institutional money market fund, which invests in U.S. Treasury bills, notes, and bonds, and/or repurchase agreements, backed by such obligations, and in U.S. Treasury bills and certificates of deposit. Carrying value approximates fair value except for U.S. Treasury bills and certificates of deposit where amortized cost approximates fair value. Cash and cash equivalents are deposited at various area banks, which at times may exceed federally insured limits. The Company monitors the viability of the banking institutions carrying their assets on a regular basis and has the ability to transfer cash to various institutions during times of risk. The Company has not experienced any losses related to these cash balances and believes its credit risk to be minimal.

Accounts Receivable and Provision for Credit Losses

All accounts receivable is stated at amortized cost, net of allowances for credit losses, and adjusted for any write-offs. The Company maintains allowances for credit losses, which represent an estimate of expected losses over the remaining contractual life of its receivables considering current market conditions and estimates for supportable forecasts when appropriate. The estimate is a result of the Company's ongoing assessments and evaluations of collectability, historical loss experience, and future expectations in estimating credit losses in its receivable portfolio. For accounts receivable, the Company uses historical loss experience rates and applies them to a related aging analysis while also considering customer and/or economic risk where appropriate. Determination of the proper amount of allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, as a result, operating profit. The allowances consider numerous quantitative and qualitative factors that include receivable type, historical loss experience, delinquency trends, collection experience, current economic conditions, estimates for supportable forecasts, when appropriate, and credit risk characteristics.

The reserve for credit losses, which include future credits, discounts, and doubtful accounts, was \$866,000 and \$1,126,000 as of December 31, 2024 and 2023, respectively.

Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined by the first-in, first-out (FIFO) method. The Company generally considers inventory quantities beyond two years of usage, measured on a historical usage basis, to be excess inventory and reduces the carrying value of inventory accordingly.

Property and Equipment

Property and equipment are initially recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, the life of the lease, if shorter. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other income or expense for the period. The cost of maintenance and repairs is expensed as incurred; significant improvements are capitalized.

Goodwill

In accordance with FASB ASC Topic 350, *Intangibles – Goodwill and Other*, using the simplified method as adopted, the Company performed an annual impairment test as of December 31, 2024. This analysis did not indicate any impairment of goodwill.

Stock Based Compensation Plans

In 2006, the Company adopted a Phantom Stock Plan (the “Plan”), which allows the Company to grant phantom stock units (“Units”) to certain key employees, officers, or directors. The Units each represent a contractual right to payment of compensation in the future based upon the market value of the Company’s common stock and are accordingly recorded as liabilities. The Units follow a vesting schedule over three years from the grant date and are then paid upon maturity. In accordance with FASB ASC Topic 718, *Compensation - Stock Compensation*, the Company uses the Black-Scholes option pricing model as its method for determining the fair value of the Units. The liabilities for the Units are adjusted to market value over time from the grant dates to the related maturity dates. The Company recognizes the reversal of any previously recognized compensation expense on forfeited nonvested Units in the period the Units are forfeited.

The Plan has been amended and restated, for all grants made starting January 1, 2023, to set the vesting method to three-year cliff vesting following the grant date, with payment upon maturity. Additionally, for grants made starting January 1, 2023, upon retirement at age 67 or greater, and with one year of continuous service prior to retirement, vesting of the issued grant(s) would accelerate on a pro-rata basis, 1/3 per year from the grant date.

Further details of the Plan are provided in Note 8, Stock Based Compensation Plans, of the Consolidated Financial Statements included in this report.

Product Liability Reserves

Product liability reserves represent the estimated unpaid amounts under the Company’s insurance policy deductibles or self-insured retention limits, with respect to existing claims. The Company uses the most current available data to estimate claims. As explained more fully under Note 7, Commitments and Contingencies, to the Consolidated Financial Statements included in this report for various product liability claims covered under the Company’s general liability insurance policies, the Company must pay certain defense and settlement costs within its deductible or self-insured retention limits, ranging primarily from \$250,000 to \$3,000,000 per claim, depending on the terms of the policy and the applicable policy year, up to an aggregate amount. The Company is vigorously defending against all known claims.

Leases

The Company applies the requirements of FASB ASC Topic 842, *Leases* which defines a lease as any contract that conveys the right to use a specific asset for a period of time in exchange for consideration. Leases are classified as a finance lease, formerly called a capital lease, if any of the following criteria are met:

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
2. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
3. The lease term is for the major part of the remaining economic life of the underlying asset.
4. The present value of the sum of lease payments and any residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset.
5. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

For any leases that do not meet the criteria identified above for finance leases, the Company treats such leases as operating leases. As of December 31, 2024 and 2023, each of the Company's leases is classified as an operating lease.

Both finance and operating leases are reflected on the balance sheet as lease or "right-of-use" assets and lease liabilities.

There are some exceptions which the Company has elected in its accounting policies. For leases with terms of twelve months or less, or below the Company's general capitalization policy threshold, the Company has elected an accounting policy to not recognize lease assets and lease liabilities for all asset classes. The Company recognizes lease expense for such leases generally on a straight-line basis over the lease term.

The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate, or purchase its right-of-use assets at the inception of the lease and accounts for these options when they are reasonably certain to be exercised. Certain leases contain non-lease components, such as common area maintenance, which are generally accounted for separately. In general, the Company will assess if non-lease components are fixed and determinable, or variable, when determining if the component should be included in the lease liability. For purposes of calculating the present value of the lease obligations, the Company utilizes the implicit interest rate within the lease agreement when known and/or determinable and otherwise utilizes its incremental borrowing rate at the time of the lease agreement.

Fair Value of Financial and Nonfinancial Instruments

The Company measures financial instruments in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. The accounting standard defines fair value, establishes a framework for measuring fair value under GAAP, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard creates a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability. The Company relies upon Level 1 inputs in determining the fair value of the Company's reporting unit in its annual impairment test as described in the FASB ASC Topic 350, *Intangibles - Goodwill and Other*.

Advertising Expense

Advertising costs are charged to operations as incurred and are included in selling expenses in the accompanying Consolidated Statements of Operations. Such charges aggregated \$900,000 and \$913,000 for the years ended December 31, 2024 and 2023, respectively.

Research and Development Expense

Research and development expenses are charged to operations as incurred. Such charges totaled \$301,000 and \$433,000 for the years ended December 31, 2024 and 2023, respectively and are included in engineering expenses in the accompanying Consolidated Statements of Operations.

Shipping Costs

Shipping costs are included in selling expenses in the accompanying Consolidated Statements of Operations. The expenses relating to shipping were \$2,726,000, and \$2,740,000 for the years ended December 31, 2024 and 2023, respectively.

Earnings per Common Share

Basic earnings per share have been computed using the weighted-average number of common shares outstanding. For the periods presented, there are no dilutive securities. Consequently, basic and diluted earnings per share are the same.

Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing on the balance sheet dates. The assets and liabilities denominated in foreign currencies relate to the Company's U.K. subsidiary whose functional currency is the British Pound, the U.K. subsidiary's France subsidiary whose functional currency is the Euro, and cash and accounts receivable denominated in Canadian dollars. The Consolidated Statements of Operations are translated into U.S. dollars at average exchange rates for the period. Adjustments resulting from the translation of financial statements are excluded from the determination of income and are accumulated in a separate component of shareholders' equity. Exchange gains and losses resulting from foreign currency transactions are included in the statements of operations in the period in which they occur.

Income Taxes

The Company accounts for tax liabilities in accordance with the FASB ASC Topic 740, *Income Taxes*. Under this method the Company records tax expenses, related deferred taxes and tax benefits, and uncertainties in tax positions.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain.

The FASB ASC Topic 740, *Income Taxes*, clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's financial statements. This guidance prescribes a recognition threshold of more-likely than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements.

The Company follows the provisions of FASB ASC Subtopic 740-10 relative to accounting for uncertainties in tax positions. These provisions provide guidance on the recognition, de-recognition and measurement of potential tax benefits associated with tax positions.

Effective January 1, 2022, as a result of changes made by the Tax Cuts and Jobs Act of 2017, the Company is required to capitalize certain research and development expenses for tax purposes, and amortize those expenses over a five year period, resulting in a deferred tax asset for the capitalized amounts.

Other Comprehensive Income

For the years ended December 31, 2024 and 2023, respectively, the components of other comprehensive income consisted solely of foreign currency translation adjustments.

Significant Concentrations

One customer represented 15% and 14% of sales during 2024 and 2023, respectively, and that same customer accounted for 23% and 19% of the accounts receivable balance as of December 31, 2024 and 2023, respectively. No other customer represented more than 10% of sales or accounts receivable. Geographically, North America accounted for 97% and 96% of the Company's sales during 2024 and 2023, respectively. The remaining portion of sales for each respective year was scattered among other countries, with the U.K. being the Company's most dominant market outside North America.

Subsequent Events

The Company evaluates all events or transactions through the date of the related filing that may have a material impact on its Consolidated Financial Statements. Refer to Note 15, Subsequent Events, to the Consolidated Financial Statements included in this report.

Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, updated in December 2022 by ASU No. 2022-06, *Deferral of Sunset Date of Topic 848*. The ASUs apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The ASUs provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the ASUs do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2024, except for hedging relationships existing as of December 31, 2024, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-04, as updated by ASU 2022-06, is effective for all entities as of March 12, 2020, through December 31, 2024. The impact of the adoption did not have a material impact on the Company's Consolidated Financial Statements.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The purpose of the guidance is to enable investors to better understand an entity's overall performance and assess potential future cash flows. The amendment is effective for fiscal years beginning after December 15, 2023 and interim periods in fiscal years beginning after December 15, 2024. The impact of the adoption did not have a material impact on the Company's Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU expands public entities tax disclosures including improving disclosures surrounding the

company's rate reconciliation, cash taxes paid, and disaggregation of income tax expense (or benefit) from continuing operations. The amendment is effective for annual periods beginning after December 15, 2024. The Company is in the process of evaluating the impact of ASU No. 2023-09 on its Consolidated Financial Statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. The ASU requires new tabular disclosures disaggregating prescribed expense categories within relevant income statement captions. The amendment is effective for annual periods beginning after December 15, 2026 and interim periods in fiscal years beginning after December 15, 2027. The Company is in the process of evaluating the impact of ASU No. 2024-03 on its Consolidated Financial Statements.

3. INVENTORIES

Inventories, net of reserves of \$864,000 and \$692,000 as of December 31, 2024 and 2023, respectively, consisted of the following:

	December 31,	
	2024	2023
	(in thousands)	
Finished Goods	\$ 6,676	\$ 6,161
Raw Materials	7,883	9,436
Inventories - Net	<u>\$ 14,559</u>	<u>\$ 15,597</u>

See Note 5, Other Long Term Assets, for details on inventories which are estimated to be used beyond the next twelve months.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following As of December 31:

	2024	2023	Depreciation and Amortization Est. Useful Lives
	(in thousands)		
Land	\$ 1,205	\$ 1,205	
Buildings	6,933	6,640	39 Years
Leasehold Improvements	960	403	3-10 Years (Lesser of Life or Lease)
Equipment	18,277	17,143	3-10 Years
	<u>27,375</u>	<u>25,391</u>	
Accumulated Depreciation	<u>(17,675)</u>	<u>(16,440)</u>	
Property and Equipment - Net	<u>\$ 9,700</u>	<u>\$ 8,951</u>	

The above amounts include capital related items of \$341,000 and \$1,349,000 as of December 31, 2024 and 2023, respectively, which had not yet been placed in service by the Company, and therefore no depreciation was recorded in the related periods for those assets. Depreciation and amortization expense was approximately \$1,255,000 and \$1,099,000 for the years ended December 31, 2024 and 2023, respectively.

5. OTHER LONG TERM ASSETS

Other long term assets were as follows as of December 31:

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Inventories - net	\$ 2,503	\$ 2,620
Cash surrender value of life insurance policies	1,108	1,681
Other	123	139
Other Long Term Assets	<u>\$ 3,734</u>	<u>\$ 4,440</u>

The Company maintains inventories, net of reserves of \$1,000,000 as of December 31, 2024 and 2023, which is estimated to be used beyond the next twelve months, mainly for the corrugated medical tubing (“CMT”) products. Higher amounts of materials for the CMT products were initially purchased for cost considerations and because of longer required lead times.

The Company has obtained and is the beneficiary of life insurance policies with respect to past employees. During 2024, the insured for one of the policies became deceased which allowed for proceeds to be received from a claim upon the policy of \$739,000.

6. LINE OF CREDIT AND OTHER BORROWINGS

On July 3, 2023, the Company agreed to an Amended and Restated Loan Agreement with Santander Bank, N.A. (the “Bank”), and a Second Amended and Restated Committed Revolving Line of Credit Note to the Bank (both documents together, the “Facility”). The Facility is an unsecured revolving credit facility in the maximum amount of \$15,000,000, with a \$1,000,000 letter of credit sublimit, expiring June 1, 2028, with funds available for working capital and other corporate purposes. The interest rate payable on any borrowings is either the Term SOFR Reference Rate or the Bank’s Prime Rate, as specified by the Company, plus the Applicable Margin. The Applicable Margin for the Term SOFR Reference Rate is plus 0.75% to plus 1.75%, and for Prime Rate, up to plus 0.50%, depending upon the Company’s then existing specified financial ratios. As of December 31, 2024, the Company’s ratio would allow for the most favorable rate under the Facility’s ranges or 5.28%. The Company is also required to pay on a quarterly basis an unused facility fee of 10 basis points of the average unused balance of the note and an annual commitment fee of \$5,000 due and payable on each anniversary date of the Facility. The Company may terminate the Facility at any time as long as there are no amounts outstanding and may prepay any borrowings.

As of December 31, 2024 and as of December 31, 2023, the Company had no outstanding borrowings on the Facility, and was in compliance with all debt covenants.

7. COMMITMENTS AND CONTINGENCIES

Commitments

Under a number of indemnity agreements between the Company and each of its officers and directors, the Company has agreed to indemnify each of its officers and directors against any liability asserted against them in their capacity as an officer or director, or both. The Company’s indemnity obligations under the indemnity agreements are subject to certain conditions and limitations set forth in each of the agreements. Under the terms of the agreement, the Company is contingently liable for costs which may be incurred by the officers and directors in connection with claims arising by reason of these individuals’ roles as officers and directors. The Company has obtained directors’ and officers’ insurance policies to fund certain obligations under the indemnity agreements.

The Company has salary continuation agreements with past employees. These agreements provide for monthly payments to each of the employees or their designated beneficiary upon the employee’s retirement or death. The payment benefits range from \$1,000 to \$3,000 per month with the term of such payments limited to 15 years after the employee’s retirement. The agreements also provide for survivorship benefits if the employee dies before attaining age 65, and severance payments if the employee is terminated without cause; the amount of which is dependent on

the length of company service at the date of termination. The net present value of the retirement payments associated with these agreements is \$302,000 as of December 31, 2024, of which \$255,000 is included in Other Long Term Liabilities, and the remaining current portion of \$47,000 is included in Other Liabilities, associated with the applicable retirement benefit payments over the next twelve months. The December 31, 2023 liability of \$326,000 had \$278,000 reported in Other Long Term Liabilities, and a current portion of \$48,000 in Other Liabilities.

In addition to the above, the Company has other contractual employment and or change of control agreements in place with key employees, as previously disclosed and noted in the Exhibit Index to this Form 10-K. Obligations related to these arrangements are currently indeterminable due to the variable nature and timing of possible events required to incur such obligations.

As disclosed in detail in Note 10, Leases, to the Consolidated Financial Statements included in this report, the Company has several lease obligations in place that will be paid over time. Most notably, the Company leases a facility in Banbury, England that serves the manufacturing, warehousing, and distribution functions.

Lastly, the Company has contractual obligations in place for the forthcoming year to purchase raw materials totaling \$10,548,000.

Contingencies

In the ordinary and normal conduct of the Company's business, it is subject to lawsuits, investigations, and claims (collectively, the "Claims"). The Claims generally relate to potential lightning or other electrical damage to our flexible gas piping products and may result in legal and product liability related expenses. The Company does not believe the Claims have legal merit and vigorously defends them. It is possible that the Company may incur increased litigation costs in the future due to a variety of factors, including a higher number of Claims, higher legal and expert costs, and higher insurance deductibles or self-insured retention limits (or "retentions").

The Company has in place commercial general liability insurance policies that cover most Claims, which are subject to deductibles or retentions, ranging primarily from \$250,000 to \$3,000,000 per claim (depending on the terms of the policy and the applicable policy year), up to an aggregate amount. Litigation is subject to many uncertainties and management is unable to predict the outcome of the pending suits and claims. The potential liability for a given claim could range from zero to a maximum of \$3,000,000, depending upon the circumstances, and insurance deductible or retention in place for the respective claim year. The aggregate maximum exposure for all current open Claims as of December 31, 2024 is estimated to not exceed approximately \$3,620,000, which represents the potential costs that may be incurred over time for the Claims within the applicable insurance policy deductibles or retentions. From time to time, depending upon the nature of a particular case, the Company may decide to spend in excess of a deductible or retention to enable more discretion regarding the defense, although this is not common. It is possible that the results of operations or liquidity of the Company, as well as the Company's ability to procure reasonably priced insurance, could be adversely affected by the pending litigation, potentially materially. The Company is currently unable to estimate the ultimate liability, if any, that may result from the pending litigation, or potential litigation from future claims or claims that have not yet come to our attention, and accordingly, the liability in the Consolidated Financial Statements primarily represents an accrual for legal costs for services previously rendered, outstanding settlements for Claims not yet paid, and anticipated, probable, settlements for Claims within the Company's remaining retention under its insurance policies. The liabilities recorded in the Company's books as of December 31, 2024 and December 31, 2023 were \$706,000 and \$947,000, respectively, and are included in Other Liabilities.

8. STOCK BASED COMPENSATION PLANS

Phantom Stock Plan

Plan Description. On April 1, 2006, the Company adopted the Omega Flex, Inc. 2006 Phantom Stock Plan (the "Plan"). The Plan authorizes the grant of up to one million units of phantom stock to employees, officers, or directors of the Company. The phantom stock units ("Units") each represent a contractual right to payment of compensation in the future based on the market value of the Company's common stock. The Units are not shares of

the Company's common stock, and a recipient of the Units does not receive any of the following:

- ownership interest in the Company;
- shareholder voting rights; and
- other incidents of ownership to the Company's common stock

The Units are granted to participants upon the recommendation of the Company's Chief Executive Officer and President, and the approval of the Compensation Committee. Each of the Units that are granted to a participant will be initially valued by the Compensation Committee at an amount equal to the closing price of the Company's common stock on the grant date but are recorded at fair value using the Black-Scholes method as described below. The Units follow a vesting schedule, with a maximum vesting of three years after the grant date. Grants made on or after January 1, 2023, will fully vest three-years from the grant date. Upon vesting, the Units represent a contractual right of payment for the value of the Unit and therefore are stated as liabilities in accordance with FASB ASC Topic 718, *Compensation - Stock Compensation*. The Units will be paid on their maturity date, one year after all the Units granted in a particular award have fully vested, unless a specified event occurs under the terms of the Plan, which would allow for earlier payment. Units granted with value at the maturity date equal to the closing price of the Company's common stock as of the maturity date are defined as Full Value Units. Unless stated otherwise, all Units described herein are Full Value Units.

In 2009, the Board of Directors authorized an amendment to the Plan to pay an amount equal to the value of any cash or stock dividend declared by the Company on its common stock to be accrued to the Units outstanding as of the record date of the common stock dividend. The dividend equivalent will be paid at the same time the underlying Units are paid to the participant.

In addition, the Plan has been amended and restated, for all grants made starting January 1, 2023, to set the vesting method to three-year cliff vesting following the grant date, with payment upon maturity. Additionally, for grants made starting January 1, 2023, upon retirement at age 67 or greater, and with one year of continuous service prior to retirement, vesting of the issued grant(s) would accelerate on a pro-rata basis, 1/3 per year from the grant date.

In certain circumstances, the Units may be immediately vested upon the participant's death or disability. All Units granted to a participant are forfeited if the participant is terminated from their relationship with the Company or its subsidiary for "cause," which is defined under the Plan. If a participant's employment or relationship with the Company is terminated for reasons other than for "cause," then any vested Units will be paid to the participant upon termination. However, Units granted to certain "specified employees" as defined in Section 409A of the Internal Revenue Code will be paid approximately 181 days after termination.

Grants of Units. As of December 31, 2023, the Company had 6,440 nonvested and unmatured Units outstanding. On March 8, 2024, the Company paid \$141,000 for 1,875 fully vested and matured Units that were granted during 2020, including their respective earned dividend values. On March 20, 2024, the Company granted 6,459 Units with a fair value of \$68.05 per Unit on grant date, using historical volatility. On March 29, 2024, 244 nonvested Units were forfeited. In September 2024, the Company paid \$46,000 for 870 fully vested and matured Units that were granted during 2020, including their respective earned dividend values. On October 4, 2024, the Company paid \$31,000 for 422 fully vested and matured Units that were granted during 2021, 2022, and 2023, including their respective earned dividend values. As of December 31, 2024, the Company had 9,872 nonvested and unmatured Units outstanding.

The Company uses the Black-Scholes option pricing model as its method for determining fair value of the Units. The Company uses the straight-line method of attributing the value of the stock based compensation expense relating to the Units. The compensation expense (including adjustment of the liability to its fair value) from the Units is recognized over the vesting and maturity periods of each grant.

The FASB ASC Topic 718, *Compensation - Stock Compensation*, requires forfeitures either to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates to derive an estimate of awards ultimately to vest or to recognize the effect of any forfeited awards for which the requisite

vesting period is not completed in the period that the award is forfeited.

The Company recognizes the reversal of any previously recognized compensation expense on forfeited awards in the period that the award is forfeited. For the year ended December 31, 2024, a reversal of \$6,000 of previously recognized compensation expense was recognized on 244 nonvested forfeited Units. For the year ended December 31, 2023, a reversal of \$22,000 of previously recognized compensation expense was recognized on 597 nonvested forfeited Units.

The total liability related to the Units as of December 31, 2024 was \$365,000 of which \$94,000 is included in Other Liabilities, as it is expected to be paid within the next twelve months, and the balance of \$271,000 is included in Other Long Term Liabilities. The total liability related to the Units as of December 31, 2023 was \$530,000 of which \$206,000 was included in Other Liabilities, and the balance of \$324,000 was included in Other Long Term Liabilities.

Related to the Plan, in accordance with FASB ASC Topic 718, *Compensation - Stock Compensation*, the Company recorded compensation expense of \$54,000 and \$292,000 for the years ended December 31, 2024 and 2023, respectively. Compensation expense or income for a given period largely depends upon fluctuations in the Company's stock price.

The following table summarizes information about the Company's nonvested and unmatured Units as of and for the year ended December 31, 2024:

	<u>Units</u>	<u>Weighted Average Grant Date Fair Value</u>
Number of Units:		
Nonvested and Unmatured as of December 31, 2023	6,440	\$ 111.85
Granted	6,459	\$ 68.05
Vested	(2,783)	\$ 118.41
Forfeited	(244)	\$ 119.17
Canceled	---	---
Nonvested and Unmatured as of December 31, 2024	<u>9,872</u>	<u>\$ 81.16</u>
Units Expected to Vest and Mature	<u>9,872</u>	<u>\$ 81.16</u>

The total unrecognized compensation costs calculated as of December 31, 2024 were \$265,000 which will be recognized through March of 2027. The Company will recognize the related expense over the weighted average period of 1.6 years.

9. INCOME TAXES

Income tax expense consisted of the following:

	December 31,	
	2024	2023
	<small>(in thousands)</small>	
Federal Income Tax:		
Current	\$ 5,024	\$ 5,279
Deferred	205	745
State Income Tax:		
Current	707	821
Deferred	28	113
Foreign Income Tax:		
Current	(29)	(3)
Deferred	(228)	(130)
Income Tax Expense	<u>\$ 5,707</u>	<u>\$ 6,825</u>

Pre-tax income included foreign income (loss) of (\$2,001,000) and \$458,000 in 2024 and 2023, respectively.

Total income tax expense differed from statutory income tax expense, computed by applying the U.S. federal income tax rate of 21% to earnings before income tax, as follows:

	December 31,	
	2024	2023
	<small>(in thousands)</small>	
Computed Statutory Income Tax Expense	\$ 4,961	\$ 5,785
State Income Tax, Net of Federal Tax Benefit	581	738
Foreign Tax Rate Differential	(89)	(37)
Valuation Allowance	277	81
Executive Compensation Limitation	-	258
Foreign Derived Intangible Income Deduction	(61)	(93)
Research Credit	-	-
Other - Net	38	93
Income Tax Expense	<u>\$ 5,707</u>	<u>\$ 6,825</u>

A deferred income tax (expense) benefit results from temporary timing differences in the recognition of income and expense for income tax and financial reporting purposes. The components of and changes in the net deferred tax assets (liabilities) which give rise to this deferred income tax (expense) benefit for the years ended December 31, 2024 and 2023 are as follows:

	December 31,	
	2024	2023
	<u>(in thousands)</u>	
<u>Deferred Tax Assets:</u>		
Compensation Assets	\$ 197	\$ 191
Inventory Valuation	682	656
Accounts Receivable Valuation	202	200
Deferred Litigation Costs	12	11
Capitalized Research Costs	423	485
Accrued Product Liability	165	217
Foreign Net Operating Losses	808	312
Other	93	24
Compensation Liabilities	156	196
Total Deferred Assets, Before Valuation Allowance	<u>\$ 2,738</u>	<u>\$ 2,292</u>
Less: Valuation Allowance	443	176
Total Deferred Assets	<u>\$ 2,295</u>	<u>\$ 2,116</u>
<u>Deferred Tax Liabilities:</u>		
Prepaid Expenses	(616)	(612)
Depreciation and Amortization	<u>(1,495)</u>	<u>(1,315)</u>
Total Deferred Liabilities	<u>(\$ 2,111)</u>	<u>(\$ 1,927)</u>
Total Deferred Tax Asset	<u>\$ 184</u>	<u>\$ 189</u>

Management believes it is more likely than not that the Company will have sufficient taxable income when these timing differences reverse and that the deferred tax assets will be realized except for a carryover of foreign operating losses incurred by one of its foreign subsidiaries. Due to the uncertainty of future income in the foreign subsidiary, the Company has recognized a valuation allowance related to the foreign operating losses carrying forward.

The Company is currently subject to audit by the Internal Revenue Service for the calendar years ended 2021 through 2023. The Company and its Subsidiaries' state income tax returns are subject to audit for the calendar years ended 2020 through 2023.

As of December 31, 2024, the Company had no liability for unrecognized tax benefits related to various federal and state income tax matters.

10. LEASES

In the U.S., the Company owns its two main operating facilities located in Exton, Pennsylvania. In addition to the owned facilities, the Company also has operations in other locations that are leased, as well as other leased assets. In conjunction with the guidance for leases, as defined by FASB ASC Topic 842, *Leases*, the Company has described the existing leases, which are all classified as operating leases, pursuant to the below.

In the U.S., the Company leases a facility in West Chester, Pennsylvania, which was consummated effective January 2024, with its lease terminating in February 2030, which provides warehousing and storage, quality control, distribution, and office space. The Company also leases a facility in Houston, Texas, which was consummated effective June 2024, with its lease terminating in July 2029, which provides manufacturing, stocking, and sales operations. Additionally, the Company leases office space in Middletown, Connecticut, with its lease terminating in June 2027.

In the U.K., the Company leases a facility in Banbury, England, which serves manufacturing, warehousing, and other operational functions. The lease in Banbury has a 15-year term ending in March 2036.

In addition to property rentals, the Company also has lease agreements in place for various fleet vehicles and equipment with various lease terms.

As of December 31, 2024, the Company recorded right-of-use assets of \$4,944,000, and a lease liability of \$5,278,000, of which \$712,000 is reported as a current liability. On December 31, 2023, the Company recorded right-of-use assets of \$2,940,000, and a lease liability of \$2,946,000, of which \$454,000 was reported as a current liability. The respective weighted average remaining lease term and discount rate are approximately 7.8 years and 3.74% as of December 31, 2024.

Rent expense for operating leases was \$939,000 and \$467,000 for the years ended December 31, 2024 and 2023, respectively.

Future minimum lease payments under non-cancelable leases as of December 31, 2024 are as follows:

Twelve Months Ending December 31,	Operating Leases (in thousands)
2025	\$ 897
2026	894
2027	834
2028	795
2029	729
Thereafter	1,791
Total Future Minimum Lease Payments	<u>5,940</u>
Less: Interest	<u>662</u>
Lease Liability	5,278
Less: Current Portion of Lease Liability	<u>712</u>
Lease Liability – Net of Current Portion	<u>\$ 4,566</u>

11. EMPLOYEE BENEFIT PLANS

Defined Contribution and 401(K) Plans

The Company maintains a qualified non-contributory profit-sharing plan (the “Plan”) covering all eligible employees. There were \$476,000 and \$484,000 of contributions accrued for the Plan in 2024 and 2023 respectively, which were charged to expense in those respective years.

Contributions to the Plan are defined as three percent (3%) of gross wages up to the current Old Age, Survivors, and Disability (OASDI) limit and six percent (6%) of the excess over the OASDI limit, subject to the maximum allowed under the Employee Retirement Income Security Act (ERISA). Participant balances vest over six years.

The Company also maintains a savings and retirement plan qualified under Internal Revenue Code Section 401(k) for all employees. Employees are eligible to participate in the Plan the first day of the month following date of hire. Participants may elect to have up to fifty percent (50%) of their compensation withheld, up to the maximum allowed by the Internal Revenue Code. After completing one year of service, the Company contributed an additional amount equal to 50% of all employee contributions, up to a maximum of 6% of an employee’s gross wages. Contributions are funded on a current basis. Contributions to the Plan charged to expense for the years ended December 31, 2024 and 2023 were \$348,000 and \$330,000, respectively. The participant’s Company contribution vests ratably over six years.

12. SHAREHOLDERS' EQUITY

As of December 31, 2024 and December 31, 2023, the Company had 20,000,000 shares of common stock, with par value of \$0.01 per share, authorized. For both periods, the total number of outstanding shares was 10,094,322, shares held in Treasury was 59,311, and total shares issued was 10,153,633.

During 2024 and 2023, upon approval of the Board of Directors (the "Board") the Company has declared and paid regular quarterly dividends, as set forth in the following table:

Dividend Declared		Dividend Paid	
Date	Price Per Share	Date	Amount
December 5, 2024	\$0.34	January 7, 2025	\$3,432,000
September 11, 2024	\$0.34	October 8, 2024	\$3,432,000
June 12, 2024	\$0.34	July 10, 2024	\$3,432,000
March 28, 2024	\$0.33	April 24, 2024	\$3,331,000
December 6, 2023	\$0.33	January 4, 2024	\$3,332,000
September 11, 2023	\$0.33	October 6, 2023	\$3,331,000
June 13, 2023	\$0.33	July 7, 2023	\$3,332,000
March 28, 2023	\$0.32	April 24, 2023	\$3,229,000

It should be noted that from time to time, the Board may elect to pay special dividends, in addition to or in lieu of the regular quarterly dividends, depending upon the financial condition of the Company. The most recent special dividend was declared and paid in December 2019.

13. SEGMENT REPORTING

The Company derives revenues from the manufacture and sale of flexible metal hose and accessories (the "flexible metal hose" segment). These applications include carrying fuel gases within residential and commercial buildings; gasoline and diesel gasoline products (both above and below the ground) in a double containment piping to contain any possible leaks, which is used in automotive and marina refueling, and fueling for back-up generation; and medical gases in health care facilities.

The accounting policies of the flexible metal hose segment are the same as described in Note 2. Significant Accounting Policies. The Chief Operating Decision Maker ("CODM"), which includes the Chief Executive Officer, Executive Chairman, and President, assesses performance for the flexible metal hose segment and decides how to allocate resources based on the measures which are also reported in the Consolidated Statements of Operations as Operating Profit and Net Income. Segment assets are reported in the Consolidated Balance Sheets as Total Assets.

The CODM uses Operating Profit and Net Income to evaluate performance and income generated from segment assets (return on assets) in deciding whether to reinvest profits into the flexible metal hose segment or into other areas, such as for acquisitions or to pay dividends. Significant segment expense categories reviewed by the CODM are consistent with the categories reflected in the Consolidated Statements of Operations.

14. RELATED PARTY TRANSACTIONS

From time to time, the Company may have related party transactions ("RPTs"). RPTs represent any transaction between the Company and any Company employee, director or officer, or any related entity, or relative, etc. The Company performs a review of transactions each year to determine if any RPTs exist, and if so, determines if the related parties act independently of each other in a fair transaction. Through this investigation the Company noted a limited number of RPTs. In all cases, these RPTs have been determined to be arms length transactions with no indication that they are influenced by the related relationships.

15. SUBSEQUENT EVENTS

In October 2024, the Company formed a new U.S. subsidiary, Flex-Trac, Inc., and effective January 1, 2025, the Company contributed to Flex-Trac, Inc. certain assets related to its MediTrac® corrugated medical gas tubing business, in exchange for the issuance to the Company of shares of common stock, par value \$0.01 per share, of Flex-Trac, Inc. (“Common Stock”).

In addition, in December 2024, subject to the approval of the Company’s shareholders, the Flex-Trac, Inc. 2025 Equity Incentive Plan (the “Plan”) was approved and adopted, to provide directors, officers, employees, contractors and consultants of Flex-Trac, Inc. or its affiliates an equity-based incentive to maintain and enhance the performance and profitability of Flex-Trac, Inc. Subject to adjustment as provided in the Plan, up to 818,458 shares of Common Stock, or 7.5% of the fully-diluted shares of Common Stock, may be issued pursuant to the Plan with respect to awards.

On January 2, 2025, 420,000 shares of restricted stock in the aggregate, or 4% of the shares of Common Stock, were granted to certain eligible participants under the Plan, subject to the approval of the Plan by the shareholders of the Company. Subject to such approval, the awards vest after eight years of continuous service or earlier upon the grantee’s death, disability or retirement, or a change of control, as defined and further described in the Plan.

Item 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 9A – CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

We evaluated, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”), as amended, as of December 31, 2024, the end of the period covered by this report on Form 10-K. Based on this evaluation, our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have concluded that our disclosure controls and procedures were effective as of December 31, 2024. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Management’s Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act and is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts

and expenditures of the Company are being made only in accordance with authorizations of our management and directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations (COSO) in the *Internal Control-Integrated Framework (2013)*.

Based on the assessment, management has concluded that the Company maintained effective internal control over financial reporting as of December 31, 2024, based on criteria in the *Internal Control-Integrated Framework (2013)* issued by COSO.

The Company's independent registered public accounting firm, RSM US LLP, audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2024. RSM US LLP's report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2024, is included in this annual report.

(c) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting during the most recent quarter ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B – OTHER INFORMATION

None.

Item 9C - DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

With respect to Items 10 through 14, the Company will file with the Securities and Exchange Commission, within 120 days after December 31, 2024, a definitive proxy statement relating to the Company's annual meeting of shareholders (the "2025 Proxy Statement").

Item 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item is incorporated by reference to the 2025 Proxy Statement.

The Company has adopted a Code of Business Conduct and Ethics ("Code") applicable to its principal executive officer and principal financial officer, its directors, and all other employees generally. A copy of the Code may be found at the Company's website www.omegaflex.com. Any changes to or waivers from this Code will be disclosed on the Company's website as well as in appropriate filings with the Securities and Exchange Commission.

Item 11 - EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference to the 2025 Proxy Statement.

Item 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated by reference to the 2025 Proxy Statement.

Item 13 - CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference to the 2025 Proxy Statement.

Item 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item is incorporated by reference to the 2025 Proxy Statement.

PART IV

Item 15 – EXHIBITS AND FINANCIAL STATEMENTS SCHEDULES

- (a) The following documents are filed as part of this Form 10-K:
1. Exhibits. See Index to Exhibits on pages 55 through 57.
 2. Consolidated Financial Statements. See Index to Consolidated Financial Statements on page 27. Financial statement schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included.

EXHIBIT INDEX

Those documents followed by parenthetical notation are incorporated herein by reference to previous filings with the Securities and Exchange Commission, under Commission File No. 000-51372, as set forth below.

Exhibit No.	Description	Reference Key
3.1	Amended and Restated Articles of Incorporation of Omega Flex, Inc.	(A)
3.2	Amended and Restated By-laws of Omega Flex, Inc.	(F)
4.1	Description of Common Stock	(B)
10.1	Indemnification and Insurance Matters Agreement dated July 29, 2005 between Omega Flex, Inc. and Mestek, Inc.	(A)
10.2	* Form of Indemnification Agreements entered into between Omega Flex, Inc. and its Directors and Officers and the Directors of its wholly-owned subsidiaries.	(C)
10.3	* Employment Agreement dated December 15, 2008 between Omega Flex, Inc. and Kevin R. Hoben	(D)
10.4	* Amendment No. 1 to the Employment Agreement dated January 1, 2014 between Omega Flex, Inc. and Kevin R. Hoben	(E)
10.5	Amended and Restated Loan Agreement dated July 3, 2023, between Omega Flex, Inc. and Santander Bank, N.A.	(K)
10.6	Second Amended and Restated Committed Revolving Line of Credit Note dated July 3, 2023, by Omega Flex, Inc. to Santander Bank, N.A.	(K)
10.7	* Phantom Stock Plan dated December 11, 2006.	(H)
10.8	* First Amendment to the Omega Flex, Inc. 2006 Phantom Stock Plan	(G)
10.9	* Omega Flex, Inc. 2006 Phantom Stock Plan (as amended and restated effective January 1, 2023).	(I)
10.10	* Form of Phantom Stock Agreement entered into between Omega Flex, Inc. and its directors, officers and employees (for grants made prior to January 1, 2023).	(H)
10.11	* Form of Phantom Stock Agreement entered into between Omega Flex, Inc. and its directors, officers and employees (for grants made on or after January 1, 2023).	(I)
10.12	* Schedule of Phantom Stock Agreements between Omega Flex, Inc. and its directors and officers as of December 31, 2024.	**
10.13	* Form of Change of Control Agreement entered into between Omega Flex, Inc. and certain officers and employees.	(J)

10.14	* Schedule of Change of Control Agreements between Omega Flex, Inc. and certain officers and employees as of December 31, 2024.	**
10.15	Shareholders Agreement By and Among Flex-Trac, Inc. and the Shareholders and Other Parties Named Herein	**
10.16	* Flex-Trac, Inc. 2025 Equity Incentive Plan	**
10.17	* Form of Flex-Trac, Inc. 2025 Equity Incentive Plan Notice of Restricted Stock Award	**
19.1	Insider Trading Policies and Procedures	(L)
21.1	List of Subsidiaries	**
23.1	Consent of RSM US LLP	**
31.1	Certification of Chief Executive Officer of Omega Flex, Inc. pursuant to Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended	**
31.2	Certification of Chief Financial Officer of Omega Flex, Inc. pursuant to Rule 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended	**
32.1	Certification of Chief Executive Officer and Chief Financial Officer of Omega Flex, Inc. pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	***
97.1	Policy Relating to Recovery of Erroneously Awarded Compensation	(L)
101.1NS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	**
101.SCH	Inline XBRL Taxonomy Extension Schema Document	**
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	**
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	**
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	**
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	**
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101).	

Reference Key

- (A) Filed as an Exhibit to the Registration Statement on Form 10-12G filed on June 22, 2005.
- (B) Filed as an Exhibit to the Annual Report on Form 10-K filed March 9, 2020.
- (C) Filed as an Exhibit to the Quarterly Report on Form 10-Q filed May 4, 2020.

- (D) Filed as an Exhibit to the Annual Report on Form 10-K filed March 18, 2009.
 - (E) Filed as an Exhibit to the Current Report on Form 8-K/A filed July 24, 2014.
 - (F) Filed as an Exhibit to the Current Report on Form 8-K filed September 15, 2021.
 - (G) Filed as an Exhibit to the Annual Report on Form 10-K filed March 17, 2010.
 - (H) Filed as an Exhibit to the Annual Report on Form 10-K filed April 2, 2007.
 - (I) Filed as an Exhibit to the Quarterly Report on Form 10-Q filed November 7, 2022.
 - (J) Filed as an Exhibit to the Current Report on Form 8-K filed March 1, 2019.
 - (K) Filed as an Exhibit to the Current Report on Form 8-K filed July 5, 2023.
 - (L) Filed as an Exhibit to the Annual Report on Form 10-K filed March 11, 2024.
- * Management contract, compensatory plan, or arrangement
** Filed herewith
*** Furnished herewith

Item 16 – Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OMEGA FLEX, INC.

Date: March 7, 2025	By: <u>/s/ Dean W. Rivest</u> Dean W. Rivest Chief Executive Officer (Principal Executive Officer)
Date: March 7, 2025	By: <u>/s/ Matthew F. Unger</u> Matthew F. Unger, Vice President Finance, Chief Financial Officer (Principal Financial Officer)
Date: March 7, 2025	By: <u>/s/ Luke S. Hawk</u> Luke S. Hawk Financial Controller

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

Date: March 7, 2025	By: <u>/s/ James M. Dubin</u> James M. Dubin, Director
Date: March 7, 2025	By: <u>/s/ David K. Evans</u> David K. Evans, Director
Date: March 7, 2025	By: <u>/s/ J. Nicholas Filler</u> J. Nicholas Filler, Director
Date: March 7, 2025	By: <u>/s/ Stephen M. Shea</u> Stephen M. Shea, Director
Date: March 7, 2025	By: <u>/s/ Kevin R. Hoben</u> Kevin R. Hoben, Director
Date: March 7, 2025	By: <u>/s/ Edwin B. Moran</u> Edwin B. Moran, Director
Date: March 7, 2025	By: <u>/s/ Stewart B. Reed</u> Stewart B. Reed, Director
Date: March 7, 2025	By: <u>/s/ Dean W. Rivest</u> Dean W. Rivest, Director

EXHIBIT 10.12

OMEGA FLEX, INC.
Phantom Stock Agreements
Schedule of Executive Officers
As of December 31, 2024

Director/Officer	Type	Number	Grant Date	Grant Price	Maturity Date	Vesting Schedule
Edwin B. Moran	Full	402	02/18/2021	\$149.92	02/18/2025	3 years
	Full	494	02/22/2022	\$151.90	02/22/2026	3 years
	Full	667	03/08/2023	\$112.39	03/08/2027	3 years
	Full	1,042	03/20/2024	\$72.00	03/20/2028	3 years
Dean W. Rivest	Full	603	02/18/2021	\$149.92	02/18/2025	3 years
	Full	593	02/22/2022	\$151.90	02/22/2026	3 years
	Full	801	03/08/2023	\$112.39	03/08/2027	3 years
	Full	1,250	03/20/2024	\$72.00	03/20/2028	3 years
Matthew F. Unger	Full	395	02/22/2022	\$151.90	02/22/2026	3 years
	Full	534	03/08/2023	\$112.39	03/08/2027	3 years
	Full	833	03/20/2024	\$72.00	03/20/2028	3 years
Susan B. Asch	Full	417	03/20/2024	\$72.00	03/20/2028	3 years

EXHIBIT 10.14

Schedule of Change of Control Agreements

Susan Asch
David Edler
Matthew Garrod
Geraldine Glazer
Daniel Hrynkow
Edwin Moran
Dean Rivest
Matthew Unger
James Upchurch

SHAREHOLDERS AGREEMENT

BY AND AMONG

FLEX-TRAC, INC.

AND

THE SHAREHOLDERS AND OTHER PARTIES NAMED HEREIN

DATED AS OF

JANUARY 2, 2025

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SHAREHOLDERS AGREEMENT

This Shareholders Agreement (this “**Agreement**”), dated as of January 2, 2025, is entered into by and among Flex-Trac, Inc., a Pennsylvania corporation (the “**Company**”), and each Person identified as a Shareholder on Schedule A attached hereto and executing a signature page hereto (each, a “**Shareholder**” and, collectively, the “**Shareholders**”), and each other Person who after the date hereof acquires securities of the Company and agrees to become a party to, and bound by, this Agreement as a Shareholder by executing a Joinder Agreement, and each other party identified on and executing a signature page hereto.

RECITALS

WHEREAS, the Company and the Shareholders desire to enter into this Agreement to set forth their respective rights and obligations in connection with their investment in the Company.

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, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions.

Capitalized terms used in this Agreement shall have the meanings specified or referred to in this Section 1.01:

“**Affiliate**” means, with respect to any Person, any other Person who, directly or indirectly (including through one or more intermediaries), controls, is controlled by, or is under common control with, such Person, including any partner, member, shareholder, or other equity holder of such Person or manager, director, officer, or employee of such Person. For purposes of this definition, “**control**,” when used with respect to any specified Person, shall mean the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise; and the terms “**controlling**” and “**controlled**” shall have correlative meanings. The company that controls Flex-Trac as of the date of this Agreement shall be deemed an Affiliate of Flex-Trac for the purposes of this Agreement at any time that this Agreement is in effect.

“**Agreement**” has the meaning set forth in the Preamble.

“**Applicable Law**” means all applicable provisions of (a) constitutions, treaties, statutes, laws (including the common law), rules, regulations, decrees, ordinances, codes, proclamations, declarations, or orders of any Governmental Authority; (b) any consents or approvals of any Governmental Authority; and (c) any orders, decisions, advisory or interpretative opinions, injunctions, judgments, awards, decrees of, or agreements with, any Governmental Authority.

“Award Agreement” means the Company’s written agreement, contract, certificate, or other instrument or document evidencing the terms and conditions of any individual grant of restricted shares of Common Stock (**“Awarded Shares”**) to a Shareholder.

“Award Date” means the effective date of grant of the Award Shares as set forth in the Award Agreement.

“Board” means Board of Directors of the Company, or any committee to which the Board has delegated the applicable authority.

“Business Day” means a day other than a Saturday, Sunday, or other day on which commercial banks in the City of New York are authorized or required to close.

“Capital Stock” means Common Stock and any other class or series of capital stock or other equity securities of the Company, whether authorized as of or after the date hereof.

“Cause” means the applicable Shareholder’s (i) deliberate misconduct having a material adverse effect on the business of the Company or any Affiliate of the Company, as applicable; (ii) demonstrable failure to perform a substantial portion of such person’s duties and responsibilities to the Company or an Affiliate of the Company, as applicable, for reasons other than Disability, which failure continues for more than 30 days after the Company or any Affiliate of the Company, as applicable, gives written notice to the Shareholder, which sets forth in reasonable detail the nature of such failure; (iii) conviction of or plea of guilty or nolo contendere to a felony; (iv) abuse of controlled substances or habitual intoxication, which activity continues for more than 30 days after the Company or any Affiliate of the Company, as applicable, gives written notice to the Shareholder of the material adverse effect of such activity on the Company or any Affiliate of the Company; or (v) material breach of obligations to the Company or any Affiliate of the Company, having a material adverse effect on the Company or any Affiliate of the Company, as applicable.

“Cessation of Service” has the meaning set forth in Section 2.04(a)(iv).

“Change of Control” means (i) a sale resulting in no less than a majority of the then outstanding voting securities of the Company on a Fully Diluted Basis being held by a Third Party Purchaser; (ii) a reorganization, recapitalization, merger, or consolidation of the Company or, if the Company is then a subsidiary of Omega Flex, Omega Flex, with or into a Third Party Purchaser; (iii) a sale or other disposition of all or substantially all of the assets of the Company or, if the Company is then a subsidiary of Omega Flex, Omega Flex, to a Third Party Purchaser; (iv) if the Company is then a Subsidiary of Omega Flex, a Transfer resulting in a majority of the then outstanding voting securities of Omega Flex on a Fully Diluted Basis ceasing to be beneficially owned, directly or indirectly, by the Person(s) that beneficially owned, directly or indirectly, a majority of the outstanding voting securities of Omega Flex on a fully diluted basis on the Award Date; or (v) if the Company is not then a Subsidiary of Omega Flex, a Transfer resulting in a majority of the then outstanding voting securities of the Company on a Fully Diluted Basis ceasing to be beneficially owned, directly or indirectly, by the Person(s) that beneficially owned, directly or indirectly, a majority of the outstanding voting securities of the Company on a fully diluted basis on the Award Date.

“Claims” has the meaning set forth in Section 3.02(a).

“**Closing**” has the meaning set forth in Section 2.04(d).

“**Closing Date**” has the meaning set forth in Section 2.04(d).

“**Common Stock**” means common stock, par value \$0.01 per share, of the Company and any securities issued in respect thereof, or in substitution therefor, in connection with any stock split, dividend, or combination, or any reclassification, recapitalization, merger, consolidation, exchange, or similar reorganization.

“**Company**” has the meaning set forth in the Preamble.

“**Disability**” means, as determined by the Company and consistent with the definition and rules used by the United States Social Security Administration, the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

“**Drag-Along Notice**” has the meaning set forth in Section 2.03(c).

“**Drag-Along Sale**” has the meaning set forth in Section 2.03(a).

“**Drag-Along Shareholder**” has the meaning set forth in Section 2.03(a).

“**Dragging Shareholder**” has the meaning set forth in Section 2.03(a).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Fair Market Value**” means, as of any date, the value per Share determined as follows: (i) if Shares are listed on a U.S. national securities exchange, Fair Market Value per Share shall be the closing price per Share as reported on such national securities exchange on the Business Day immediately preceding the date of measurement; (ii) if Shares are not listed on a U.S. national securities exchange but are traded over the counter, Fair Market Value per Share shall be equal to the average between the high and low sales price per Share on the most recent date on which Shares were traded, as reported by OTC Markets Group Inc. or a successor thereto; and (iii) if Shares are not so listed or traded, Fair Market Value per Share shall be determined by an independent valuation company engaged by the Company.

“**Fully Diluted Basis**” means, as of any date of determination: (a) with respect to all Capital Stock, all issued and outstanding Capital Stock of the Company and all Capital Stock issuable upon the exercise or conversion of any outstanding Stock Equivalents as of such date, whether or not such Stock Equivalent is at the time exercisable or convertible; or (b) with respect to any specified type, class, or series of Capital Stock, all issued and outstanding shares of Capital Stock designated as such type, class, or series and all such designated shares of Capital Stock issuable upon the conversion or exercise of any outstanding Stock Equivalents as of such date, whether or not such Stock Equivalent is at the time exercisable or convertible.

“**Governmental Authority**” means any federal, state, local, or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations, or orders of such

organization or authority have the force of law), or any arbitrator, court, or tribunal of competent jurisdiction.

“**Indemnified Party**” has the meaning set forth in Section 3.02(b).

“**Indemnified Person**” has the meaning set forth in Section 3.02(a).

“**Joinder Agreement**” means the Joinder Agreement to this Agreement in form and substance attached hereto as Exhibit A.

“**Omega Flex**” means Omega Flex, Inc., a Pennsylvania corporation.

“**Permitted Transfer**” means a Transfer of Shares carried out pursuant to Section 2.02.

“**Permitted Transferee**” means a recipient of a Permitted Transfer pursuant to Section 2.02.

“**Person**” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

“**Piggyback Maximum Number**” has the meaning set forth in Section 3.01(a)(iii).

“**Piggyback Registration**” has the meaning set forth in Section 3.01(a).

“**Plan**” has the meaning set forth in Section 4.15.

“**Price**” has the meaning set forth in Section 2.04(c).

“**Prime Rate**” means, at any time, the rate of interest most recently announced by Santander Bank, N.A., or any successor thereto, at its principal office as its “prime rate,” whether or not such announced rate is the lowest rate available from Santander Bank, N.A., or any successor thereto. Each change in the rate of interest based on the Prime Rate will become effective on the date each Prime Rate change is announced by Santander Bank, N.A., or any successor thereto.

“**Purchase Event**” has the meaning set forth in Section 2.04(a).

“**Rate**” means the Prime Rate on the date of the Purchase Event, plus one percent (1%).

“**Registration Expenses**” has the meaning set forth in Section 3.01(c).

“**Registration Statement**” means a registration statement on Form S-1 or Form S-3, as applicable, under the Securities Act covering the resale to the public by the Selling Shareholders of their respective Shares.

“**Related Agreements**” has the meaning set forth in Section 4.06.

“**Retirement**” has the meaning set forth in Section 2.04(a)(iii).

“**Rule 144**” has the meaning set forth in Section 2.04(e).

“**Qualified Public Company Transaction**” means a transaction, upon the consummation of which, the Company will have a class of equity securities registered pursuant to Section 12(b) or Section 12(g) of the Exchange Act.

“**SEC**” means the Securities and Exchange Commission.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Selling Shareholder**” means a Shareholder (other than Omega Flex) proposed to be included in any registration of securities under this Agreement.

“**Shareholder**” has the meaning set forth in the Preamble.

“**Shares**” means shares of Common Stock (including Awarded Shares) and any other Capital Stock, in each case together with any Stock Equivalents thereon, purchased, owned, or otherwise acquired by a Shareholder as of or after the date hereof, and any securities issued in respect of any of the foregoing, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation, exchange, or other reorganization.

“**Stock Equivalents**” means any security or obligation that is by its terms, directly or indirectly, convertible into or exchangeable or exercisable for Shares, and any option, warrant, or other right to subscribe for, purchase, or acquire Shares (disregarding any restrictions or limitations on the exercise of such rights).

“**Subsidiary**” means, with respect to any Person, any other Person of which a majority of the outstanding shares or other equity interests having the power to vote for directors or comparable managers are owned, directly or indirectly, by the first Person.

“**Third Party Purchaser**” means any Person that, immediately prior to the contemplated transaction, is not an Affiliate of the Company.

“**Transfer**” means to, directly or indirectly, sell, transfer, assign, pledge, encumber, hypothecate, or otherwise dispose of, either voluntarily or involuntarily, by operation of law or otherwise, or to enter into any contract, option, or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation, or other disposition of, any security, or any interest (including a beneficial interest) in any security, directly or indirectly owned by a Person. “**Transfer**”, when used as a noun, shall have a correlative meaning.

“**Transferee**” means a recipient of, or proposed recipient of, a Transfer, including a Permitted Transferee, as applicable, or a prospective Transferee.

“**Violations**” has the meaning set forth in Section 3.02(a).

Section 1.02 Interpretation.

For purposes of this Agreement: (a) the words “include,” “includes,” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto,” and “hereunder” refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine, and neuter forms. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Exhibits, and Schedules mean the Articles and Sections of, and Exhibits and Schedules attached to, this Agreement; (y) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any rules and regulations promulgated thereunder. 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 Exhibits and Schedules referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

ARTICLE II TRANSFER

Section 2.01 General Restrictions on Transfer.

(a) Shareholders. Each Shareholder acknowledges and agrees that such Shareholder (or any Permitted Transferee of such Shareholder) shall not Transfer any Shares, except:

- (i) pursuant to Section 2.02;
- (ii) when required of a Drag-Along Shareholder pursuant to Section 2.03; or
- (iii) pursuant to Section 2.04; and

in strict accordance with the restrictions, conditions, and procedures described in Section 2.01, Section 2.02, Section 2.03 or Section 2.04, as applicable.

(b) Transfer Restrictions. Notwithstanding any other provision of this Agreement (including Section 2.02), each Shareholder agrees that such Shareholder shall not, directly or indirectly, Transfer any of its Shares:

- (i) except as permitted under the Securities Act and other applicable federal or state securities, or blue sky, laws, and then, with respect to a Transfer of Shares, if requested by the Company, only upon delivery to the Company of a written opinion of counsel in form and substance satisfactory to the Company to the effect that such Transfer may be effected without registration under the Securities Act; or

(ii) if such Transfer would cause the Company or any of the Company Affiliates to be required to register as an investment company under the Investment Company Act of 1940, as amended.

(c) **Joinder Agreement.** Except with respect to any Transfer (i) pursuant to a Drag-Along Sale under Section 2.03 or (ii) to the Company under Section 2.04, no Transfer of Shares pursuant to any provision of this Agreement shall be deemed completed until the Transferee shall have entered into a Joinder Agreement.

(d) **Transfers in Violation of this Agreement.** Any Transfer, or attempted Transfer, of any Shares in violation of Article II of this Agreement, including any failure of a Transferee, as applicable, to enter into a Joinder Agreement pursuant to Section 2.01(c) above, shall be null and void, no such Transfer shall be recorded on the Company's books, and the purported Transferee in any such Transfer shall not be treated (and the Shareholder proposing to make any such Transfer shall continue be treated) as the owner of such Shares for all purposes of this Agreement; *provided, however*, that Section 2.01(a), Section 2.01(c), and Section 2.02(c), and all rights and obligations of the parties contained therein, shall terminate upon the consummation of a Qualified Public Company Transaction.

Section 2.02 Permitted Transfers.

Subject to Section 2.01 above, including the requirement to enter into a Joinder Agreement pursuant to Section 2.01(c) above (as applicable):

(a) the provisions of Section 2.03 shall not apply to any Transfer of Shares by Omega Flex as the Dragging Shareholder to any of its Subsidiaries, other than the Company;

(b) any Shareholder who receives Awarded Shares may Transfer such Awarded Shares for estate planning purposes, prior to or upon the full vesting of such Awarded Shares pursuant to the terms of the applicable Award Agreement, to a trust for the benefit of such Shareholder or such Shareholder's immediate family (which includes such Shareholder's spouse and lineal descendants) under which such Shareholder retains voting control of the Awarded Shares; and

(c) subject to Section 2.02(b), any Shareholder may Transfer its Shares (including Awarded Shares received by such Shareholder, as applicable, upon the full vesting of such Awarded Shares pursuant to the terms of the applicable Award Agreement) only upon the prior written consent of the Board (other than a Transfer (i) by a Drag-Along Shareholder pursuant to Section 2.03 or (ii) to the Company pursuant to Section 2.04).

Section 2.03 Drag-Along Rights.

(a) **Participation.** Subject to the terms and conditions specified in Section 2.01 and this Section 2.03, if any Shareholder or group of Shareholders (together with their respective Permitted Transferees) holding no less than a majority of the

then outstanding shares of Common Stock of the Company (or other voting stock of the Company) on a Fully-Diluted Basis (the “**Dragging Shareholder**”) proposes to consummate, in one transaction or a series of related transactions, a Change of Control (a “**Drag-Along Sale**”), the Dragging Shareholder shall have the right, after delivering the Drag-Along Notice in accordance with Section 2.03(c) and subject to compliance with Section 2.03(d), to require that each other Shareholder (each, a “**Drag-Along Shareholder**”) participate in such Drag-Along Sale (including, if necessary, by converting or exercising their Stock Equivalents into the shares of Capital Stock to be sold in the Drag-Along Sale) on substantially the same terms and conditions as the Dragging Shareholder as set forth in the applicable Drag-Along Notice and in the manner set forth in Section 2.03(b).

(b) Sale of Stock; Sale of Assets. Subject to compliance with Section 2.03(d):

(i) If the Drag-Along Sale is structured as a Change of Control involving the sale of Shares, directly or indirectly, then each Drag-Along Shareholder shall sell, with respect to each class or series of Shares proposed by the Dragging Shareholder to be included in the Drag-Along Sale, the number of Shares of such class or series equal to the product obtained by multiplying (A) the number of Shares of the applicable class or series of Shares on a Fully Diluted Basis held by such Drag-Along Shareholder by (B) a fraction (1) the numerator of which is equal to the number of Shares of the applicable class or series of Shares on a Fully Diluted Basis that the Dragging Shareholder proposes to sell in the Drag-Along Sale and (2) the denominator of which is equal to the number of Shares of the applicable class or series of Shares on a Fully Diluted Basis held by the Dragging Shareholder at such time; and

(ii) If the Drag-Along Sale is structured as a Change of Control involving the sale of all or substantially all of the assets of the Company or Omega Flex or as a merger, consolidation, recapitalization, or reorganization of the Company or other transaction requiring the consent or approval of the Shareholders, then notwithstanding anything to the contrary in this Agreement, each Drag-Along Shareholder shall (A) vote (in person, by proxy, or by written consent, as requested) all of its voting securities (including any voting Shares) in favor of the Drag-Along Sale (and any related actions necessary to consummate such sale) and otherwise consent to and raise no objection to such Drag-Along Sale and such related actions and (B) refrain from taking any actions to exercise, and shall take all actions to waive, any dissenters’, appraisal, or other similar rights that it may have in connection with such transaction.

(c) Drag-Along Notice. The Dragging Shareholder shall exercise its rights pursuant to this Section 2.03 by delivering a written notice (the “**Drag-Along Notice**”) to the Company and each Drag-Along Shareholder no more than ten (10) days after the execution and delivery by all of the parties thereto of the definitive agreement (if any) entered into with respect to the Drag-Along Sale and, in any event, no later than twenty (20) days prior to the expected closing date of such

Drag-Along Sale. The Drag-Along Notice shall make reference to the Dragging Shareholders' rights and obligations hereunder and shall describe in reasonable detail:

- (i) The name (s) of the Third Party Purchaser;
- (ii) The proposed date, time, and location of the closing of the Drag-Along Sale;
- (iii) The proposed form and amount of consideration in the Drag-Along Sale, including, if applicable, the purchase price per Share of each applicable class or series of Shares to be sold and the other material terms and conditions of the Drag-Along Sale; and
- (iv) A copy of any form of agreement proposed to be executed in connection therewith.

(d) Conditions of Sale. The obligations of the Drag-Along Shareholders in respect of a Drag-Along Sale under this Section 2.03 are subject to the satisfaction of the following conditions:

- (i) The consideration to be received by each Drag-Along Shareholder shall be the same form and amount of consideration to be received by the Dragging Shareholder per Share of each applicable class or series of Shares and the terms and conditions of such sale shall, except as otherwise provided in Section 2.03(d)(iii), be the same as those upon which the Dragging Shareholder sells its Shares;
- (ii) If the Dragging Shareholder or any Drag-Along Shareholder is given an option as to the form and amount of consideration to be received, the same option shall be given to all Drag-Along Shareholders; and
- (iii) Each Drag-Along Shareholder shall execute the applicable purchase agreement (and any related ancillary agreements entered into by the Dragging Shareholder in connection with the Drag-Along Sale) and make or provide the same representations, warranties, covenants, indemnities (directly to the Third-Party Purchaser and/or indirectly pursuant to a contribution agreement, as required by the Dragging Shareholder), purchase price adjustments, escrows, and other obligations as the Dragging Shareholder makes or provides in connection with the Drag-Along Sale; *provided, however*, that each Drag-Along Shareholder (x) shall only be obligated to make those representations and warranties that relate specifically to a Shareholder (as opposed to the Company and its business) with respect to the Drag-Along Shareholder's title to and ownership of the applicable Shares, authorization, execution, and delivery of relevant documents, enforceability of such documents against the Drag-Along Shareholder, and other similar representations and warranties made by the Dragging Shareholder and shall not be obligated to make any of the foregoing representations and warranties with respect to any other Shareholder or their Shares, and (y) shall not be obligated to agree to any

non-competition, non-solicitation or similar restrictive covenant; *provided, further,* that all indemnities and other obligations shall be made by the Dragging Shareholder and each Drag-Along Shareholder severally and not jointly and severally (A) with respect to breaches of representations, warranties, and covenants made by the Dragging Shareholder and the Drag-Along Shareholders, as applicable, pro rata based on the aggregate consideration received by the Dragging Shareholder and each Drag-Along Shareholder in the Drag-Along Sale, and (B) in an amount not to exceed for each of the Dragging Shareholder or any Drag-Along Shareholder, the net proceeds received by each such Shareholder in connection with the Drag-Along Sale, as applicable.

(e) Cooperation. Subject to Section 2.03(d)(iii), each Drag-Along Shareholder shall take all actions as may be reasonably necessary to consummate the Drag-Along Sale, including entering into agreements and delivering certificates, if any, and instruments, in each case, consistent with the agreements being entered into and the certificates being delivered by the Dragging Shareholder.

(f) Fees and Expenses. The fees and expenses of the Dragging Shareholder incurred in connection with a Drag-Along Sale, whether or not for the benefit of all Drag-Along Shareholders, to the extent not paid or reimbursed by the Company, any Affiliate of the Company or the Third Party Purchaser, shall be borne solely by the Dragging Shareholder. The fees and expenses of each Drag-Along Shareholder incurred in connection with a Drag-Along Sale shall be borne solely by the Dragging Shareholder or the Company.

(g) Consummation of Sale. The Dragging Shareholder shall have ninety (90) days following the date of the Drag-Along Notice in which to consummate the Drag-Along Sale, on the terms set forth in the Drag-Along Notice (which 90-day period may be extended for a reasonable time not to exceed one-hundred and twenty (120) days to the extent reasonably necessary to obtain required approvals or consents from any Governmental Authority). If at the end of such period the Dragging Shareholder has not completed the Drag-Along Sale, the Dragging Shareholder may not then exercise its rights under this Section 2.03 without again fully complying with the provisions of this Section 2.03.

Section 2.04 Purchase and Sale Options Upon Purchase Events.

(a) Purchase Event. The first to occur of the following events shall constitute a “**Purchase Event**” with respect to all of the applicable Shareholder’s Awarded Shares.

(i) Death. The death of the Shareholder, provided that the date of the Purchase Event for purposes of this Agreement shall be deemed to be the date, on which the Company receives notice of the appointment and qualification of the executor or administrator of the deceased Shareholder’s estate. As part of the Shareholder’s estate planning, such Shareholder shall instruct the Person to be appointed and qualified under

Applicable Law to act as the executor or administrator of such estate (a) to promptly notify the Company of such appointment and qualification, and (b) to comply with Section 2.04(b)(i) hereof.

(ii) Disability. The Disability of the Shareholder, provided that the date of the Purchase Event for purposes of this Agreement shall be deemed to be the date, on which the Company receives notice of the Disability of the Shareholder.

(iii) Retirement. The Shareholder's voluntary separation from service with the Company or an Affiliate of the Company, within the meaning of Section 409A of the Internal Revenue Code, as amended, after the Shareholder's attainment of age 67 ("**Retirement**"), provided that the date of the Purchase Event for purposes of this Agreement shall be the date of the Shareholder's Retirement.

(iv) Cessation of Service. Provided the Awarded Shares have fully vested in accordance with the terms and conditions of the applicable Award Agreement, termination (through resignation, termination or otherwise, whether or not voluntary), other than as a result of death, Disability, or Retirement, of all of the Shareholder's service with the Company or an Affiliate thereof, as an employee, officer, director, contractor and/or consultant, as the case may be, and whether or not compensated for such service, provided that service shall not be deemed to have been terminated merely because of a change in the capacity in which, or entity for which, the Shareholder renders service ("**Cessation of Service**"). For example, a change in status from an officer of the Company to a director of an Affiliate of the Company will not constitute a Cessation of Service. The date of the Purchase Event for purposes of this Agreement shall be the date of the Cessation of Service.

(v) Change of Control. A Change of Control, provided that the date of the Purchase Event for purposes of this Agreement shall be the date of the Change of Control.

(b) Purchase and Sale Options.

(i) Mandatory Purchase and Sale upon Death or Disability. Subject to Section 2.04(e), upon the occurrence of a Purchase Event under Section 2.04(a)(i) or 2.04(a)(ii) of this Agreement, the Company shall purchase, and the estate of the deceased Shareholder or the disabled Shareholder, as the case may be, shall sell to the Company, all of the Awarded Shares owned by such estate or such disabled Shareholder, within ninety (90) days following the receipt of notice of the applicable Purchase Event under Section 2.04(a)(i) or 2.04(a)(ii) of this Agreement.

(ii) Sale Option upon Retirement. Subject to Section 2.04(e), upon the occurrence of a Purchase Event under Section 2.04(a)(iii), the retiring Shareholder shall have the right and option to sell to the Company all of

the Awarded Shares owned by such Shareholder, by giving written notice thereof to the Company within one (1) year following the occurrence of the Purchase Event, and the Company shall purchase such Awarded Shares within ninety (90) days following the receipt of such notice from the Shareholder.

(iii) Purchase Option upon Cessation of Service. Upon the occurrence of a Purchase Event under Section 2.04(a)(iv), the Company shall have the right and option to purchase, and the Shareholder shall sell to the Company if the Company exercises such option, all of the Awarded Shares owned by the applicable Shareholder, by giving a ninety (90) day prior written notice thereof to such Shareholder within one (1) year following the occurrence of such Purchase Event.

(iv) Sale Option upon Change of Control. Upon the occurrence of a Purchase Event under Section 2.04(a)(v), each Shareholder shall have the right and option (unless such Shareholder is a Drag-Along Shareholder pursuant to Section 2.03 or such Shareholder's Awarded Shares are purchased by a Third Party Purchaser in a Change of Control transaction) to sell to the Company all of the Awarded Shares owned by such Shareholder, by giving written notice thereof to the Company within ninety (90) days following the occurrence of the Purchase Event, and the Company shall purchase such Awarded Shares within ninety (90) days following the receipt of such notice from the Shareholder.

(c) **Purchase Price.** The price at which the applicable Awarded Shares shall be sold and purchased under this Section 2.04 (the "**Price**") shall be the Fair Market Value on the date of the applicable Purchase Event, except in the case of a Purchase Event under: (x) Section 2.04(a)(iv) where the termination was for Cause, in which case the Price shall be Seventy Five Percent (75%) of the Fair Market Value on the date of the applicable Purchase Event; or (y) Section 2.04(a)(v) where the Price shall be determined pursuant to clause (iii) of the definition of the term "Fair Market Value" (unless such Shareholder is a Drag-Along Shareholder pursuant to Section 2.03 or such Shareholder's Awarded Shares are purchased by a Third Party Purchaser in a Change of Control transaction).

(d) **Closing and Method of Payment.**

(i) Closing. The closing of any purchase or sale of the Awarded Shares pursuant to this Section 2.04 (the "**Closing**") shall take place remotely via the exchange of executed documents, as applicable, on the fifth (5th) Business Day following the date upon which all periods, during which the Company has an option or an obligation to purchase the Awarded Shares under this Section 2.04, have expired (the "**Closing Date**") or at such other time and place as the parties otherwise mutually agree in writing. At the Closing, the parties shall take such actions and make such deliveries as set forth in Sections 2.04(d)(ii) and (iii) below,

which actions and deliveries shall be deemed to occur simultaneously at the Closing.

(ii) Awarded Shares. At the Closing, the Shareholder, an administrator or executor of the estate of the deceased Shareholder, or a duly appointed representative of the disabled Shareholder, as applicable, shall deliver certificates, if any, evidencing the Awarded Shares, which are the subject of the purchase by the Company, together with one or more stock transfer powers, signature guaranteed, and such other instruments as reasonably required to effect the sale of the Awarded Shares to the Company in accordance with the terms of this Agreement.

(iii) Payment. The Company shall pay the Price in cash, by wire transfer of immediately available funds, and at the Company's option, in one lump sum on the Closing Date, or in three equal installments on each of the Closing Date, and the first and second anniversaries of the Closing Date, together with interest at the Rate on the two final payments.

(e) Rule 144. Notwithstanding anything to the contrary contained herein, following the consummation of a Qualified Public Company Transaction, Section 2.04(b)(i) and (ii) shall be applicable to a Shareholder's sale of the Awarded Shares only if such Shareholder's Awarded Shares may not be sold to the public pursuant to Rule 144 under the Securities Act (or any successor provision) ("**Rule 144**").

ARTICLE III PIGGYBACK REGISTRATION RIGHTS

Section 3.01 Notice and Registration.

(a) **Piggyback Registration**. If the Company proposes to register any of its securities for public sale under the Securities Act (whether proposed to be offered for sale by the Company or any other Person), on a form and in a manner that would permit registration of Shares for sale to the public under the Securities Act (a "**Piggyback Registration**"), it will give at least fifteen (15) days' advance written notice to the Shareholders of its intention to do so, and upon the written request of any or all of the Shareholders, other than Omega Flex, delivered to the Company within ten (10) days after the giving of any such notice (which request shall specify Shares intended to be disposed of by such Shareholders), the Company will use its reasonable best efforts to effect, in connection with the registration of such other securities, the registration under the Securities Act of all Shares which the Company has been so requested to register by such Shareholders (which shall then become Selling Shareholders), to the extent required to permit the disposition (in accordance with the same method of disposition as the Company proposes to use to dispose of the other securities) of Shares to be so registered; *provided, however*, that:

(i) if, at any time after giving such written notice of its intention to register any of its securities and prior to the effective date of the

registration statement filed in connection with such registration, the Company shall determine for any reason to delay registration of, or not to register, such other securities, the Company may, at its election, give written notice of such determination to the Selling Shareholders (or, if prior to the expiration of the 15-day period described above in this Section 3.01, the Shareholders) and, thereupon, (i) in the case of a determination to delay registration, the Company shall be permitted to delay registering such Shares for the same period as the delay in registering such other securities and (ii) in the case of a determination not to register, the Company shall be relieved of its obligation to register such Shares in connection with the registration of such other securities (but not from its obligation to pay Registration Expenses to the extent incurred in connection therewith as provided in Section 3.01), without prejudice, however, to the rights (if any) of any Selling Shareholders immediately to request to include such Shares in any subsequent Piggyback Registration pursuant to this Article III;

(ii) the Company shall not be required to effect any registration of Shares under this Article III incidental to the registration of any of its securities (i) on Form S-4 or S-8 or any successor or similar forms, (ii) relating to equity securities issuable upon exercise of employee stock or similar options or in connection with any employee benefit or similar plan of the Company or (iii) in connection with an acquisition of, or an investment in, another entity by the Company;

(iii) if a Piggyback Registration is an underwritten registration on behalf of the Company (whether or not selling security holders are included therein) and the managing underwriters advise the Company in writing that in their opinion the number of securities, including Shares, requested to be included in such registration exceeds the number that can be sold in such offering without materially adversely affecting the marketability of the offering or the market for Common Stock (the “**Piggyback Maximum Number**”), the Company shall include the following securities in such registration up to the Piggyback Maximum Number and in accordance with the following priorities: (w) first, the securities the Company proposes to sell, (x) second, any other securities that the Company is required to include in such registration and (y) third, the number of Shares requested to be included in such registration by Selling Shareholders, pro rata among such Selling Shareholders on the basis of the number of Shares to be registered by all Selling Shareholders in such registration, subject to the Piggyback Maximum Number limitations set forth in (w) and (x) above.

(iv) at any time prior to the execution of an underwriting agreement with respect thereto, any Selling Shareholder may withdraw any or all of its Shares from a Piggyback Registration by providing a written notice to the Company.

(b) Selection of Professionals. In the event of any Piggyback Registration, the Company shall select the investment banks and managers to underwrite or otherwise administer the offering and the financial printer for the offering, *provided further* that, for the avoidance of doubt, counsel for the Selling Shareholders may be (but shall not be required to be) the same counsel as counsel for the Company in such offering.

(c) Registration Expenses. The Company shall pay all of the Registration Expenses in connection with any registration pursuant to this Article III. As used in this Agreement, the term “**Registration Expenses**” means all expenses incident to the Company’s performance of or compliance with the registration requirements set forth in this Agreement, except for: (i) underwriting discounts and underwriters’ commissions attributable to Shares being registered for sale on behalf of the Selling Shareholders, which shall be paid by the Selling Shareholders, (ii) stock transfer taxes, which shall be paid by the Selling Shareholders and (iii) the fees, disbursements and expenses of the Selling Shareholders’ counsel and accountants (other than the same counsel as the Company’s counsel), if any, in connection with the registration of Shares to be disposed of under the Securities Act.

(d) Registration Procedures.

(i) No Selling Shareholder may participate in any underwritten offering hereunder unless such Selling Shareholder (a) agrees to sell such Selling Shareholder’s Shares on the basis provided in any underwriting agreements or other applicable agreements, approved by the Company or other Persons entitled to approve such agreements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, other applicable agreements and other documents reasonably required under the terms of such underwriting or other agreements or this Agreement.

(ii) Each Selling Shareholder agrees that, in connection with any Piggyback Registration pursuant to this Agreement, it will not prepare, use or refer to any “free writing prospectus” (as defined in Rule 405 of the Securities Act) without the prior written authorization of the Company, such approval not to be unreasonably withheld, conditioned or delayed, and will not distribute any written materials in connection with any offering of Shares registered under any Registration Statement pursuant to this Agreement other than the applicable prospectus and any such free writing prospectus so authorized.

(e) Underwriting. In connection with any registration under Article III which involves, in whole or in part, an offering, the Company will enter into an underwriting agreement or other applicable agreement for such offering, such agreement to contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in such agreement, with respect to that offering. The Company may require that Shares requested to be registered pursuant to Article III be included in such offering on the same

terms and conditions as shall be applicable to the other securities being sold under such registration; *provided, however*, that no Selling Shareholder shall be required to make any representations or warranties to the Company or the underwriters (other than representations and warranties regarding such Shareholder and such Shareholder's intended method of distribution) or to undertake any indemnification obligations to the Company or the underwriters with respect thereto, except as otherwise provided in Section 3.02 hereof.

(f) Listing and Other Requirements. In connection with the registration of any offering of Shares pursuant to this Agreement, the Company agrees to use its reasonable best efforts to effect the listing of such Shares on any securities exchange on which any shares of Common Stock are then listed and otherwise facilitate the public trading of such Shares. The Company will take all other lawful actions reasonably necessary and customary under the circumstances to expedite and facilitate the disposition by the Selling Shareholders of Shares registered pursuant to this Agreement as described in the prospectus relating thereto, including timely preparation and delivery of stock certificates, if any, in appropriate denominations and furnishing any required instructions or legal opinions to the Company's transfer agent in connection with Shares sold or otherwise distributed pursuant to an effective Registration Statement; provided that the Company may satisfy its obligations under this Section 3.01 without issuing physical stock certificates through the use of the Depository Trust Company's Direct Registration System.

(g) Termination of Registration Rights. The Shareholders may exercise the registration rights granted hereunder in such manner and proportions as they shall agree among themselves. The registration rights hereunder shall cease to apply to any particular Shares when: (i) a Registration Statement with respect to the sale of such Shares shall have become effective under the Securities Act and such Shares shall have been disposed of in accordance with such Registration Statement; (ii) such Shares may be sold to the public pursuant to Rule 144 without being subject to any limitations of such rule; (iii) such Shares shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Company (if applicable) and subsequent public distribution of them shall not require registration or qualification of them under the Securities Act or any similar state law then in force; or (iv) such Shares shall have ceased to be outstanding.

Section 3.02 Indemnification and Contribution.

(a) In the event of any registration of any Shares as set forth in Section 3.01(a) of this Agreement, to the fullest extent permitted by Applicable Law, the Company will, and hereby agrees to, indemnify, hold harmless and defend each Shareholder, the directors, officers, members, partners and employees of, and each Person, if any, who controls, any Shareholder, as applicable, within the meaning of the Securities Act or the Exchange Act (each, an "**Indemnified Person**"), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, reasonable attorneys' fees, amounts paid in settlement or expenses, joint or several (collectively, "**Claims**"), incurred in investigating,

preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnifying party is or may be a party thereto, to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in the Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other “blue sky” laws of any jurisdiction in which Shares are offered, or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of Shares pursuant to the Registration Statement (the matters in the foregoing clauses (i) through (iii) being, collectively, “**Violations**”). Subject to Section 3.02(c), the Company shall reimburse the Indemnified Persons, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 3.02(a) shall not apply to (A) a Claim by an Indemnified Person arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person expressly for use in the Registration Statement, prospectus or any such amendment thereof or supplement thereto, (B) amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld or delayed or (C) a Claim that is finally judicially determined to have resulted from an Indemnified Person’s fraud, gross negligence or willful misconduct.

(b) In connection with the Registration Statement in which a Shareholder is named as a “Selling Shareholder,” each such Shareholder agrees to severally and not jointly indemnify, hold harmless and defend, to the same extent and in the same manner as is set forth in Section 3.02(a), the Company, each of its directors and officers, and each Person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act (each, an “**Indemnified Party**”), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claims arise out of or are based upon any Violation that occurs in reliance upon and in conformity with information furnished in writing to the Company by such Shareholder expressly for use in such Registration Statement, prospectus or amendment or

supplement thereto; and, subject to Section 3.02(c), such Shareholder will reimburse any legal or other reasonable expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 3.02(b) and the agreement with respect to contribution contained in Section 3.02(e) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Shareholder, which consent shall not be unreasonably withheld or delayed; provided, further, however, that except to the extent that any such Claims are finally judicially determined to have resulted from a Shareholder's fraud, gross negligence or willful misconduct, the Shareholder shall be liable under this Section 3.02(b) for only that amount of a Claim as does not exceed the net proceeds to such Shareholder as a result of the sale of Shares pursuant to such Registration Statement.

(c) Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 3.02 of notice of the commencement of any action or proceeding (including, without limitation, any governmental action or proceeding) involving a Claim, such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 3.02, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses of not more than one counsel and one more local counsel (if necessary) for such Indemnified Person or Indemnified Party to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding. In the case of an Indemnified Person, legal counsel referred to in the immediately preceding sentence shall be selected by the Shareholders holding at least a majority in interest of Shares included in the Registration Statement to which the Claim relates. The Indemnified Party or Indemnified Person shall reasonably cooperate with the indemnifying party in connection with any negotiation or defense of any such action or Claim by the indemnifying party and shall furnish to the indemnifying party all information reasonably available to the Indemnified Party or Indemnified Person which relates to such action or Claim. The indemnifying party shall keep the Indemnified Party or Indemnified Person reasonably apprised at all times as to the status of the defense or any settlement negotiations with respect thereto. No indemnifying party shall be liable for any settlement of any action, claim or proceeding effected without its prior written consent; provided, however, that the indemnifying party shall not unreasonably withhold, delay or condition its consent. No indemnifying party shall, without the prior written consent of the Indemnified Party or Indemnified Person, consent to entry of any judgment or enter into any settlement or other compromise which

does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party or Indemnified Person of a release from all liability in respect to such Claim or litigation, and such settlement shall not include any admission as to fault on the part of the Indemnified Party or Indemnified Person, as applicable. Following indemnification as provided for hereunder, the indemnifying party shall be subrogated to all rights of the Indemnified Party or Indemnified Person with respect to all third parties, firms or corporations relating to the matter for which indemnification has been made. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 3.02, except to the extent that the indemnifying party is prejudiced in its ability to defend such action.

(d) The indemnification required by this Section 3.02 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received.

(e) To the extent any indemnification contemplated hereby by an indemnifying party is prohibited or limited by applicable law, the indemnifying party shall to the extent permitted by applicable law contribute to the amount paid or payable by such Indemnified Person or Indemnified Party as a result of such Claim in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and of the Indemnified Person or Indemnified Party, on the other, in connection with such Violation. The relative fault of the indemnifying party, on the one hand and of the Indemnified Person or Indemnified Party, on the other hand, shall be determined by a court of law by reference to, among other things, whether the Violation relates to information supplied or actions undertaken by the indemnifying party, on the one hand, or by the Indemnified Person or Indemnified Party, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such Violation; provided, that in no event shall any contribution by an Shareholder hereunder exceed the amount of net proceeds to such Shareholder of Shares sold under such Registration Statement, as applicable. The amount paid or payable by a party as a result of any Claim shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in Section 3.02 was available to such party in accordance with its terms. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Shareholders' obligations to contribute pursuant to this Section 3.02(e) are several and not joint. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3.02(e) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in this Section 3.02(e).

ARTICLE IV MISCELLANEOUS

Section 4.01 Expenses.

Except as otherwise expressly provided herein, all costs and expenses, including fees and disbursements of counsel, financial advisors, and accountants, incurred in connection with the preparation and execution of this Agreement, or any amendment or waiver hereof, and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 4.02 Further Assurances.

In connection with this Agreement and the transactions contemplated hereby, the Company and each Shareholder hereby agrees, at the request of the Company or any other Shareholder, to execute and deliver such additional documents, instruments, conveyances, and assurances and to take such further actions as may be required to carry out the provisions hereof and give effect to the transactions contemplated hereby.

Section 4.03 Notices.

All notices, requests, consents, claims, demands, waivers, 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 nationally recognized overnight courier (receipt requested); (c) on the date sent by email (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 third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the Company at 427 Creamery Way, Exton, PA 19341, Attn: Secretary, and to a Shareholder, to such Shareholder's respective mailing or email address as set forth on Schedule A (or at such other address for a party as shall be specified in a notice given in accordance with this Section 4.03):

Section 4.04 Headings.

The headings in this Agreement are inserted for convenience or reference only and are in no way intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any provision of this Agreement.

Section 4.05 Severability.

If any term or provision of this Agreement is held to be invalid, illegal, or unenforceable under Applicable Law in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 4.06 Entire Agreement.

(a) This Agreement, together with the Award Agreements and any Joinder Agreements executed after the date hereof (collectively, the “**Related Agreements**”), and all related Exhibits and Schedules hereto and thereto, constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

(b) In the event of an inconsistency or conflict between the provisions of this Agreement and any provisions of any Related Agreement with respect to the subject matter herein, the terms of this Agreement shall control.

Section 4.07 Successors and Assigns; Assignment.

Subject to the rights and restrictions on Transfers set forth in this Agreement, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement may not be assigned by any party except by an instrument in writing executed by the Company and Shareholders holding a majority of the issued and outstanding shares of Common Stock, and any assignment in violation of this Agreement shall be null and void. If the Company or any of its successors or permitted assigns, consolidates with or merges into any other entity and is not the continuing or surviving entity of such consolidation or merger, transfers all or substantially all of its assets to any other entity or engages in any similar transaction, then in each case, the Company will cause proper provision to be made so that the successors and permitted assigns of the Company will expressly assume the Company’s obligations set forth in Section 2.04 of this Agreement.

Section 4.08 No Third-party Beneficiaries.

This Agreement is for the sole benefit of the parties hereto (and their respective heirs, executors, administrators, permitted successors and assigns) and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement.

Section 4.09 Amendment.

No provision of this Agreement may be amended or modified except by an instrument in writing executed by the Company and Shareholders holding a majority of the issued and outstanding shares of Common Stock, *provided, however*, that an amendment or modification modifying the rights or obligations of any Shareholder in a manner that materially and adversely affects the rights of such Shareholder relative to the rights of other Shareholders, shall in each case be effective only with that Shareholder’s prior written consent. Any such written amendment or modification will be binding upon the Company and each Shareholder.

Section 4.10 Waiver.

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.

Section 4.11 Governing Law.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania, irrespective of the choice of laws principles of the Commonwealth of Pennsylvania, including all matters of validity, construction, effect, enforceability, performance and remedies.

Section 4.12 Submission to Jurisdiction.

The parties hereby agree that any suit, action, or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby, whether in contract, tort, or otherwise, shall be brought in the courts of the Commonwealth of Pennsylvania located in the County of Chester. Each of the parties hereby irrevocably consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action, or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action, or proceeding in any such court or that any such suit, action, or proceeding which is brought in any such court has been brought in an inconvenient form. Service of process, summons, notice, or other document by certified or registered mail to the address set forth in Section 4.03 shall be effective service of process for any suit, action, or other proceeding brought in any such court.

Section 4.13 Waiver of Jury Trial.

EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 4.14 Remedies.

Each party hereto acknowledges that a breach or threatened breach by such party of any of its obligations under this Agreement would give rise to irreparable harm to the other parties, 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 such party of any such obligations, each of the other parties hereto shall, in addition to any and all other rights and remedies that may be available to them 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).

Section 4.15 Termination.

This Agreement shall terminate upon the following events:

- (a) subject to Section 4.15(c), upon the written agreement of the Company and all of the Shareholders;

(b) upon the dissolution of the Company or in the event proceedings in bankruptcy, receivership or insolvency are instituted by or against the Company, or in the event the Company becomes insolvent or makes an assignment for the benefit of creditors; or

(c) with respect to any one Shareholder, upon disposition by such Shareholder of all Shares which such Shareholder then owns, in accordance with the terms and conditions of this Agreement.

Notwithstanding anything to the contrary contained herein, Section 3.02 and Sections 4.01 through 4.17 shall survive the termination of this Agreement and shall continue in full force and effect. No termination of this LOI shall affect the rights any party may have regarding a breach of this Agreement by another party that occurred prior to such termination.

In addition, notwithstanding anything to the contrary contained herein, the Flex-Trac, Inc. 2025 Equity Incentive Plan (the “**Plan**”), under which the Awarded Shares were granted pursuant to the Award Agreements, is subject to the approval of shareholders of Omega Flex at its 2025 Meeting of Shareholders, and if the Plan is not duly approved as such meeting, then, as of the date of such meeting, the Plan, any Awarded Shares granted under the Plan, and related Award Agreements shall be automatically cancelled or terminated, as applicable and become null and void and of no force and effect.

Section 4.16 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 e-mail 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.

Section 4.17 Legend.

In addition to any other legend required by Applicable Law, all certificates representing issued and outstanding Capital Stock shall bear a legend substantially in the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A SHAREHOLDERS AGREEMENT BY AND AMONG THE COMPANY, ITS SHAREHOLDERS AND OTHER PARTIES NAMED THEREIN, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION, OR OTHER DISPOSITION OF THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SUCH SHAREHOLDERS AGREEMENT.

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE DISPOSED EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT EFFECTIVE UNDER SUCH ACT AND LAWS, OR (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first written above.

THE COMPANY:

FLEX-TRAC, INC.

By: /s/ Matthew F. Unger
Name: Matthew F. Unger
Title: Treasurer

SHAREHOLDERS:

OMEGA-FLEX, INC.

By: /s/ Dean W. Rivest
Name: Dean W. Rivest
Title: Chief Executive Officer

By: /s/ James M. Dubin
Name: James M. Dubin

By: /s/ David K. Evans
Name: David K. Evans

By: /s/ J. Nicholas Filler
Name: J. Nicholas Filler

By: /s/ Edwin B. Moran
Name: Edwin B. Moran

By: /s/ Dean W. Rivest
Name: Dean W. Rivest

SHAREHOLDERS (continued):

By: /s/ Stephen M. Shea
Name: Stephen M. Shea

By: /s/ Susan B. Asch
Name: Susan B. Asch

By: /s/ David Edler
Name: David Edler

By: /s/ Matthew F. Unger
Name: Matthew F. Unger

OTHER PARTY:

Solely for purposes of Section 2.03 (Drag-Along Rights), provided the Company is not then a subsidiary of Omega Flex

By: /s/ Stewart B. Reed
Name: Stewart B. Reed

EXHIBIT A

FORM OF JOINDER AGREEMENT

The undersigned is executing and delivering this Joinder Agreement pursuant to the Shareholders Agreement of Flex-Trac, Inc., dated as of January 2, 2025 (as the same may hereafter be amended, amended and restated, supplemented or otherwise modified, the “Agreement”). All capitalized terms used and not defined herein shall have the meaning ascribed to such terms in the Agreement.

By executing and delivering this Joinder Agreement to the Company, the undersigned hereby agrees to become a party to, to be subject to and bound by, and to comply with the provisions of the Agreement as a Shareholder in the same manner as if the undersigned were an original signatory to such Agreement.

Accordingly, the undersigned has executed and delivered this Joinder Agreement as of the __ day of _____, _____.

FOR INDIVIDUALS

FOR ENTITIES

Signature

Name of Shareholder

Print Name

By: _____
Signature

Print Name:

Title:

Address: _____

Address: _____

FLEX-TRAC, INC.
2025 EQUITY INCENTIVE PLAN

SECTION 1. Purpose; Definitions

The purpose of this Plan is to provide for Eligible Individuals of the Company and its Affiliates an equity-based incentive to maintain and enhance the performance and profitability of the Company.

For purposes of this Plan, the following terms are defined as set forth below:

“*Affiliate*” means, with respect to any Person, any other Person who, directly or indirectly (including through one or more intermediaries), controls, is controlled by, or is under common control with, such Person, including any partner, member, shareholder, or other equity holder of such Person or manager, director, officer, or employee of such Person. For purposes of this definition, “*control*,” when used with respect to any specified Person, shall mean the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or partnership or other ownership interests, by contract or otherwise; and the terms “*controlling*” and “*controlled*” shall have correlative meanings. The company that controls the Company as of the date of this Agreement shall be deemed an Affiliate of the Company for the purposes of this Plan at any time that this Plan is in effect.

“*Applicable Exchange*” means Nasdaq Global Market or such other securities exchange as may at the applicable time be the principal market for the Common Stock.

“*Award*” means a Stock Option, SAR, Restricted Stock, RSU, Performance Award or Other Stock-Based Award granted pursuant to the terms of this Plan.

“*Award Agreement*” means a written or electronic document or agreement setting forth the terms and conditions of a specific Award.

“*Award Date*” means the Award Date as set forth in the Participant’s Award Agreement.

“*Board*” means the Board of Directors of the Company.

“*Cause*” means, unless otherwise provided in an Award Agreement, the Participant’s (i) deliberate misconduct having a material adverse effect on the business of the Company or any Affiliate of the Company, as applicable; (ii) demonstrable failure to perform a substantial portion of such person’s duties and responsibilities to the Company or an Affiliate of the Company, as applicable, for reasons other than Disability, which failure continues for more than 30 days after the Company or any Affiliate of the Company, as applicable, gives written notice to the Shareholder, which sets forth in reasonable detail the nature of such failure; (iii) conviction of or plea of guilty or nolo contendere to a felony; (iv) abuse of controlled substances or habitual intoxication, which activity continues for more than 30 days after the Company or any Affiliate of the Company, as applicable, gives written notice to the Shareholder of the material adverse effect of such activity on the Company or any Affiliate of the Company; or (v) material breach of obligations to the Company or any Affiliate of the Company, having a material adverse effect on the Company or any Affiliate of the Company, as applicable..

“*Change in Control*” has the meaning set forth in Section 10(e).

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific section of the Code shall be deemed to include such regulations and guidance, as well as any successor provision of the Code.

“*Committee*” means the Committee referred to in Section 2.

“*Common Stock*” means common stock, par value \$0.01 per share, of the Company as constituted on the Effective Date, all rights which may hereafter trade with such shares of common stock, and any other shares into which such common stock shall thereafter be changed by reason of a recapitalization, merger, consolidation, split-up, combination, exchange of shares or the like.

“*Company*” means Flex-Trac, Inc., a Pennsylvania corporation, or its successor.

“*Continuous Service*” means, unless otherwise provided in an Award Agreement, service by the Participant with the Company or an Affiliate thereof, as an employee, officer, director, contractor and/or consultant, as the case may be, and whether or not compensated for such service, which service is not terminated (through resignation, termination or otherwise, whether or not voluntary). The Participant’s Continuous Service shall not be deemed to have been terminated merely because of a change in the capacity in which, or entity for which, the Participant renders service. For example, a change in status from an officer of the Company to a director of an Affiliate of the Company will not constitute a termination of Continuous Service.

“*Disability*” means, unless otherwise provided in an Award Agreement, as determined by the Company and consistent with the definition and rules used by the United States Social Security Administration, the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

“*Effective Date*” has the meaning set forth in Section 12(a).

“*Eligible Individuals*” means directors, officers, employees, contractors and consultants of the Company or an Affiliate, and prospective directors, officers, employees, contractors and consultants of the Company or an Affiliate who have accepted offers of service, employment or consultancy from the Company or a Subsidiary.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

“*Fair Market Value*” means, as of any date, the value per Share determined as follows: (i) if Shares are listed on a U.S. national securities exchange, Fair Market Value per Share shall be the closing price per Share as reported on such national securities exchange; (ii) if Shares are not listed on a U.S. national securities exchange but are traded over the counter, Fair Market Value per Share shall be equal to the average between the high and low sales price per Share on the most recent date on which Shares were traded, as reported by OTC Markets Group Inc. or a successor thereto; and (iii) if Shares are not so listed or traded, Fair Market Value per Share shall be determined by the Board in its sole and absolute discretion.

“*Free-Standing SAR*” has the meaning set forth in Section 5(b).

“*Full-Value Award*” means any Award other than a Stock Option or SAR.

“*Grant Date*” means the date which the Committee designates for granting of an Award, which shall be no earlier than the date on which the Committee adopts a resolution memorializing such grant.

“*Incentive Stock Option*” or “*ISO*” means any Stock Option designated in the applicable Award Agreement as an “incentive stock option” within the meaning of Section 422 of the Code, and that in fact so qualifies.

“*Nonqualified Stock Option*” means any Stock Option that is not an Incentive Stock Option.

“*Other Stock-Based Award*” means Awards of Common Stock and other Awards that are valued in whole or in part by reference to, or are otherwise based upon, Common Stock, including (without limitation) unrestricted stock and dividend equivalents.

“*Participant*” means an Eligible Individual to whom an Award is or has been granted.

“Performance Goals” means the performance goals established by the Committee in connection with the grant of an Award.

“Performance Award” means an Award that vests in whole or in part upon the achievement of one or more specified Performance Goals, as determined by the Committee.

“Performance Period” means that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any Performance Goals specified by the Committee with respect to such Award are to be measured.

“Person” means an individual, partnership, corporation, limited liability company, trust, joint venture, unincorporated association, or other entity or association.

“Plan” means this Flex-Trac, Inc. 2025 Equity Incentive Plan, as set forth herein and as hereinafter amended from time to time.

“Replaced Award” has the meaning set forth in Section 10(b).

“Replacement Award” has the meaning set forth in Section 10(b).

“Restricted Stock” means an Award granted under Section 6.

“Restricted Stock Unit” or *“RSU”* has the meaning set forth in Section 7(a).

“Restriction Period” has the meaning set forth in Section 6(c)(ii).

“Retirement” means, unless otherwise provided in an Award Agreement, the voluntary separation from service, within the meaning of Section 409A of the Code, of a Participant who is an employee of the Company or an Affiliate, for a reason other than Cause, death or Disability, and after the attainment of age 67.

“Qualified Public Company Transaction” means a transaction, upon the consummation of which, the Company will have a class of equity securities registered pursuant to Section 12(b) or Section 12(g) of the Exchange Act.

“Section 16(b)” has the meaning set forth in Section 11(a).

“Share” means a share of Common Stock.

“Stock Appreciation Right” or *“SAR”* means an Award granted under Section 5(b) or 5(c).

“Stock Option” means an Award granted under Section 5(a).

“Subsidiary” means any corporation, partnership, joint venture, limited liability company or other entity during any period in which at least a 50% voting or profits interest is owned, directly or indirectly, by the Company or any successor thereto.

“Substitute Award” means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

“Tandem SAR” has the meaning set forth in Section 5(b).

“*Term*” means the maximum period during which a Stock Option or Stock Appreciation Right may remain outstanding, subject to earlier termination upon cessation of Continuous Service or otherwise, as specified in the applicable Award Agreement or other document approved by the Committee.

“*Transfer*” means to, directly or indirectly, sell, transfer, assign, pledge, encumber, hypothecate, or otherwise dispose of, either voluntarily or involuntarily, by operation of law or otherwise, or to enter into any contract, option, or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation, or other disposition of, any security, or any interest (including a beneficial interest) in any security, directly or indirectly owned by a Person. “Transfer”, when used as a noun, shall have a correlative meaning.

SECTION 2. Administration

(a) *Committee.* Prior to the consummation of a Qualified Public Company Transaction, the Board shall be administrator of the Plan, and all references to the “Committee” in this Plan shall be deemed to refer to the Board. Upon the consummation of a Qualified Public Company Transaction, the Company hereby appoints the Compensation Committee of the Board as administrator of the Plan, which committee shall be composed of not less than two directors and shall be appointed by and serve at the pleasure of the Board, and such Committee shall also consist of directors who are “non-employee directors” as defined under Rule 16b-3 promulgated under the Exchange Act and “independent directors,” as determined in accordance with the independence standards established by the Applicable Exchange.

Subject to the terms and conditions of this Plan, the Committee shall have absolute authority:

- (i) To select the Eligible Individuals to whom Awards may from time to time be granted;
- (ii) To determine whether and to what extent Incentive Stock Options, Nonqualified Stock Options, SARs, Restricted Stock, RSUs, Performance Awards, Other Stock-Based Awards or any combination thereof are to be granted hereunder;
- (iii) To determine the number of Shares to be covered by each Award granted hereunder;
- (iv) To approve the form of any Award Agreement and determine the terms and conditions of any Award granted hereunder, including, but not limited to, the exercise price (subject to Section 5(d)), any vesting condition, restriction or limitation (which may be related to the performance of the Participant, the Company or any Subsidiary) and any vesting acceleration or forfeiture waiver regarding any Award and the shares of Common Stock relating thereto, based on such factors as the Committee shall determine;
- (v) Subject to Section 12(d), to modify, amend or adjust the terms and conditions of any Award (subject to Sections 5(d) and 5(e)), at any time or from time to time, including, but not limited to, Performance Goals;
- (vi) To determine under what circumstances an Award may be settled in cash, Shares, other property or a combination of the foregoing;
- (vii) To determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;
- (viii) To adopt, alter and repeal such administrative rules, guidelines and practices governing this Plan as it shall from time to time deem advisable;
- (ix) To establish any “blackout” period that the Committee in its sole discretion deems necessary or advisable;

(x) To interpret the terms and provisions of this Plan and any Award issued under this Plan (and any Award Agreement relating thereto);

(xi) To decide all other matters that must be determined in connection with an Award; and

(xii) To otherwise administer this Plan.

(b) *Procedures.*

(i) The Committee may act only by a majority of its members then in office, except that the Committee may, except to the extent prohibited by applicable law or the listing standards of the Applicable Exchange and subject to Section 11, allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. To the extent consistent with applicable law, the Committee may delegate to one or more officers of the Company the authority to grant Awards to designated classes of Eligible Individuals, within limits specifically prescribed by the Committee; *provided, however*, that no such officer shall have or obtain the authority to grant Awards to himself or herself or to any person then subject to Section 16 of the Exchange Act. Any such allocation or delegation may be revoked by the Committee at any time.

(ii) Any authority granted to the Committee may be exercised by the full Board. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

(c) *Discretion of Committee.* Any determination made by the Committee or pursuant to delegated authority under the provisions of this Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Award or, unless in contravention of any express term of this Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of this Plan shall be final, binding and conclusive on all persons, including the Company, Participants and Eligible Individuals.

(d) *Indemnification.* No member of the Committee or the Board, and no employee of the Company shall be liable for any act or failure to act with respect to the Plan, except in circumstances involving his or her bad faith or willful misconduct, or for any act or failure to act hereunder by any other member of the Committee or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated. The Company shall indemnify members of the Committee and the Board and any agent of the Committee or the Board who is an employee of the Company or a Subsidiary against any and all liabilities or expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan, except in circumstances involving such person's bad faith or willful misconduct.

(e) *Award Agreements.* The terms and conditions of each Award, as determined by the Committee, shall be set forth in a written (or electronic) Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. The effectiveness of an Award shall be subject to the Award Agreement being signed by the Company and the Participant receiving the Award unless otherwise provided in the Award Agreement. Award Agreements may be amended only in accordance with Section 12(d) hereof.

SECTION 3. Common Stock Subject to Plan

(a) *Plan Maximums.* Subject to adjustment as described in Section 3(d) below, the maximum aggregate number of shares of Common Stock that may be issued or transferred under the Plan with respect to Awards shall be Eight Hundred Eighteen Thousand Four Hundred and Fifty Eight (818,458) shares of Common Stock. The aggregate number of shares of Common Stock that may be issued or transferred under the Plan pursuant to Incentive Stock Options on and after the Effective Date shall not exceed Eight Hundred Eighteen Thousand Four Hundred and Fifty Eight (818,458). Shares issued or transferred under the Plan may be authorized but unissued shares of Common Stock

or reacquired shares of Common Stock, including shares purchased by the Company on the open market for purposes of the Plan.

(b) *Rules for Calculating Shares Delivered.* To the extent that any Award is forfeited, terminates, expires or lapses instead of being exercised, or any Award is settled for cash, the Shares subject to such Awards not delivered as a result thereof shall again be available for Awards under this Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added back to the number of Shares available for future grant under the Plan: (i) Shares tendered by the Participant or withheld by the Company in payment of the exercise price of a Stock Option or SAR; (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation; (iii) Shares subject to a SAR that are not issued in connection with its stock settlement on exercise thereof; and (iv) Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Stock Options.

(c) *Substitute Awards.* Substitute Awards shall not reduce the number of shares available for grant, nor shall Shares subject to a Substitute Award be added to the number of shares available for grant as provided in Section 3(b) above. Additionally, in the event that a company acquired by the Company or any Subsidiary, or with which the Company or any Subsidiary combines, has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of Shares available for future grant (and Shares subject to such Awards shall not be added to the Shares available for future grant as provided in Section 3(b) above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Eligible Individuals prior to such acquisition or combination.

(d) *Adjustment Provisions.* If there is any change in the number or kind of shares of Common Stock outstanding by reason of (i) a stock dividend, spinoff, recapitalization, stock split, reverse stock split or combination or exchange of shares, (ii) a merger, reorganization or consolidation, (iii) a reclassification or change in par value, or (iv) any other extraordinary or unusual event affecting the outstanding Common Stock as a class without the Company's or its shareholders' receipt of consideration, or if the value of outstanding shares of Common Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number and kind of shares of Common Stock available for issuance under the Plan, the maximum number and kind of shares of Common Stock for which any individual may receive Awards in any year, the kind and number of shares covered by outstanding Awards, the kind and number of shares issued and to be issued under the Plan, and the price per share or the applicable market value of such Awards shall be equitably adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of Common Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the Plan and such outstanding Awards; *provided, however,* that any fractional shares resulting from such adjustment shall be eliminated. In addition, in the event of a Change in Control, the provisions of Section 10 of the Plan shall apply. Any adjustments to outstanding Awards shall be consistent with section 409A or 424 of the Code, to the extent applicable. The adjustments of Awards under this Section 3(d) shall include adjustment of shares, exercise price of Stock Options or SARs, Performance Goals or other terms and conditions, as the Committee deems appropriate. Any adjustment under this Section 3(d) need not be the same for all Participants. The Committee shall have the sole discretion and authority to determine what appropriate adjustments shall be made and any adjustments determined by the Committee shall be final, binding and conclusive.

SECTION 4. Eligibility

Awards may be granted under this Plan to Eligible Individuals; *provided, however,* that Incentive Stock Options may be granted only to employees of the Company and a parent corporation or subsidiary corporation of the Company (within the meaning of Section 424(e) and (f) of the Code, respectively).

SECTION 5. Stock Options and Stock Appreciation Rights

(a) *Types of Stock Options.* Stock Options may be granted alone or in addition to other Awards granted under this Plan and may be of two types: Incentive Stock Options and Nonqualified Stock Options. The Award Agreement for a Stock Option shall indicate whether the Stock Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option.

(b) *Types and Nature of Stock Appreciation Rights.* Stock Appreciation Rights (SARs) may be “Tandem SARs,” which are granted in conjunction with a Stock Option, or “Free-Standing SARs,” which are not granted in conjunction with a Stock Option. Upon the exercise of a SAR, the Participant shall be entitled to receive an amount in cash, Shares, or both, in value equal to the product of (i) the excess of the Fair Market Value of one Share over the exercise price of the applicable SAR, multiplied by (ii) the number of Shares in respect of which the SAR has been exercised. The applicable Award Agreement shall specify whether such payment is to be made in cash or Shares or both, or shall reserve to the Committee or the Participant the right to make that determination prior to or upon the exercise of the SAR.

(c) *Tandem SARs.* A Tandem SAR may be granted at the Grant Date of the related Stock Option. A Tandem SAR shall be exercisable only at such time or times and to the extent that the related Stock Option is exercisable in accordance with the provisions of this Section 5, and shall have the same exercise price as the related Stock Option. A Tandem SAR shall terminate or be forfeited upon the exercise or forfeiture of the related Stock Option, and the related Stock Option shall terminate or be forfeited upon the exercise or forfeiture of the Tandem SAR.

(d) *Exercise Price.* The exercise price per Share subject to a Stock Option or Free-Standing SAR shall be determined by the Committee and set forth in the applicable Award Agreement, and shall not be less than the Fair Market Value of a share of the Common Stock on the applicable Grant Date. In no event may any Stock Option or SAR granted under this Plan be amended, other than pursuant to Section 3(d), to decrease the exercise price thereof, be cancelled in exchange for cash or other Awards or in conjunction with the grant of any new Stock Option or Free-Standing SAR with a lower exercise price, or otherwise be subject to any action that would be treated, under the Applicable Exchange listing standards or for accounting purposes, as a “repricing” of such Stock Option or Free-Standing SAR, unless such amendment, cancellation, or action is approved by the Company’s shareholders.

(e) *Term.* The Term of each Stock Option and each Free-Standing SAR shall be fixed by the Committee, but no Stock Option or Free-Standing SAR shall be exercisable more than 10 years after its Grant Date.

(f) *Exercisability.* Except as otherwise provided herein, Stock Options and Free-Standing SARs shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee.

(g) *Method of Exercise.* Subject to the provisions of this Section 5, Stock Options and Free-Standing SARs may be exercised, in whole or in part, at any time during the Term thereof by giving written notice of exercise to the Company specifying the number of shares of Common Stock subject to the Stock Option to be purchased, or subject to the Free-Standing SAR as to which exercised.

In the case of the exercise of a Stock Option, such notice shall be accompanied by payment in full of the aggregate purchase price (which shall equal the product of such number of Shares subject to such Stock Options to be exercised multiplied by the applicable exercise price) by certified or bank check, wire transfer, or such other instrument or method as the Company may accept. As permitted by the Committee, payment in full or in part may also be made as follows:

(i) In the form of unrestricted Common Stock (by delivery of such shares or by attestation) already owned by the Participant of the same class as the Common Stock subject to the Stock Option (based on the Fair Market Value of the Common Stock on the date the Stock Option is exercised); *provided, however*, that, in the case of an Incentive Stock Option, the Participant shall only have the right to make a payment in the form of already owned shares of Common Stock of the same class as the Common Stock subject to the Stock Option if such right is set forth in the applicable Award Agreement.

(ii) To the extent permitted by applicable law, by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of stock necessary to pay the purchase price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may, to the extent permitted by applicable law, enter into agreements for coordinated procedures with one or more brokerage firms.

(iii) By instructing the Company to withhold a number of such shares having a Fair Market Value (based on the Fair Market Value of the Common Stock on the date the applicable Stock Option is exercised) equal to the product of (A) the exercise price per Share multiplied by (B) the number of shares of Common Stock in respect of which the Stock Option shall have been exercised.

(h) *Delivery; Rights of Shareholders.* A Participant shall not be entitled to delivery of Shares pursuant to the exercise of a Stock Option or SAR until the exercise price therefor has been fully paid and applicable taxes have been withheld. Except as otherwise provided in Section 5(l), a Participant shall have all of the rights of a shareholder of the Company holding the class or series of Common Stock that is subject to such Stock Option or SAR (including, if applicable, the right to vote the applicable Shares), when the Participant (i) has given written notice of exercise, (ii) if requested, has given the representation described in Section 14(a) and (iii) in the case of a Stock Option, has paid in full for such Shares.

(i) *Nontransferability of Stock Options and SARs.* No Stock Option or Free-Standing SAR shall be transferable by a Participant other than, for no value or consideration, (i) by will or by the laws of descent and distribution; or (ii) in the case of a Nonqualified Stock Option or Free-Standing SAR, as otherwise expressly permitted by the Committee including, if so permitted, pursuant to a transfer to such Participant's family members, whether directly or indirectly or by means of a trust or partnership or otherwise (for purposes of this Plan, unless otherwise determined by the Committee, "family member" shall have the meaning given to such term in General Instructions A.1(a)(5) to Form S-8 under the Securities Act of 1933, as amended, and any successor thereto). A Tandem SAR shall be transferable only with the related Stock Option as permitted by the preceding sentence. Any Stock Option or SAR shall be exercisable, subject to the terms of this Plan, only by the Participant, the guardian or legal representative of the Participant, or any person to whom such stock option is transferred pursuant to this Section 5(i), it being understood that the term "holder" and "Participant" include such guardian, legal representative and other transferee.

(j) *Cessation of Continuous Service.* The effect of a Participant's cessation of Continuous Service on any Stock Option or SAR then held by the Participant shall be set forth in the applicable Award Agreement or any other document approved by the Committee and applicable to such Stock Option or SAR. In no event shall a Stock Option or SAR be exercisable after the expiration of its Term. If not set forth in the applicable Award Agreement, the Stock Option or SAR shall be exercisable following a cessation of Continuous Service according to the following terms and conditions, which may be waived or modified by the Committee at any time:

(i) Any portion of a Stock Option or SAR that is not vested and exercisable on the date of a Participant's cessation of Continuous Service shall expire on such date.

(ii) Any portion of a Stock Option or SAR that is vested and exercisable on the date of a Participant's cessation of Continuous Service shall expire on the earliest to occur of: (A) if the Participant's cessation of Continuous Service occurs for reasons other than Retirement, Cause, Disability or death, the date that is three months after such cessation of Continuous Service; (B) if the Participant's cessation of Continuous Service occurs by reason of Retirement, Disability or death, the one-year anniversary of such cessation of Continuous Service; and (C) the last day of the Term of the Stock Option or SAR.

Notwithstanding the foregoing, if a Participant dies after his or her cessation of Continuous Service but while a Stock Option or SAR is otherwise exercisable, unless the Committee determines otherwise, the portion of the Stock Option or SAR that is vested and exercisable on the date of such cessation of Continuous Service shall expire upon the earlier to occur of (y) the last day of the Term of the Stock Option or SAR and (z) the one-year

anniversary of the date of death. Also, notwithstanding the foregoing, if a Participant's cessation of Continuous Service occurs as a result of a termination by the Company or a Subsidiary for Cause, all Stock Options and SARs granted to the Participant shall automatically expire upon first notification to the Participant of such termination, unless the Committee determines otherwise. If a Participant's employment or service relationship with the Company or a Subsidiary is suspended pending an investigation of whether the Participant's employment shall be terminated for Cause, all the Participant's rights under any Stock Option or SAR shall likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant's cessation of Continuous Service, any Stock Option or SAR then held by the Participant may be immediately terminated by the Committee, in its sole discretion.

If the exercise of a Stock Option or SAR following a Participant's cessation of Continuous Service, but while the Stock Option or SAR is otherwise exercisable, would be prohibited solely because the issuance of Common Stock would violate either the registration requirements under the Securities Act or the Company's insider trading policy, then the Stock Option or SAR shall remain exercisable until the earlier of (i) the last day of the Term of the Stock Option or SAR and (ii) the expiration of a period of three months (or such longer period of time as determined by the Committee in its sole discretion) after the Participant's cessation of Continuous Service during which the exercise of the Stock Option or SAR would not be in violation of such Securities Act or insider trading policy requirements.

(k) *Additional Rules for Incentive Stock Options.* Notwithstanding any other provision of this Plan to the contrary, no Stock Option which is intended to qualify as an Incentive Stock Option may be granted to any Eligible Individual who at the time of such grant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless at the time such Stock Option is granted the exercise price is at least 110% of the Fair Market Value of a Share and such Stock Option by its terms is not exercisable after the expiration of five years from the date such Stock Option is granted. In addition, the aggregate Fair Market Value of the Common Stock (determined at the time a Stock Option is granted) for which Incentive Stock Options are exercisable for the first time by an optionee during any calendar year, under all of the incentive stock option plans of the Company and of any Subsidiary, may not exceed \$100,000. To the extent a Stock Option that by its terms was intended to be an Incentive Stock Option exceeds this \$100,000 limit, the portion of the Stock Option in excess of such limit shall be treated as a Nonqualified Stock Option.

(l) *Dividends and Dividend Equivalents.* Dividends (whether paid in cash or Shares) and dividend equivalents shall not be paid or accrued on Stock Options or SARs.

SECTION 6. Restricted Stock

(a) *Administration.* Shares of Restricted Stock are actual Shares issued to a Participant and may be awarded either alone or in addition to other Awards granted under this Plan. The Committee shall determine the Eligible Individuals to whom and the time or times at which grants of Restricted Stock will be awarded, the number of shares to be awarded to any Eligible Individual, the conditions for vesting, the time or times within which such shares of Restricted Stock may be subject to forfeiture and any other terms and conditions of the Restricted Stock, in addition to those contained in Section 6(c).

(b) *Book-Entry Registration or Certificated Shares.* Shares of Restricted Stock shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. If any certificate is issued in respect of shares of Restricted Stock, such certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Flex-Trac, Inc. 2025 Equity Incentive Plan and an Award Agreement. Copies of such plan and agreement are on file at the offices of Flex-Trac, Inc., [INSERT ADDRESS].

The Committee may require that the certificates evidencing such Shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the applicable Participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(c) *Terms and Conditions.* Shares of Restricted Stock shall be subject to the following terms and conditions and such other terms and conditions as are set forth in this Plan and the applicable Award Agreement or other document approved by the Committee (including the vesting or forfeiture provisions applicable upon a cessation of Continuous Service):

(i) The Committee shall, prior to or at the time of grant, condition (A) the vesting of an Award of Restricted Stock upon the Continuous Service of the applicable Participant, or (B) the grant or vesting of an Award of Restricted Stock upon the attainment of Performance Goals or the attainment of Performance Goals and the Continuous Service of the applicable Participant. The conditions for grant or vesting and the other provisions of Restricted Stock Awards (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient.

(ii) Subject to the provisions of this Plan and except as provided in the applicable Award Agreement, during the period, if any, set by the Committee, commencing with the Grant Date of the Award and during which the vesting restrictions apply (the “Restriction Period”), the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber Shares of Restricted Stock.

(d) *Rights of a Shareholder.* Except as provided in this Section 6 and the applicable Award Agreement, the applicable Participant shall have, with respect to the Shares of Restricted Stock, all of the rights of a shareholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any dividends. Subject to Section 14(e), (i) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock Award shall be payable in cash and shall be held subject to the vesting of the underlying Restricted Stock, and (ii) dividends payable in Common Stock shall be paid in the form of Restricted Stock of the same class as the Common Stock with which such dividend was paid, and shall be held subject to the vesting of the underlying Restricted Stock.

(e) *Delivery of Unlegended Certificates.* If and when any applicable vesting conditions are satisfied and the Restriction Period expires without a prior forfeiture of the Shares of Restricted Stock for which legended certificates have been issued, unlegended certificates for such Shares shall be delivered to the Participant upon surrender of the legended certificates.

SECTION 7. Restricted Stock Units

(a) *Administration.* Restricted stock units (RSUs) are Awards denominated in Shares that will be settled, subject to the terms and conditions of the RSUs, in an amount in cash, Shares, or both. The Committee shall determine the Eligible Individuals to whom and the time or times at which grants of RSUs will be awarded, the number of shares in respect of which any granted RSUs shall relate, the conditions for vesting, the time or times within which such RSUs may be subject to forfeiture and any other terms and conditions of the RSUs, in addition to those contained in Section 7(b).

(b) *Terms and Conditions.* RSUs shall be subject to the following terms and conditions and such other terms and conditions as are set forth in this Plan and the applicable Award Agreement or other document approved by the Committee (including the vesting or forfeiture provisions applicable upon a cessation of Continuous Service):

(i) The Committee shall, prior to or at the time of grant, condition (A) the vesting of RSUs upon the Continuous Service of the applicable Participant, or (B) the grant or vesting of RSUs upon the attainment of Performance Goals or the attainment of Performance Goals and the Continuous Service of the applicable Participant. The conditions for grant or vesting and the other provisions of RSUs (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient.

An Award of RSUs shall be settled as and when the Restricted Stock Units vest, at a later time specified by the Committee in the applicable Award Agreement, or, if the Committee so permits, in accordance with an election of the Participant.

(ii) Subject to the provisions of this Plan and the applicable Award Agreement, during the Restriction Period, if any, set by the Committee, the Participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber RSUs.

(c) *Rights of a Shareholder.* A Participant to whom RSUs are awarded shall have no rights as a shareholder with respect to the Shares represented by the RSUs unless and until Shares are actually delivered to the Participant in settlement thereof. Subject to Section 14(e), (i) cash dividends on the class or series of Common Stock that is the subject of the RSUs shall accrue either in cash or reinvestment in additional RSUs, as determined by the Committee, and be paid or delivered only to the extent the underlying RSU vests, and (ii) dividends payable in Common Stock shall accrue, assuming reinvestment in the form of additional RSUs, and be delivered only to the extent the underlying RSU vests.

(d) Notwithstanding the immediately preceding sentence, if an adjustment to an Award of RSUs is made pursuant to Section 3(d) as a result of any dividend or distribution, no increase to such Award (by means of deemed reinvestment in additional RSUs) shall be made, and no dividend equivalents shall be paid, under Section 7(c) as a result of the same dividend or distribution.

SECTION 8. Performance Awards

(a) Performance Awards may be granted either alone or in conjunction with other Awards granted under this Plan. The Performance Goals to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee at the time of the resolution fixing the Grant Date for each Performance Award. The conditions for grant or vesting and the other provisions of Performance Awards (including without limitation any applicable Performance Goals) need not be the same with respect to each recipient.

(b) Performance Goals may be based on the performance of the Company as a whole or on any one or more Subsidiaries or businesses of the Company or a Subsidiary and may be measured relative to a peer group, an index or a business plan and may be considered as absolute measures or changes in measures. The terms of a Performance Award may provide that partial achievement of Performance Goals may result in partial payment or vesting of the Award or that the achievement of the Performance Goals may be measured over more than one period or fiscal year. In establishing any Performance Goals the Committee may provide for the exclusion of the effects of the following items: (i) extraordinary, unusual, and/or nonrecurring items of gain or loss; (ii) gains or losses on the disposition of a business; (iii) dividends declared on the Company's stock; (iv) changes in tax or accounting principles, regulations or laws; or (v) expenses incurred in connection with a merger, acquisition or similar transaction. Subject to the preceding sentence, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or its Subsidiaries conducts its business or other events or circumstances render current Performance Goals to be unsuitable, the Committee may modify the Performance Goals, in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit during a Performance Period, the Committee may determine that the selected Performance Goals or applicable Performance Period are no longer appropriate, in which case, the Committee, in its sole discretion, may: (i) adjust, change or eliminate the Performance Goals or change the applicable Performance Period; or (ii) cause to be made a cash payment to the Participant in an amount determined by the Committee.

SECTION 9. Other Stock-Based Awards

Other Stock-Based Awards may be granted either alone or in conjunction with other Awards granted under this Plan.

SECTION 10. Change-in-Control Provisions

(a) *General.* The provisions of this Section 10 shall apply notwithstanding any other provision of this Plan to the contrary, except to the extent the Committee specifically provides otherwise in an Award Agreement.

(b) *Impact of Change in Control.* Upon the occurrence of a Change in Control, unless otherwise provided in the applicable Award Agreement: (i) all then-outstanding Stock Options and SARs (other than performance-based Awards) shall become fully vested and exercisable, and all Full-Value Awards (other than performance-based Awards) shall vest in full, be free of restrictions, and be deemed to be earned and payable in an amount equal to the full value of such Award, except in each case to the extent that another Award meeting the requirements of Section 10(c) (any award meeting the requirements of Section 10(c), a “Replacement Award”) is provided to the Participant to replace such Award (any award intended to be replaced by a Replacement Award, a “Replaced Award”), and (ii) any Performance Award that is not replaced by a Replacement Award shall be deemed to be earned and payable in an amount equal to the full value of such Performance Award (with, unless otherwise provided in an Award Agreement or agreed in connection with the Change in Control, all applicable Performance Goals deemed achieved at the level of achievement of the Performance Goals for the Award as determined by the Committee not later than the date of the Change in Control, taking into account performance through the latest date preceding the Change in Control as to which performance can, as a practical matter, be determined (but not later than the end of the applicable Performance Period)).

(c) *Replacement Awards.* An Award shall meet the conditions of this Section 10(c) (and hence qualify as a Replacement Award) if: (i) it is of the same type as the Replaced Award; (ii) it has a value equal to the value of the Replaced Award as of the date of the Change in Control, as determined by the Committee in its sole discretion; (iii) if the underlying Replaced Award was an equity-based award, it relates to publicly traded equity securities of the Company or the entity surviving the Company following the Change in Control; (iv) it contains terms relating to vesting (including with respect to a cessation of Continuous Service) that are substantially identical to those of the Replaced Award; and (v) its other terms and conditions are not less favorable to the Participant than the terms and conditions of the Replaced Award (including the provisions that would apply in the event of a subsequent Change in Control) as of the date of the Change in Control. Without limiting the generality of the foregoing, a Replacement Award may take the form of a continuation of the applicable Replaced Award if the requirements of the preceding sentence are satisfied. If a Replacement Award is granted, the Replaced Award shall not vest upon the Change in Control. The determination whether the conditions of this Section 10(c) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

(d) *Cessation of Continuous Service.* Notwithstanding any other provision of this Plan to the contrary and unless otherwise determined by the Committee and set forth in the applicable Award Agreement, upon a cessation of Continuous Service of a Participant, including as a result of the death or Disability of the Participant, within 24 months following a Change in Control, (i) all Replacement Awards held by such Participant shall vest in full, be free of restrictions, and be deemed to be earned in full (with respect to Performance Goals, unless otherwise provided in an Award Agreement or agreed in connection with the Change in Control, at the level of achievement of the Performance Goals for the Award as determined by the Committee taking into account performance through the latest date preceding the cessation of Continuous Service as to which performance can, as a practical matter, be determined (but not later than the end of the applicable Performance Period)), and (ii) unless otherwise provided in the applicable Award Agreement, notwithstanding any other provision of this Plan to the contrary, any Nonqualified Stock Option or SAR held by the Participant as of the date of the Change in Control that remains outstanding as of the date of such cessation of Continuous Service may thereafter be exercised until the expiration of the stated full Term of such Nonqualified Stock Option or SAR.

(e) *Definition of Change in Control.* For purposes of this Plan, a “Change in Control” shall mean (i) a sale resulting in no less than a majority of the then outstanding voting securities of the Company on a fully diluted basis being held by any Person that, immediately prior to the contemplated transaction, is not an Affiliate of the Company (a “*Third Party Purchaser*”); (ii) a reorganization, recapitalization, merger, or consolidation of the Company or, if the Company is then a Subsidiary of Omega Flex, Inc., a Pennsylvania corporation (“*Omega Flex*”), Omega Flex, with or into a Third Party Purchaser; (iii) a sale or other disposition of all or substantially all of the assets of the Company or, if the Company is then a Subsidiary of Omega Flex, Omega Flex, to a Third Party Purchaser; (iv) if the

Company is then a Subsidiary of Omega Flex, a transfer resulting in a majority of the then outstanding voting securities of Omega Flex on a fully diluted basis ceasing to be beneficially owned, directly or indirectly, by the Person(s) that beneficially owned, directly or indirectly, a majority of the outstanding voting securities of Omega Flex on a fully diluted basis on the Award Date; or (v) if the Company is not then a Subsidiary of Omega Flex, a transfer resulting in a majority of the then outstanding voting securities of the Company on a fully diluted basis ceasing to be beneficially owned, directly or indirectly, by the Person(s) that beneficially owned, directly or indirectly, a majority of the outstanding voting securities of the Company on a fully diluted basis on the Award Date.

SECTION 11. Section 16(b); Section 409A

(a) Upon the consummation of a Qualified Public Company Transaction, the provisions of this Plan are intended to ensure that no transaction under this Plan is subject to (and all such transactions will be exempt from) the short-swing recovery rules of Section 16(b) of the Exchange Act (“Section 16(b)”). Accordingly, the composition of the Committee shall be subject to such limitations as the Board deems appropriate to permit transactions pursuant to this Plan to be exempt (pursuant to Rule 16b-3 promulgated under the Exchange Act) from Section 16(b) (to the extent Section 16(b) otherwise would be applicable), and no delegation of authority by the Committee shall be permitted if such delegation would cause any such transaction to be subject to (and not exempt from) Section 16(b).

(b) The Plan is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, it is intended that this Plan be administered in all respects in accordance with Section 409A of the Code. Each payment under any Award that constitutes non-qualified deferred compensation subject to Section 409A of the Code shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award that constitutes non-qualified deferred compensation subject to Section 409A of the Code. Notwithstanding any other provision of this Plan or any Award Agreement to the contrary, if a Participant is a “specified employee” within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company), amounts that constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code that would otherwise be payable by reason of a Participant’s “separation from service” within the meaning of Section 409A of the Code (a “Separation from Service”) during the six-month period immediately following such Separation from Service shall instead be paid or provided on the first business day following the date that is six months following the Participant’s Separation from Service. If the Participant dies following the Separation from Service and prior to the payment of any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Participant’s estate within 30 days following the date of the Participant’s death.

SECTION 12. Term, Amendment and Termination

(a) *Effectiveness.* The Plan shall be effective on the date of its approval by the Board (the “Effective Date”), provided that the Plan must be approved by the Company’s shareholders and shareholders of Omega Flex within twelve (12) months following the Effective Date. The Plan shall be null and void and of no effect if such shareholder approval condition is not fulfilled.

(b) *Termination.* The Plan will terminate on the tenth anniversary of the Effective Date. Awards outstanding as of such date shall not be affected or impaired by the termination of this Plan.

(c) *Amendment of Plan.* The Committee may amend, alter, or discontinue this Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of the Participant with respect to a previously granted Award without such Participant’s consent, except such an amendment made to comply with applicable law, including without limitation Section 409A of the Code, Applicable Exchange listing standards or accounting rules. In addition, no amendment shall be made without the approval of the Company’s shareholders to the extent such approval is required by applicable law or the listing standards of the Applicable Exchange.

(d) *Amendment of Awards.* Subject to Section 5(d), the Committee may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall, without the Participant’s consent, materially impair the rights of any Participant with respect to an Award, except such an amendment made to cause this Plan or Award to

comply with applicable law, including without limitation Section 409A of the Code, Applicable Exchange listing standards or accounting rules.

SECTION 13. Unfunded Status of Plan

It is intended that this Plan constitute an “unfunded” plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan to deliver Common Stock or make payments; *provided, however*, that unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of this Plan.

SECTION 14. General Provisions

(a) *Conditions for Issuance.* The Committee may require each person purchasing or receiving Shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the Shares without a view to the distribution thereof. The certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. Notwithstanding any other provision of this Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for Shares under this Plan prior to fulfillment of all of the following conditions: (i) listing or approval for listing upon notice of issuance, of such Shares on the Applicable Exchange; (ii) any registration or other qualification of such Shares of the Company under any state or federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and (iii) obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) *Additional Compensation Arrangements.* Nothing contained in this Plan shall prevent the Company or any Subsidiary from adopting other or additional compensation arrangements for its employees.

(c) *No Contract of Employment.* The Plan shall not constitute a contract of employment or other service, and adoption of this Plan shall not confer upon any individual any right to continued employment or service, nor shall it interfere in any way with the right of the Company or any Subsidiary to terminate the employment or service of any individual at any time.

(d) *Required Taxes.* No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal, state, local or foreign income or employment or other tax purposes with respect to any Award under this Plan, such Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement, having a Fair Market Value on the date of withholding equal to the minimum amount required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Plan shall be conditional on such payment or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to such Participant. The Committee may establish such procedures as it deems appropriate, including making irrevocable elections, for the settlement of withholding obligations with Common Stock.

(e) *Limitation on Dividend Reinvestment and Dividend Equivalents.* Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of Shares with respect to dividends to Participants holding Awards of RSUs, or the adjustment of RSUs in respect of such dividends, shall only be permissible if sufficient Shares are available under Section 3 for such reinvestment or payment or the settlement of such Awards (taking into account then-outstanding Awards).

(f) *Designation of Death Beneficiary.* The Committee shall establish such procedures as it deems appropriate for a Participant to designate a beneficiary to whom any amounts payable in the event of such Participant’s death are to be paid or by whom any rights of such eligible Individual, after such Participant’s death, may be exercised.

(g) *Subsidiary Employees.* In the case of a grant of an Award to any employee of a Subsidiary, the Company may, if the Committee so directs, issue or transfer the Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Subsidiary will transfer the Shares to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of this Plan. All Shares underlying Awards that are forfeited or canceled revert to the Company.

(h) *Governing Law and Interpretation.* The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without reference to principles of conflict of laws. The captions of this Plan are not part of the provisions hereof and shall have no force or effect.

(i) *Clawback.* Awards granted hereunder are subject to any clawback policy that may be adopted by the Company from time to time or any recoupment requirement imposed under applicable laws, rules, regulations or stock exchange listing standards, including, without limitation, recoupment requirements imposed pursuant to the provisions of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 304 of the Sarbanes-Oxley Act, or any regulations promulgated thereunder.

(j) *Automatic Exercise.* In the sole discretion of the Committee, any Stock Options that are exercisable but unexercised as of the day immediately before the tenth anniversary of the date of grant (or other expiration date) may be automatically exercised, in accordance with procedures established for this purpose by the Committee, but only if (i) the holder of the Stock Option is employed with the Company or a Subsidiary as of the exercise date, (ii) the exercise price of such Stock Option is less than the Fair Market Value of a share of Common Stock on that date and (iii) the automatic exercise will result in the issuance of at least one (1) whole share of Common Stock to the Participant after payment of the exercise price and any applicable tax withholding requirements. Payment of the exercise price and any applicable tax withholding requirements shall be made by a net settlement of the Stock Option whereby the number of shares of Common Stock to be issued upon exercise are reduced by a number of shares having a Fair Market Value on the date of exercise equal to the exercise price and any applicable tax withholding.

(k) *Establishment of Subplans.* The Board may from time to time establish one or more sub-plans under the Plan for purposes of satisfying applicable blue sky, securities or tax laws of various jurisdictions. The Board shall establish such sub-plans by adopting supplements to the Plan setting forth (i) such limitations on the Committee's discretion under the Plan as the Board deems necessary or desirable and (ii) such additional terms and conditions not otherwise inconsistent with the Plan as the Board shall deem necessary or desirable. All supplements adopted by the Board shall be deemed to be part of the Plan, but each supplement shall apply only to Participants within the affected jurisdiction and the Company shall not be required to provide copies of any supplement to Participants in any jurisdiction that is not affected.

FLEX-TRAC, INC.

2025 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK AWARD

Name: [] (the “**Grantee**”)

**Number of Shares
Subject to Award:** [] (the “**Awarded Shares**”)

Award Date: [] (the “**Award Date**”)

Vesting Date: Provided the Grantee remained in Continuous Service through the applicable vesting date, the Awarded Shares shall become fully vested and nonforfeitable on [], or, if earlier, upon the earliest to occur of (1) a Change in Control, (2) the Grantee’s death, (3) the Grantee’s Disability, or (4) the Grantee’s Retirement.

You do not have to accept the Award. If you wish to decline your Award, you should promptly notify the Corporate Secretary of the Company of your decision in writing. If you do not provide such notification within thirty (30) days after the Award Date, you will be deemed to have accepted your Award on the terms and conditions set forth herein.

By your signature and the signature of the Company’s representative below, you and the Company agree and acknowledge that this restricted stock award (the “**Award**”) is granted under and governed by the Company’s 2025 Equity Incentive Plan (the “**Plan**”) and the attached Terms and Conditions of Restricted Stock Award (the “**Terms**”), which are incorporated herein by reference. Capitalized terms used, but not defined, in this Notice of Restricted Stock Award shall have the meanings ascribed to them in the Plan.

NOTICE: The Awarded Shares will be forfeited and this Award will be null and void, if the Plan is not duly approved by shareholders of Omega Flex, Inc.

TERMS AND CONDITIONS OF RESTRICTED STOCK AWARD

1. **General.** These Terms and Conditions of Restricted Stock Award (these “**Terms**”) apply to a particular restricted stock award (the “**Award**”) granted by Flex-Trac, Inc., a Pennsylvania corporation (or its successor, if applicable, the “**Company**”), under the Company’s 2025 Equity Incentive Plan and are incorporated by reference in the Notice of Restricted Stock Award (the “**Grant Notice**”) corresponding to that particular grant. The recipient of the Award identified in the Grant Notice is referred to as the “**Grantee**.” The effective date of grant of the Award as set forth in the Grant Notice is referred to as the “**Award Date**.” The Award has been granted to the Grantee in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Grantee. The Grant Notice and these Terms are collectively referred to as the “**Award Agreement**” applicable to the Award. Capitalized terms used, but not defined, in this Award Agreement shall have the meanings ascribed to them in the Plan.

2. **Awarded Shares.** As used herein, the term “**Awarded Shares**” shall mean the shares of the Company’s common stock (“**Common Stock**”) granted to Grantee hereunder.

3. **Vesting and Forfeiture.**

(a) The Awarded Shares shall vest as set forth in the Grant Notice. Upon the Grantee ceasing to be in Continuous Service, for any reason or for no reason (and whether such cessation is initiated by the employer, the Grantee or otherwise), prior to the vesting of the Awarded Shares as set forth in the Grant Notice, the then unvested Awarded Shares will immediately and automatically, without any action on the part of the Company or Grantee, be forfeited, and the Grantee will have no further rights with respect to those Awarded Shares.

(b) Notwithstanding Section 3(a), the Board shall have authority, in its sole discretion, to accelerate vesting or waive forfeiture of the Awarded Shares.

4. **Escrow of Shares.**

(a) The Company will cause the Awarded Shares to be issued in the Grantee’s name either by book-entry registration or issuance of a stock certificate or certificates.

(b) While the Awarded Shares remain forfeitable, the Company will cause an appropriate stop-transfer order to be issued and to remain in effect with respect to the Awarded Shares. As soon as practicable following the time that any Awarded Share becomes nonforfeitable (and provided that appropriate arrangements have been made with the Company for the withholding or payment of any taxes that may be due with respect to such Share), the Company will cause that stop-transfer order to be removed.

(c) If any certificate is issued in respect of Awarded Shares, that certificate will be legended as described herein and held in escrow by the Company’s secretary or his or her designee. In addition, the Grantee may be required to execute and deliver to the Company a stock power with respect to those Awarded Shares. At such time as those Awarded Shares become nonforfeitable, the Company will cause a new certificate to be issued without that portion of the legend referencing the previously applicable forfeiture conditions and will cause

that new certificate to be delivered to the Grantee (again, provided that appropriate arrangements have been made with the Grantee for the withholding or payment of any taxes that may be due with respect to such Shares). The Company may also condition delivery of certificates for Awarded Shares upon receipt from the Grantee of any undertakings that it may determine are appropriate to facilitate compliance with federal and state securities laws.

5. **Stock Splits, etc.** If, while any of the Awarded Shares remain subject to forfeiture, there occurs any merger, consolidation, reorganization, reclassification, recapitalization, stock split, stock dividend, or other similar change in the Common Stock, then any and all new, substituted or additional securities or other consideration, to which the Grantee is entitled by reason of the Grantee's ownership of the Awarded Shares, will be immediately subject to the escrow contemplated by Section 4, deposited with the escrow holder and will thereafter be included in the term "**Awarded Shares**" for all purposes of this Award Agreement.

6. **Rights of Grantee.** The Grantee shall have all the rights of a holder of Company common stock; *provided however*, that any cash dividends or distributions paid on the Awarded Shares while those shares remain forfeitable will be deposited with the escrow holder and distributed only when, and if, the Awarded Shares giving rise to such dividends or distributions become nonforfeitable.

7. **Tax Consequences.** The Grantee acknowledges that the Company has not advised the Grantee regarding the Grantee's income tax liability in connection with the grant or vesting of the Awarded Shares or with an election under Section 83(b) of the Code, with respect to the grant of the Awarded Shares. The Grantee has reviewed with the Grantee's own tax advisors the federal, state, local and foreign tax consequences of the transactions contemplated by this Award Agreement. The Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its representatives or agents. The Grantee understands that the Grantee (and not the Company) shall be responsible for the Grantee's own tax liability that may arise as a result of the transactions contemplated by this Award Agreement.

WHILE THE COMPANY WILL EXERCISE REASONABLE EFFORTS TO ASSIST THE GRANTEE OR OTHERWISE FACILITATE ANY SECTION 83(b) ELECTION MADE BY THE GRANTEE WITH RESPECT TO THE AWARDED SHARES, THE GRANTEE ACKNOWLEDGES THAT IT IS THE GRANTEE'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY ANY SECTION 83(b) ELECTION.

8. **Additional Documents.** As a condition to the effectiveness of the grant of Awarded Shares hereby made:

(a) The Grantee agrees to execute, thereby become a party to, and become bound by all the terms and conditions of, the Shareholders Agreement among the Company and the Shareholders named therein, dated as of January 2, 2025 (the "**Shareholders Agreement**"), and, to the extent requested by the Company at or after the Award Date, agrees to execute, and thereby become a party to, and become bound by all the terms and conditions of, any other shareholder, voting or other similar agreement in a form provided by the Company; and

(b) the Grantee agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Award Agreement.

9. Restriction on Transfer of Awarded Shares. Except for the escrow described in Section 4 hereof, or the forfeiture to the Company contemplated by Section 3 hereof, or the transfer to a trust for the benefit of the Grantee or the Grantee's immediate family (which includes the Grantee's spouse and lineal descendants) under which the Grantee retains voting control of the Awarded Shares (a "Trust"), none of the Awarded Shares or any beneficial interest therein shall be transferred, encumbered, pledged or otherwise alienated or disposed of in any way until they have become nonforfeitable in accordance with Section 3 of this Award Agreement.

10. Legends. A legend will be placed on any certificates evidencing all the Awarded Shares, pursuant to the Company's bylaws or articles of incorporation, applicable law or otherwise.

11. Lock-Up Agreement. The Grantee hereby agrees that in the event of any underwritten public offering of stock, including an initial public offering of stock, made by the Company pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "**Securities Act**"), the Grantee may not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of any shares of stock of the Company or any rights to acquire stock of the Company for such period of time from and after the effective date of such registration statement as may be established by the underwriter for such public offering; *provided, however*, that such period of time may not exceed one hundred eighty (180) days from the effective date of the registration statement to be filed in connection with such public offering; or, upon the request of the Company or the underwriter, such longer period as necessary to permit compliance with FINRA Rule 2241 or any successor provisions or amendments thereto. The foregoing limitation will not apply to any of the Grantee's Awarded Shares registered for resale in a public offering under the Securities Act. The Grantee hereby agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing within a reasonable timeframe if so requested by the Company.

12. Representations and Warranties. By executing this Award Agreement, the Grantee hereby represents, warrants, covenants, acknowledges and/or agrees that:

(a) The Awarded Shares are being acquired for the Grantee's own account, for investment purposes only, and not for the account of any other person, and not with a view to the distribution thereof within the meaning of the Securities Act;

(b) No other person (other than the Grantee and, if applicable, a Trust) has or will have a direct or indirect beneficial interest in the Awarded Shares;

(c) The Awarded Shares have not been registered or qualified under the Securities Act or any state securities laws;

(d) There is no public market for the Awarded Shares, there can be no assurance that any such market will ever develop and, therefore, the Grantee may be required to hold the Awarded Shares indefinitely;

(e) In addition to complying with other similar restrictions contained herein, the Grantee will not sell, transfer, pledge, hypothecate or otherwise dispose of any Awarded

Shares unless such Awarded Shares are registered in accordance with the Securities Act and applicable state securities laws or an exemption from such registration is available and, if required by the Company, an opinion of counsel is delivered to the Company, in a form satisfactory to the Company, that such registration is unnecessary; and

(f) The Company is under no obligation to register the Awarded Shares for resale by the Grantee (except as provided in the Shareholders Agreement) or to assist the Grantee in complying with any exemption from registration.

13. Electronic Delivery and Acceptance. The Company may, in its sole discretion, deliver any documents related to the Award by electronic means or request the Grantee's consent to participate by electronic means. The Grantee hereby consents to receive all applicable documentation by electronic delivery and to participate in the program providing for the Award through an online (and/or voice activated) system established and maintained by the Company or a third-party vendor designated by the Company.

14. Notices. Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Corporate Secretary, and to the Grantee at the Grantee's last address reflected on the Company's records, or at such other address as either party may hereafter designate in writing to the other.

15. Entire Agreement. This Award Agreement constitutes the entire agreement and supersedes all prior or contemporaneous understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Board reserves the right to alter, amend or to terminate the Award Agreement (or waive any provision hereof in writing) at any time; provided, however, that no such action may adversely affect the Grantee's rights to any outstanding Award without the consent of the Grantee.

16. Limitation on the Grantee's Rights. This Award confers no rights or interests other than as herein provided. The Award will not confer upon the Grantee any right to continue in service with the Company or any Affiliate of the Company.

17. Counterparts. This Award Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

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

19. Governing Law. This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without regard to conflict of law principles thereunder.

20. Choice of Venue. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Award or this Award Agreement, the parties hereby submit to the exclusive jurisdiction of the Commonwealth of Pennsylvania and agree that such litigation shall be conducted only in the courts of Chester County, Pennsylvania,

or the federal courts for the Eastern District of Pennsylvania, and no other courts, where this grant is made and/or to be performed.

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

22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Grantee's Award and on the Awarded Shares, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

COMPANY:

FLEX-TRAC, INC.

By: _____

Name:

Title:

GRANTEE:

[_____]

Address:

FLEX-TRAC, INC.

CANADIAN ADDENDUM TO RESTRICTED STOCK AWARD AGREEMENT

INTRODUCTION

Terms and Conditions

In addition to the Terms and Conditions of Restricted Stock Award (“**Terms**”) and the Notice of Restricted Stock Award (the “**Grant Notice**”), as may be amended from time to time, the Terms and Grant Notice are subject to the following additional terms and conditions as set forth in this addendum, as may be amended from time to time, to the extent the Grantee resides and is employed or provides service primarily in Canada, or to the extent the Company determines, or as otherwise set out herein (this “**Addendum**”). Capitalized terms used in this Addendum but not defined herein shall have the same meaning as assigned to such terms in the Terms. If there is an inconsistency between this Addendum and the Terms or Grant Notice, the applicable terms of this Addendum shall prevail.

Notifications

The information herein contains notifications relating to various laws, regulations and rules in effect as of **January 2, 2025**. Such laws are often complex and may change, and results may be different based on the particular facts and circumstances. As a result, the Company strongly recommends that the Grantee not rely on the notifications herein as the only source of information relating to the consequences of participation in the Award. The information may be outdated at the relevant time, including when the Awards are granted, vest or settled, or when the Grantee subsequently sells Awarded Shares acquired under the Terms.

In addition, the information is general in nature and may not apply to the Grantee’s particular situation, and the Company is not in a position to assure the Grantee of any particular result. Accordingly, the Grantee should seek appropriate professional advice as to how the relevant laws may apply to the Grantee’s situation.

1. **Escrow of Shares**

In the last sentence of section 4(c), the phrase, “federal and state securities laws” shall be replaced by, “federal and state securities laws and Canadian securities laws”.

2. **Further Restriction on Transfer of Awarded Shares**

In section 9:

- a) the phrase, “a trust for the benefit of the Grantee or the Grantee’s immediate family (which includes the Grantee’s spouse and lineal descendants)” shall be replaced by the phrase “a trust for the benefit of the Grantee or the Grantee’s spouse”; and

- b) the following sentence shall be added to the end of section 9: “If there is a transfer to a Trust, the Trust shall be subject to the same restrictions on transfer on the Awarded Shares.”

3. **Securities Law Notice**

Subject to limited exceptions under Canadian securities law and the terms of this Addendum, the Terms and the Grant Notice, the Grantee will not be permitted to sell the nonforfeitable Awarded Shares within Canada. However, the Grantee is permitted to sell such Awarded Shares through the designated broker appointed under the Award program provided that the sale of such Shares is made through an exchange or market outside of Canada or to a person or company outside of Canada.

EXHIBIT 21.1

LIST OF SUBSIDIARIES of OMEGA FLEX, INC.

<u>Name</u>	<u>Jurisdiction of Formation</u>
Flex-Trac, Inc.	Pennsylvania
Exton Ranch, LLC	Delaware
Omega Flex Limited	England
Omega Flex SAS	France

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Nos. 333-135515, 333-228784 and 333-231739) on Form S-8 of Omega Flex, Inc. of our reports dated March 7, 2025, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Omega Flex, Inc., appearing in this Annual Report on Form 10-K of Omega Flex, Inc. for the year ended December 31, 2024.

/s/ RSM US LLP

Boston, Massachusetts
March 7, 2025

EXHIBIT 31.1

Certification by the Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dean W. Rivest, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024, of Omega Flex, Inc. (the “registrant”);

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

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

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

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

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

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

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

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

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

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

Date: March 7, 2025

/s/ Dean W. Rivest

Dean W. Rivest
Chief Executive Officer

Certification by the Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Matthew F. Unger, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2024, of Omega Flex, Inc. (the “registrant”);

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

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

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

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

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

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

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

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

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

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

Date: March 7, 2025

/s/ Matthew F. Unger

Matthew F. Unger
Chief Financial Officer

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

Each of the undersigned hereby certifies, for the purposes of 18 U.S.C. Section 1350, in his capacity as an officer of Omega Flex, Inc. (the “Company”), as set forth below, that, to the best of his knowledge:

(a) the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2024 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Dated: March 7, 2025

/s/ Dean W. Rivest

Dean W. Rivest
Chief Executive Officer (Principal Executive Officer)

/s/ Matthew F. Unger

Matthew F. Unger
Chief Financial Officer (Principal Financial Officer)

This certification is not deemed to be “filed” for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. This certification is not deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in such filing.