

Risk Factors Comparison 2025-02-28 to 2024-02-23 Form: 10-K

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Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in our Form 10-K, including our consolidated financial statements and related notes. If any of the following risks actually occur, we may be unable to conduct our business as currently planned and our financial condition and results of operations could be seriously harmed. In addition, the trading price of our common stock could decline due to the occurrence of any of these risks and you may lose all or part of your investment.

Risks Related to Operating Our Business We are dependent on our key customers for a significant portion of our revenue and the loss of, or a significant reduction in orders from, any of our key customers would adversely impact our revenue and results of operations. We generate much of our revenue from a limited number of customers. For each year ended **2024, 2023, and 2022** ~~and 2021~~, our top ten customers represented **95 %, 92.7 %, and 87.2 % of our revenue, and 84 % respectively. In 2024, Microsoft represented 43.7 % of our revenue, respectively. In 2023, Microsoft represented 46.6 % of our revenue, ATX represented 15.6 % of our revenue, and Digicomm represented 11.35. 3-1 % of our revenue and Oracle represented 12.4 % of our revenue.** As a result, the loss of, or a significant reduction in orders from any of our key customers would materially and adversely affect our revenue and results of operations. We typically do not have long-term contracts with our customers and instead rely on recurring purchase orders. However, many of our current revenue expectations and forecasts reflect significant anticipated orders from a limited number of key customers. If our key customers do not continue to purchase our existing products or fail to purchase additional products from us, our revenue would decline and our results of operations would be adversely affected. Adverse events affecting our key customers could also negatively affect our ability to retain their business and obtain new purchase orders, which could adversely affect our revenue and results of operations. For example, in recent years, there has been consolidation among various network equipment manufacturers and this trend is expected to continue. We are unable to predict the impact that industry consolidation would have on our existing or potential customers. We may not be able to offset any potential decline in revenue arising from the consolidation of our existing customers with revenue from new customers or additional revenue from the merged company. Customer demand is difficult to forecast accurately and, as a result, we may be unable to match production with customer demand. We make planning and spending decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of product demand and customer requirements. Our products are typically purchased pursuant to individual purchase orders. While our customers may provide us with their demand forecasts, they are typically not contractually committed to buy any quantity of products beyond firm purchase orders. Furthermore, many of our customers may increase, decrease, cancel or delay purchase orders already in place without significant penalty. The short-term nature of commitments by our customers and the possibility of unexpected changes in demand for their products reduce our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production, which can strain our resources, cause our manufacturing to be negatively impacted by materials shortages, necessitate more onerous procurement commitments and reduce our gross margin. We may not have sufficient capacity at any given time to meet the volume demands of our customers, or one or more of our suppliers may not have sufficient capacity at any given time to meet our volume demands. If any of our major customers decrease, stop or delay purchasing our products for any reason, we will likely have excess manufacturing capacity or inventory and our business and results of operations would be harmed. If our customers do not qualify our products for use on a timely basis, our results of operations may suffer. Prior to the sale of new products, our customers typically require us to “qualify” our products for use in their applications. At the successful completion of this qualification process, we refer to the resulting sales opportunity as a “design win.” Additionally, new customers often audit our manufacturing facilities and perform other evaluations during this qualification process. The qualification process involves product sampling and reliability testing and collaboration with our product management and engineering teams in the design and manufacturing stages. If we are unable to accurately predict the amount of time required to qualify our products with customers, or are unable to qualify our products with certain customers at all, then our ability to generate revenue could be delayed or our revenue would be lower than expected and we may not be able to recover the costs associated with the qualification process or with our product development efforts, which would have an adverse effect on our results of operations. In addition, due to rapid technological changes in our markets, a customer may cancel or modify a design project before we have qualified our product or begun volume manufacturing of a qualified product. It is unlikely that we would be able to recover the expenses for cancelled or unutilized custom design projects. Some of these unrecoverable expenses for cancelled or unutilized custom design projects may be significant. It is difficult to predict with any certainty whether our customers will delay or terminate product qualification or the frequency with which customers will cancel or modify their projects, but any such delay, cancellation or modification would have a negative effect on our results of operations. Our ability to successfully qualify and scale capacity for new technologies and products is important to our ability to grow our business and market presence, and we may invest a significant amount to scale our capacity to meet potential demand from customers for our new technologies and products. If we are unable to qualify and sell any of our new products in volume, on time, or at all, our results of operations may be adversely affected. Technology adoption cycles impact our business. In each of our markets, technology standards influence customer purchasing patterns and vendor selection. Network operators deploy the next generation of technology at different times, and typically reduce or stop their purchase of the trailing generation of equipment in advance of their deployment of the next generation. Our revenue from sales of the trailing generation products may fall rapidly, or at an uneven rate, and the prices at which we can sell the trailing

generation products may decline. If we do not effectively manage our inventory, we may have an excess of inventory that we may not be able to participate in vendor selection processes of operators and their equipment providers for the next generation of technology deployment, which would reduce our future revenue potential. We must continually develop successful new products and enhance existing products, and if we fail to do so or if our release of new or enhanced products is delayed, our business may be harmed. The markets for our products are characterized by frequent new product introductions, changes in customer requirements and evolving industry standards, all with an underlying pressure to reduce cost and meet stringent reliability and qualification requirements. Our future performance will depend on our successful development, introduction and market acceptance of new and enhanced products that address these challenges. If we are unable to make our new or enhanced products commercially available on a timely basis, we may lose existing and potential customers and our financial results would suffer. In addition, due to the costs and length of research, development and manufacturing process cycles, we may not recognize revenue from new products until long after such expenditures, if at all, and our margins may decrease if our costs are higher than expected, adversely affecting our financial condition and results of operations. Although the length of our product development cycle varies widely by product and customer, it may take 18 months or longer before we receive our first order. As a result, we may incur significant expenses long before customers accept and purchase our products. Product development delays may result from numerous factors, including: - modification of product specifications and customer requirements; - unanticipated engineering complexities; - difficulties in reallocating engineering resources and overcoming resource limitations; and - rapidly changing technology or competitive product requirements. The introduction of new products by us or our competitors and other changes in our customer's demands could result in a slowdown in demand for our existing products and could result in a write-down in the value of our inventory. We have in the past experienced periodic fluctuations in demand for existing products and delays in new product development, and such fluctuations will likely occur in the future. To the extent we fail to qualify our products and obtain their approval for use, which we refer to as a design win, or experience product development delays for any reason, our competitive position would be adversely affected and our ability to grow our revenue would be impaired. Furthermore, our ability to enter a market with new products in a timely manner can be critical to our success because it is difficult to displace an existing supplier for a particular type of product once a customer has chosen a supplier, even if a later-to-market product provides better performance or cost efficiency. The development of new, technologically advanced products is a complex and uncertain process requiring frequent innovation, highly-skilled engineering and development personnel and significant capital, as well as the accurate anticipation of technological and market trends. We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced products successfully or on a timely basis. Further, we cannot assure you that our new products will gain market acceptance or that we will be able to respond effectively to product introductions by competitors, technological changes or emerging industry standards. We also may not be able to develop the underlying core technologies necessary to create new products and enhancements, license these technologies from third parties, or remain competitive in our markets.

Adverse global economic conditions could have a negative effect on our business, results of operations and financial condition and liquidity. A general slowdown in the global economy or in a particular region or industry, other unfavorable changes in economic conditions, such as inflation, higher interest rates, tightening of the credit markets, recession or slowing growth, or an increase in trade tensions with U. S. trading partners could negatively impact our business, financial condition and liquidity. Adverse global economic conditions have from time to time caused or exacerbated significant slowdowns in the industries and markets in which we operate, which have adversely affected our business and results of operations. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast operating results, and may make it more difficult to raise or refinance debt. An escalation of trade tensions between the U. S. and China has resulted in trade restrictions, increased protectionism and increased tariffs that harm our ability to participate in Chinese markets or compete effectively with Chinese companies. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the U. S. and its trading partners, especially China, and the decoupling of the U. S. and China economies, could result in a global economic slowdown and long-term changes to global trade. Such events may also (i) cause our customers and consumers to reduce, delay or forgo technology spending, (ii) result in customers sourcing products from other suppliers not subject to such restrictions or tariffs, (iii) lead to the insolvency or consolidation of key suppliers and customers, and (iv) intensify pricing pressures. Any or all of these factors could negatively affect demand for our products and our business, financial condition and results of operations.

Our revenues, growth rates and operating results are likely to fluctuate significantly as a result of factors that are outside our control, which could adversely impact our operating results. Our revenues, growth rates and operating results are likely to fluctuate significantly in the future as a result of factors that are outside our control. We may not achieve similar revenues, growth rates or operating results in future periods. Our revenues, growth rates and operating results for any prior quarterly or annual period should not be relied upon as any indication of our future revenues, growth rates or operating results. The timing of order placement, size of orders and satisfaction of contractual customer acceptance criteria, changes in the pricing of our products due to competitive pressures as well as order or shipment delays or deferrals, with respect to our products, may cause material fluctuations in revenues. Our lengthy sales cycle, which may extend to more than one year, may cause our revenues and operating results to vary from period to period and it may be difficult to predict the timing and amount of any variation. Delays or deferrals in purchasing decisions by our customers may increase as we develop new or enhanced products for existing and new markets, including automotive and biotechnology markets. Our current and anticipated future dependence on a small number of customers increases the revenue impact of each such customer's decision to delay or defer purchases from us, or decision not to purchase products from us. Our expense levels in the future will be based, in large part, on our expectations regarding future revenue sources and, as a result, operating results for any quarterly period in which anticipated material orders fail to occur, or are delayed or deferred, could be significantly harmed. If we encounter manufacturing problems,

we may lose sales and damage our customer relationships. We may experience delays, disruptions or quality control problems in our manufacturing operations. These and other factors may cause less than acceptable yields at our facility. Manufacturing yields depend on a number of factors, including the quality of available raw materials, the degradation or change in equipment calibration and the rate and timing of the introduction of new products. Changes in manufacturing processes required as a result of changes in product specifications, changing customer needs and the introduction of new product lines may significantly reduce our manufacturing yields, resulting in low or negative margins on those products. In addition, we use our MBE, fabrication process to make our lasers, in addition to MOCVD, the technique most commonly used in optical manufacturing by communications optics vendors, and our MBE fabrication process relies on custom-manufactured equipment. If our MBE or MOCVD fabrication facility in Sugar Land, Texas were to be damaged or destroyed for any reason, our manufacturing process would be severely disrupted. Any such manufacturing problems would likely delay product shipments to our customers. We may also experience delays in production, typically in February, during the Lunar New Year holiday when our facilities in China and Taiwan are closed. Given the high fixed costs associated with our vertically integrated business, a reduction in demand for our products will likely adversely impact our gross profits and our results of operations. We have a high fixed cost base due to our vertically integrated business model, including the fact that ~~1-2, 772-879~~ of our employees as of December 31, ~~2023~~ **2024** were employed in manufacturing and research and development operations. We may not be able to adjust these fixed costs quickly to adapt to rapidly changing market conditions. Our gross profit and gross margin are greatly affected by our sales volume and volatility on a quarterly basis and the corresponding absorption of fixed manufacturing overhead expenses. In addition, because we are a vertically integrated manufacturer, insufficient demand for our products may subject us to the risk of high inventory carrying costs and increased inventory obsolescence. Given our vertical integration, the rate at which we turn inventory has historically been low when compared to our cost of sales. We do not expect this to change significantly in the future and believe that we will have to maintain a relatively high level of inventory compared to our cost of sales. As a result, we continue to expect to have a significant amount of working capital invested in inventory. We may be required to write down inventory costs in the future and our high inventory costs may have an adverse effect on our gross profits and our results of operations.

Changes in United States tariff and import / export regulations may have a negative effect on our business. The United States has recently enacted and proposed to enact significant new tariffs. Additionally, President Trump has directed various federal agencies to further evaluate key aspects of U. S. trade policy and there has been ongoing discussion and commentary regarding potential significant changes to U. S. trade policies, treaties and tariffs. There continues to exist significant uncertainty about the future relationship between the U. S. and other countries with respect to such trade policies, treaties and tariffs. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between the impacted nations and the U. S. Any of these factors could depress economic activity and restrict our access to suppliers or customers and have a material adverse effect on our business, financial condition and results of operations.

Increasing costs and shifts in product mix may adversely impact our gross margins. Our gross margins on individual products and among products fluctuate over each product's life cycle. Our overall gross margins have fluctuated from period to period as a result of shifts in product mix, the introduction of new products, decreases in average selling prices and our ability to reduce product costs, and these fluctuations are expected to continue in the future. We may not be able to accurately predict our product mix from period to period, and as a result we may not be able to forecast accurately our overall gross margins. The rate of increase in our costs and expenses may exceed the rate of increase in our revenue, either of which would materially and adversely affect our business, our results of operations and our financial condition. Our financial results may vary significantly from quarter-to-quarter due to a number of factors, which may lead to volatility in our stock price. Our quarterly revenue and operating results have varied in the past and will likely continue to vary significantly from quarter-to-quarter. This variability may lead to volatility in our stock price as research analysts and investors respond to these quarterly fluctuations. These fluctuations are due to numerous factors, including: - the timing, size and mix of sales of our products; - fluctuations in demand for our products, including the increase, decrease, rescheduling or cancellation of significant customer orders; - our ability to design, manufacture and deliver products which meet customer requirements in a timely and cost-effective manner; - the gain or loss of key customers; - changes in our pricing and sales policies or the pricing and sales policies of our competitors; - seasonality of certain of our products and manufacturing capabilities; - quality control or yield problems in our manufacturing operations; - supply disruption for certain raw materials and components used in our products; - capacity constraints of our outside contract manufacturers for a portion of the manufacturing process for some of our products; - length and variability of the sales cycles of our products; - unanticipated increases in costs or expenses, including rising inflation or other changes in macroeconomic conditions; - the loss of key employees; - different capital expenditure and budget cycles for our customers, affecting the timing of their spending for our products; - political stability in the areas of the world in which we operate; - changes in or limitations imposed by trade protection laws or other regulatory orders or requirements in the United States or in other countries, including tariffs, sanctions, or other costs, restrictions, or requirements which may affect our ability to import or export our products to or from various countries; and - trade-related government actions that impose barriers or restrictions that would impact our ability to sell or ship products to Huawei or other customers. The foregoing factors are difficult to forecast, and these, as well as other factors, could materially adversely affect our quarterly and annual operating results. In addition, a significant amount of our operating expenses are relatively fixed in nature due to our internal manufacturing, research and development, sales and general administrative efforts. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify the adverse impact of such revenue shortfall on our results of operations. For these reasons, you should not rely on quarter-to-quarter comparisons of our results of operations as an indicator of future performance. Moreover, our operating results may not meet our announced guidance or the expectations of research analysts or investors, in which case the price of our common stock could decrease

significantly. There can be no assurance that we will be able to successfully address these risks. We depend on key personnel to develop and maintain our technology and manage our business in a rapidly changing market. The continued services of our executive officers and other key engineering, sales, marketing, manufacturing and support personnel is essential to our success. For example, our ability to achieve new design wins depends upon the experience and expertise of our engineers. Any of our key employees, including our Chief Executive Officer, Chief Financial Officer, Senior Vice President and North America General Manager and Senior Vice President and Asia General Manager, may resign at any time. We do not have key person life insurance policies covering any of our employees. To implement our business plan, we also intend to hire additional employees in expanding areas of our business. Our ability to continue to attract and retain highly skilled employees is a critical factor in our success. Competition for highly skilled personnel is intense. We may not be successful in attracting, assimilating or retaining qualified personnel to satisfy our current or future needs. Our ability to develop, manufacture and sell our products, and thus our financial condition and results of operations, would be adversely affected if we are unable to retain existing personnel or hire additional qualified personnel. We depend on a limited number of suppliers and any supply interruption could have an adverse effect on our business. We depend on a limited number of suppliers for certain raw materials and components used in our products. Some of these suppliers could disrupt our business if they stop, decrease or delay shipments or if the materials or components they ship have quality or reliability issues. Some of the raw materials and components we use in our products are available only from a sole source or have been qualified only from a single supplier. Furthermore, other than our current suppliers, there are a limited number of entities from whom we could obtain certain materials and components. We may also face shortages if we experience increased demand for materials or components beyond what our qualified suppliers can deliver. Our inability to obtain sufficient quantities of critical materials or components could adversely affect our ability to meet demand for our products, adversely affecting our financial condition and results of operations. We typically have not entered into long-term agreements with our suppliers and, therefore, our suppliers could stop supplying materials and components to us at any time or fail to supply adequate quantities of materials or components to us on a timely basis. It is difficult, costly, time consuming and, on short notice, sometimes impossible for us to identify and qualify new suppliers. Our customers generally restrict our ability to change the components in our products. For more critical components, any changes may require repeating the entire qualification process. Our reliance on a limited number of suppliers or a single qualified vendor may result in delivery and quality problems, and reduced control over product pricing, reliability and performance. Our products could contain defects that may cause us to incur significant costs or result in a loss of customers. Our products are complex and undergo quality testing as well as formal qualification by our customers. Our customers' testing procedures are limited to evaluating our products under likely and foreseeable failure scenarios and over varying amounts of time. For various reasons, such as the occurrence of performance problems that are unforeseeable in testing or that are detected only when products age or are operated under peak stress conditions, our products may fail to perform as expected long after customer acceptance. Failures could result from faulty components or design, problems in manufacturing or other unforeseen reasons. Any such failures could delay product shipments to our customers or result in a loss of customers. Our products are typically embedded in, or deployed in conjunction with, our customers' products, which incorporate a variety of components, modules and subsystems and may be expected to interoperate with modules produced by third parties. As a result, not all defects are immediately detectable and when problems occur, it may be difficult to identify the source of the problem. We face this risk because our products are widely deployed in many demanding environments and applications worldwide. In addition, we may in certain circumstances honor warranty claims after the warranty has expired or for problems not covered by warranty to maintain customer relationships. Any significant product failure could result in litigation, damages, repair costs and lost future sales of the affected product and other products, divert the attention of our engineering personnel from our product development efforts and cause significant customer relations problems, all of which would harm our business. Although we carry product liability insurance, this insurance may not adequately cover our costs arising from defects in our products or otherwise. Epidemic diseases, such as COVID- 19, or the perception of their effects, could have a material adverse effect on our business, financial condition, results of operation, or cash flows. Outbreaks of epidemic, pandemic, or contagious diseases, such as the recent COVID- 19 or, historically, the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, or the H1N1 virus, could result in business disruptions. Business disruptions could include disruptions or restrictions on our ability to travel or to distribute our products, as well as temporary closures of our facilities or the facilities of our suppliers and their contract manufacturers. Any disruption of our suppliers and their contract manufacturers or our customers would likely impact our sales and operating results. In addition, a significant outbreak of epidemic, pandemic, or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products. Any of these events could have a material adverse effect on our business, financial condition, results of operations, or cash flows. The spread of COVID- 19 has previously impacted our supply chain operations through restrictions, reduced capacity and shutdown of business activities by suppliers whom we rely on for sourcing components and materials and third- party partners whom we rely on for manufacturing, warehousing and logistics services. Any disruption resulting from similar events on a larger scale or over a prolonged period could cause significant delays in supply of needed components, which would likely have a negative impact on our business, results of operations, and our financial condition. Our ability to use our net operating losses and certain other tax attributes may be limited. As of December 31, 2023, we had U. S. accumulated net operating loss carryforwards, or NOLs, of approximately \$ 147.3 million, federal and state research and development credits (" R & D credits ") of \$ 10.95 million, business interest expense carryforwards of \$ 20.7 million and foreign tax credits of \$ 4.6 million for U. S. federal income tax purposes. Our ability to use our net operating losses, or NOLs, to offset future taxable income may be subject to certain limitations which could subject our business to higher tax liability. We may be limited in the portion of NOL carryforwards that we can use in the future to offset taxable income for U. S. federal and state income tax purposes, and federal

tax credits to offset federal tax liabilities. Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, limit the use of NOLs and tax credits after a cumulative change in corporate ownership of more than 50 % occurs within a three- year period. The statutes place a formula limit on how much NOLs and tax credits a corporation can use in a tax year after a change in ownership. Avoiding an ownership change is generally beyond our control. Although the ownership changes we experienced in the past would not have prevented us from using all NOLs and tax credits accumulated before such ownership changes, assuming we were otherwise able to do so, we could experience another ownership change that might limit our use of NOLs and tax credits in the future. Under the Tax Cuts and Jobs Act of 2017, or Tax Act, NOLs from tax years that began after December 31, 2017 do not expire, but NOLs from tax years that began before January 1, 2018 expire after 20 years. Further, under the Tax Act, although the treatment of tax losses generated in taxable years ending before December 31, 2017 has generally not changed, tax losses generated in taxable years beginning after December 31, 2017 may offset no more than 80 % of taxable income annually. Accordingly, if we generate NOLs after the tax year ended December 31, 2017, we might have to pay more federal income taxes in a subsequent year as a result of the 80 % taxable income limitation than we would have had to pay under the law in effect before the Tax Act. Also, any foreign NOLs (for example NOLs in our China and Taiwan jurisdictions) are subject to different NOL expirations, generally shorter than in the US. **We have identified a material weakness in our internal control over financial reporting which may, if not remediated, result in material misstatements in our financial statement. Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a- 15 (f) under the Securities Exchange Act of 1934. As disclosed in Item 9A, “ Controls and Procedures,” our controls and procedures were not effective as a result of a material weakness in internal controls over financial reporting. The material weakness related to an error pertaining to operation of controls over our review of technical accounting analysis. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, our management concluded that our internal control over financial reporting and related disclosure controls and procedures were not effective. We are actively engaged in developing a remediation plan designed to address this material weakness. If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected. If we are unable to remediate the material weakness, or if we are otherwise unable to maintain effective internal control over financial reporting, our financial statements may contain material misstatements and we could be required to restate our financial results. If our financial statements are not filed on a timely basis or we are required to restate our financial results, we could be in violation of covenants contained in the agreements governing our debt and other borrowings.** Our future results of operations may be subject to volatility as a result of exposure to fluctuations in currency exchange rates. We have significant foreign currency exposure and are affected by fluctuations among the U. S. dollar, the Chinese Renminbi, or RMB, and the New Taiwan dollar, or NT dollar, because a substantial portion of our business is conducted in China and Taiwan. Our sales, raw materials, components and capital expenditures are denominated in U. S. dollars, RMB and NT dollars in varying amounts. Foreign currency fluctuations may adversely affect our revenue and our costs and expenses, and hence our results of operations. The value of the NT dollar or the RMB against the U. S. dollar and other currencies may fluctuate and be affected by, among other things, changes in political and economic conditions. The RMB currency is no longer being pegged solely to the value of the U. S. dollar. In the long term, the RMB may appreciate or depreciate significantly in value against the U. S. dollar, depending upon the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the RMB against the U. S. dollar. In addition, our currency exchange variations may be magnified by Chinese exchange control regulations that restrict our ability to convert RMB into foreign currency. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure. Future acquisitions may adversely affect our financial condition and results of operations. As part of our business strategy, we may pursue acquisitions of companies that we believe could enhance or complement our current product portfolio, augment our technology roadmap or diversify our revenue base. Acquisitions involve numerous risks, any of which could harm our business, including: - difficulties integrating the acquired business; - unanticipated costs, capital expenditures or liabilities or changes related to research in progress and product development; - diversion of financial and management resources from our existing business; - difficulties integrating the business relationships with suppliers and customers of the acquired business with our existing business relationships; - risks associated with entering markets in which we have little or no prior experience; and - potential loss of key employees, particularly those of the acquired organizations. Acquisitions may also result in the recording of goodwill and other intangible assets subject to potential impairment in the future, adversely affecting our operating results. We may not achieve the anticipated benefits of an acquisition if we fail to evaluate it properly, and we may incur costs in excess of what we anticipate. A failure to evaluate and execute an acquisition appropriately or otherwise adequately address these risks may adversely affect our financial condition and results of operations. Future divestitures may adversely affect our financial condition and results of operations. We frequently evaluate our portfolio of products and may consider divestitures or exits of businesses that we no longer believe to be an appropriate strategic fit. Divestitures may adversely impact our results if we are unable to offset the dilutive impacts from the loss of revenue associated with the divested products or businesses, or mitigate overhead costs allocated to those businesses. Furthermore, the divestitures could adversely affect our ongoing business operations, including by enhancing our competitors' positions or reducing customer confidence in our ongoing brand and products. The inability to effectively and efficiently manage divestitures

with the results we expect or in the timeframe we anticipate could adversely affect our financial condition and results of operations. Natural disasters or other catastrophic events could harm our operations. Our operations in the U. S., China and Taiwan could be subject to significant risk of natural disasters, including earthquakes, hurricanes, typhoons, flooding and tornadoes, as well as other catastrophic events, such as epidemics, cyberattacks, terrorist attacks or wars. For example, our corporate headquarters and wafer fabrication facility in Sugar Land, Texas is located near the Gulf of Mexico, an area that is susceptible to hurricanes. We use a proprietary MBE laser manufacturing process that requires customized equipment, and this process is currently conducted and located solely at our wafer fabrication facility in Sugar Land, Texas, such that a natural disaster, cyberattack, terrorist attack or other catastrophic event that affects that facility would materially harm our operations. In addition, our manufacturing facility in Taipei, Taiwan, is susceptible to typhoons and earthquakes, and our manufacturing facility in Ningbo, China, has from time to time, suffered electrical outages. Any disruption in our manufacturing facilities arising from these and other natural disasters or other catastrophic events could cause significant delays in the production or shipment of our products until we are able to shift production to different facilities or arrange for third parties to manufacture our products. We may not be able to obtain alternate capacity on favorable terms or at all. Our property insurance coverage with respect to natural disaster is limited and is subject to deductible and coverage limits. Such coverage may not be adequate or continue to be available at commercially reasonable rates and terms. The occurrence of any of these circumstances may adversely affect our financial condition and results of operation.

Our ability to retain or recruit key personnel could be adversely affected by the lack of available shares under our equity incentive plan. In addition, if this lack causes us to be unable to settle outstanding awards in shares and such awards must instead be settled in cash, such cash settlement could deplete our available cash, which could have an adverse effect on our business and financial condition. The success of our business and results of operations is dependent on our executive officers and other key personnel. Beginning in 2021, in order to improve our ability to retain and recruit such persons, as well as to better align our executive compensation program with the interests of our stockholders, we implemented a long- term incentive program under our 2021 Equity Incentive Plan (the “ 2021 Plan ”) pursuant to which we grant performance- based equity awards that vest on the achievement of specified performance goals for a specified three- year period. These performance- based awards could be earned and become payable with respect to between 0 % and 200 % of the target number of shares based on the Company’ s achievement of preset performance goals. On June 12, 2024, the Compensation Committee certified that we exceeded the maximum performance target level for each of the performance targets set for the performance awards granted in June 2021 (the “ 2021 PSUs ”). Therefore, executives holding such awards were entitled to payment of the 2021 PSUs at 200 % of the target number of shares. On June 6, 2024, at the annual meeting of stockholders, a proposal to increase the number of shares of common stock authorized for issuance under the 2021 Plan by 2, 000, 000 shares was not approved, and as a result, the Company did not have sufficient shares of common stock available for issuance under the 2021 Plan to issue all of the shares payable pursuant to the 2021 PSUs. As a result, the Company settled the excess portion of the 2021 PSUs in cash, instead of in shares, resulting in reduced cash on the balance sheet and recognition of an additional \$ 2. 8 million of stock- based compensation expense for the three months ended June 30, 2024. If the Company is not able to obtain shareholder approval for additional shares of common stock under the 2021 Plan in the future that are sufficient to permit outstanding awards to be settled in shares, the Company may have to incur additional cash expenditures to settle such awards in cash in lieu of shares. This could impair the effectiveness of our long- term incentive program and negatively affect our ability to retain or recruit key personnel, and cash settlement in lieu of shares could have an adverse effect on our future results and financial condition

Legal and Regulatory Risks We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets. We are subject to export and import control laws, trade regulations, and other trade requirements that limit which products we sell and where and to whom we sell our products. Specifically, the BIS regulates the export of most commercial items and " dual- use" goods that may have both commercial and military applications. Our products are primarily classified under Export Control Classification Numbers (ECCN) 5A991, 6A995, and EAR99. Export Control Classification requirements are dependent upon an item’ s technical characteristics and dictate the licensing requirements and permissible destination, end- use, end- users, and activities of the end- user. Should the regulations applicable to our products change, or the restrictions applicable to countries to which we ship our products change, then the export of our products to such countries could be restricted. As a result, our ability to export or sell our products to certain countries and end- users could be restricted, which could adversely affect our business, financial condition, and results of operations.

New Furthermore, new policy priorities may **modify lead to additional or our new** import risks **footprint** affecting the flow of our products into the U. S. Changes in our products or, any change in export or import regulations or related legislation, shift in approach to the enforcement or scope of existing regulations, or change in the countries, persons, or technologies targeted by such regulations, could result in delayed or decreased sales of our products to existing or potential customers. In such cases, our business and the results of operations could be adversely affected. Our business could be negatively impacted as a result of shareholder activism. In recent years, shareholder activists have become involved in numerous public companies. Shareholder activists frequently propose to involve themselves in the governance, strategic direction, and operations of the Company. We may in the future become subject to such shareholder activity and demands. Such demands may disrupt our business and divert the attention of our management and employees, and any perceived uncertainties as to our future direction resulting from such a situation could result in the loss of potential business opportunities, be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel and business partners, all of which could adversely affect our business. In addition, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. The unfavorable outcome of any pending or future litigation or administrative action and expenses incurred in

connection with litigation could result in financial losses or harm to our business. We have been, and in the future may be, subject to legal actions in the ordinary course of our operations, both domestically and internationally. ~~In addition, we are currently subject to claims in an arbitration proceeding relating to the termination of the Divestiture Agreement with Yuhua Optoelectronic Technology (Shanghai) Co., Ltd., as noted in Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.~~ There can be no assurances as to the favorable outcome of any litigation, arbitration or administrative action. In addition it can be costly to defend such matters and these costs could negatively impact our financial results. Any litigation, arbitration, or other administrative action could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Risks Related to Our Indebtedness and Future Financing Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under our indebtedness. As of December 31, 2023-2024, we had approximately \$ 114.161.92 million of consolidated indebtedness. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:- increasing our vulnerability to adverse economic and industry conditions;- limiting our ability to obtain additional financing;- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;- limiting our flexibility to plan for, or react to, changes in our business;- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of the 2026 **Notes and the 2030** Notes; and- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital. Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the 2026 Notes **and the 2030 Notes**, and our cash needs may increase in the future. In addition, our existing credit facilities in Asia ~~contain~~, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full. Our loan agreements contain restrictive covenants that may adversely affect our ability to conduct our business. We have lending arrangements with several financial institutions, including credit facilities with Shanghai Pudong Development Bank Co., Ltd ("SPD") and China Zheshang Bank Co., Ltd. ("CZB") in China. Our loan agreements governing our long- term debt obligations in Asia contain certain financial and operating covenants that limit our management's discretion with respect to certain business matters. Among other things, these covenants restrict our ability to incur additional debt, create liens or other encumbrances, change the nature of our business, sell or otherwise dispose of assets and merge or consolidate with other entities. In addition, the Indenture governing the 2026 Notes contains covenants that limit our ability and the ability of our subsidiaries to, among other things: (i) incur or guarantee additional indebtedness or issue disqualified stock; and (ii) create or incur liens. These restrictions may limit our flexibility in responding to business opportunities, competitive developments and adverse economic or industry conditions. Any failure by us or our subsidiaries to comply with these agreements could harm our business, financial condition and operating results. In addition, our obligations under our credit facilities with SPD and CZB are secured by real estate. A breach of any of **the** covenants under our loan agreements, or a failure to pay interest or indebtedness when due under any of our credit facilities could result in a variety of adverse consequences, including the acceleration of our indebtedness. We may not be able to obtain additional capital when desired, on favorable terms or at all. We operate in a market that makes our prospects difficult to evaluate and, to remain competitive, we will be required to make continued investments in capital equipment, facilities and technological improvements. We expect that substantial capital will be required to expand our manufacturing capacity and fund working capital for anticipated growth. If we do not generate sufficient cash flow from operations or otherwise have the capital resources to meet our future capital needs, we may need additional financing to implement our business strategy, which includes: - expansion of research and development; - expansion of manufacturing capabilities;- payment of any outstanding indebtedness; - hiring of additional technical, sales and other personnel; and - acquisitions of complementary businesses. If we raise additional funds through the issuance of our common stock or convertible securities, the ownership interests of our stockholders could be significantly diluted. These newly issued securities may have rights, preferences or privileges senior to those of existing stockholders. Additional financing may not, however, be available on terms favorable to us, or at all, if and when needed, and our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited. If we cannot raise required capital when needed, we may be unable to meet the demands of existing and prospective customers, adversely affecting our sales and market opportunities and consequently our business, financial condition and results of operations.

Risks Related to Data Breaches and Network Infrastructures Data breaches and cyberattacks could compromise our operations, our customers' operations, or the operations of our contract manufacturers upon whom we rely, and cause significant damage to our business and reputation. Cyberattacks have become more prevalent and much harder to detect and defend against. Companies, including companies in our industry, have been increasingly subject to a wide variety of security incidents, cyberattacks and other attempts to gain unauthorized access to their systems or to deny access and disrupt their systems and operations. These threats can come from a variety of sources, ranging in sophistication from an individual hacker to a state- sponsored attack. Cyber threats may be generic, or they may be custom- crafted against our information systems. In the ordinary course of our business, we and our data center customers maintain sensitive data on our respective networks, including intellectual property, employee personal information and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical to our business and reputation. Despite our implementation of network security measures, our network and storage applications have been subject to computer viruses, ransomware and other

forms of cyber terrorism. Also, despite our implementation of security measures, we are not able to guarantee that we can prevent unauthorized access by hackers or breaches due to operator error, malfeasance or other system disruptions. Our customers' network and storage applications may be subject to similar disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. Data breaches and any unauthorized access or disclosure of our information, employee information or intellectual property could compromise our business, trade secrets and other sensitive business information, any of which could result in legal action against us, exposure of our intellectual property to our competitors, damages, fines and other adverse effects. A data security breach could also lead to public exposure of personal information of our employees, customers and others. Any such theft, loss or misuse of personal data collected, used, stored or transferred by us to run our business could result in significantly increased security costs or costs related to defending legal claims. Cyberattacks, such as computer viruses or other forms of cyber terrorism, have disrupted access to some of our network or storage applications. In past incidents we have been able to recover quickly without material financial impact, however such disruptions in the future may result in delays or cancellations of customer orders or delays or additional costs to produce and ship our products. Data security breaches involving our data center customers could affect their financial condition and ability to continue to purchase our products. Further, cyberattacks may cause us to incur significant remediation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources. These incidents could also subject us to liability, expose us to significant expense and cause significant harm to our reputation and business. We may be subject to disruptions or failures in information technology systems and network infrastructures that could have a material adverse effect on our business and financial condition. We rely on the efficient and uninterrupted operation of complex information technology systems and network infrastructures to operate our business. A disruption, infiltration or failure of our information technology systems as a result of software or hardware malfunctions, system implementations or upgrades, computer viruses, third-party security breaches, employee error, theft or misuse, malfeasance, power disruptions, natural disasters or accidents could cause a breach of data security, loss of intellectual property and critical data and the release and misappropriation of sensitive competitive information and partner, customer, and employee personal data. Any of these events could harm our competitive position, result in a loss of customer confidence, cause us to incur significant costs to remedy any damages and ultimately materially adversely affect our business and financial condition. **To manage our growth and our increasingly complex business operations, we will need to upgrade our operational and financial systems and procedures, which requires management time and may result in significant additional expense. For example, we will be upgrading our enterprise resource planning system in fiscal 2025 in order to accommodate our expanding operations. We cannot be certain that we will institute, in a timely or efficient manner or at all, the improvements to our managerial, operational and financial systems and procedures necessary to support our anticipated increased levels of operations. Problems associated with, or disruptions resulting from, any improvement or expansion of our operational and financial systems could adversely affect our relationships with our suppliers, manufacturers, resellers and customers, inhibit our ability to expand or take advantage of market opportunities, cause harm to our reputation, result in errors in our financial and other reporting, and affect our ability to maintain an effective internal control environment and meet our external reporting obligations, any of which could harm our business and operating results and affect our stock price.** Risks Related to International Trade and Operations Changes in U. S. and international trade policies, particularly regarding China, may materially and adversely impact our business and operating results. The U. S. government has made statements and taken certain actions that have led and may lead to further changes to U. S. and international trade policies, including imposing additional tariffs on certain products manufactured **in-abroad, with a specific focus on** China. Since the beginning of 2018, ~~there has been~~ increasing rhetoric ~~in some cases~~ coupled with legislative, administrative, or executive action, from several U. S. and foreign leaders ~~regarding~~ **has led to** the possibility **imposition** of ~~instituting increased~~ tariffs on foreign imports of certain materials **and products**. Five rounds of U. S. tariffs on imports from China (respectively the "U. S. Tariffs on China Imports") went into effect on July 2018, August 2018, September 2018, September 2019, and February 2020. ~~A limited number of our~~ **In 2025, following an Executive order, all Chinese-origin** products ~~that are of~~ **became subject to additional U. S. tariffs. The** Chinese origin are currently subject to **government has, in turn, issued reciprocal tariffs on** U. S. goods ~~Tariffs on China Imports~~. ~~Despite~~ **Due to** rapid changes to U. S. import laws and applicable duties ~~the U. S. Tariffs on Chinese Imports remain in place, and~~ the Company faces a variety of import-related risk. Because of the political nature of ~~many actions~~ **U. S. trade policy**, it is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, **the duration of any existing punitive tariffs**, or the effect ~~that any such actions would have~~ **of U. S. trade policy** on us or our industry. A significant portion of our manufacturing operations are based in Ningbo, China; therefore, there could be material adverse effects on our business, financial condition, and / or cash flow if any new tariffs, legislation, **and/or** regulations, **or executive orders** are implemented, or if existing trade agreements are renegotiated or if China or other affected countries take further retaliatory trade actions. Furthermore, the implementation of ~~trade~~ tariffs both globally and between the U. S. and China specifically carries the risk of negatively impacting China's overall economic condition, which could negatively affect our business. Bilateral tariffs could cause a decrease in the sales of our products to customers located in China or other customers selling to Chinese end users. The Company's ability to export U. S.-made products is primarily subject to the **jurisdiction** ~~regulatory supervision~~ of the Bureau of Industry and Security (BIS) of the U. S. Department of Commerce. Because the Company's focus on telecommunications products is a priority trade issue for BIS, the Company actively monitors licensing and export policy for our products. Significant changes to existing international trade agreements could also lead to sourcing or logistics disruption resulting from import delays or the imposition of increased tariffs on our sourcing partners. For example, the Chinese government could require the use of local suppliers, compel companies that do business in China to partner with local companies, and otherwise provide additional government incentives or subsidies to government-backed local customers to buy from local suppliers. Changes in and responses to U. S. trade policy could reduce

the competitiveness of our products and thus cause our sales and revenues to drop, which could materially and adversely impact our business and operations. We face a variety of risks associated with our international sales and operations. We currently derive and expect to continue to derive, a significant portion of our revenue from sales to international customers. In **2024**, **2023**, **and 2022** **and 2021**, **18.3 %**, **27.7 %**, **and 18.5 %**, **and 22.7 %** of our revenue, respectively, was derived from sales outside of North America. In addition, a significant portion of our manufacturing operations are based in Ningbo, China, and Taipei, Taiwan. Trade-related government actions by the U. S., China or other countries that impose barriers or restrictions that would impact our ability to sell or ship products to customers or potential customers may have a negative impact on our financial condition and operations. We cannot predict the actions government entities may take in this context and we may be unable to quickly or effectively react to government actions that restrict our ability to sell to certain customers or those in certain jurisdictions. Government actions that affect our customers' ability to sell products or access critical elements of their supply chains may result in a decreased demand for their products, which may consequently reduce their demand for our products. Our international revenue and operations are subject to several material risks, including:- difficulties in staffing, managing and supporting operations in more than one country; - difficulties in enforcing agreements and collecting receivables through foreign legal systems; - fewer legal protections for intellectual property in foreign jurisdictions; - foreign and U. S. taxation issues and international trade barriers, including the adoption or expansion of governmental trade tariffs, export controls, and fluctuating changes to end- use and end- user rules; - difficulties in obtaining any necessary governmental authorizations for the export of our products to certain foreign jurisdictions; - fluctuations in foreign economies including the impact of recessionary environments and inflation in the United States and other economies where we do business; - fluctuations in the value of foreign currencies and interest rates, including the impact of recessionary environments and inflation in the United States and other economies where we do business; - trade and travel restrictions; - domestic and international economic or political changes, hostilities and other disruptions in regions where we currently operate or may operate in the future; - difficulties and increased expenses in complying with a variety of U. S. and foreign laws, regulations, and trade standards, including **modifications of the U. S. import regime**, the Foreign Corrupt Practices Act and various modifications by the BIS to export policy; and - different and changing legal and regulatory requirements in the jurisdictions we currently operate or may operate in the future. Negative developments in any of these factors in China, Taiwan, **the U. S.**, or other countries could result in a reduction in demand for our products, the cancellation or delay of orders already placed, difficulties in producing and delivering our products, threats to our intellectual property, difficulty in collecting receivables, and a higher cost of doing business. Although we maintain compliance programs throughout the Company, violations of U. S. and foreign laws and regulations may result in criminal or civil sanctions, including material monetary fines, penalties and other costs against us or our employees, and may have a material adverse effect on our business. Our business operations conducted in China and Taiwan are important to our success. A substantial portion of our property, plants, and equipment is located in China and Taiwan. We expect to make further investments in Asia in the future. Therefore, our business, financial condition, results of operations and prospects are subject to economic, political, legal, and social events and developments in Asia. Factors affecting military, political or economic conditions between China and Taiwan could have a material adverse effect on our financial condition and results of operations, as well as the market price and the liquidity of our common shares. Risks Related to Our Operations in China Our business operations conducted in China are critical to our success. A total of \$ **111.8 million**, \$ **43.3 million**, **and** \$ **51.3 million**, **and** \$ **97.7 million** or **44.8 %**, **19.9 %**, **and** **23.0 %**, **and** **46.2 %** of our revenue in the years ended December 31, **2024**, **2023**, **and** **2022** **and 2021** was attributable to our product manufactured at our plant in China, respectively. Additionally, a substantial portion of our property, plant and equipment, **46.9 %**, **43.0 %**, **and** **42.2 %**, **and** **42.2 %** as of December 31, **2024**, **2023**, **and** **2022** **and 2021**, was located in China, respectively. We expect to make further investments in China in the foreseeable future. Therefore, our business, financial condition, results of operations and prospects are to a significant degree subject to economic, political, legal, and social events and developments in China. Adverse changes in economic and political policies in China, or Chinese laws or regulations could have a material adverse effect on business conditions and the overall economic growth of China, which could adversely affect our business. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Despite reforms, the government continues to exercise significant control over China's economic growth by way of the allocation of resources, control over foreign currency- denominated obligations and monetary policy and provision of preferential treatment to particular industries or companies. In addition, the laws, regulations and legal requirements in China, including the laws that apply to foreign- invested enterprises, or FIEs, are subject to frequent changes. The interpretation and enforcement of such laws is uncertain. Protections of intellectual property rights and confidentiality in China may not be as effective as in the U. S. or other countries or regions with more developed legal systems. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Any adverse changes to these laws, regulations and legal requirements or their interpretation or enforcement could have a material adverse effect on our business. Furthermore, while China's economy has experienced rapid growth in the past **20-30** years, growth has been uneven across different regions, among various economic sectors and over time. China has also in the past and may in the future experience economic downturns due to, for example, government austerity measures, changes in government policies relating to capital spending, limitations placed on the ability of commercial banks to make loans, reduced levels of exports and international trade, inflation, lack of financial liquidity, stock market volatility and global economic conditions. Any of these developments could contribute to a decline in business and consumer spending in addition to other adverse market conditions, which could adversely affect our business. The turnover of direct labor in manufacturing industries in China is high, which could adversely affect our production, shipments and results of operations. Employee turnover of direct labor in the manufacturing sector in China is extremely high and retention of such personnel is a challenge to companies located in or with operations in

China. Although direct labor costs do not represent a high proportion of our overall manufacturing costs, direct labor is required for the manufacture of our products. If our direct labor turnover rates are higher than we expect, or we otherwise fail to adequately manage our direct labor turnover rates, then our results of operations could be adversely affected. Chinese regulation of loans to and direct investment by offshore holding companies in China entities may delay or prevent us from making loans or additional capital contributions to our China subsidiary. Any loans that we wish to make to our China subsidiary are subject to Chinese regulations and approvals. For example, any loans to our China subsidiary to finance their activities cannot exceed statutory limits, must be registered with State Administration of Foreign Exchange, or SAFE, or its local counterpart, and must be approved by the relevant government authorities. Any capital contributions to our China subsidiary must be approved by the Ministry of Commerce or its local counterpart. In addition, under Circular 142, our China subsidiary, as a FIE, may not be able to convert our capital contributions to them into RMB for equity investments or acquisitions in China. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our China subsidiary. If we fail to receive such registrations or approvals, our ability to capitalize our China subsidiary may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business. Our China subsidiary is subject to Chinese labor laws and regulations, and Chinese labor laws may increase our operating costs in China. Chinese labor laws and regulations provide certain protections for our employees located in China, and changes to those labor laws and regulations may increase our costs and reduce our flexibility. The China Labor Contract Law, which went into effect in 2008, together with its implementing rules, provides increased rights to Chinese employees compared to prior employment laws in China. Under the rules under the China Labor Contract Law, the probation period varies depending on contract terms and the employment contract can only be terminated during the probation period for cause upon three days' notice. Additionally, an employer may not be able to terminate a contract during the probation period on the grounds of a material change of circumstances or a mass layoff. The law also has specific provisions on conditions when an employer has to sign an employment contract with open-ended terms. If an employer fails to enter into an open-ended contract in certain circumstances, the employer must pay the employee twice their monthly wage beginning from the time the employer should have executed an open-ended contract. Additionally, an employer must pay severance for nearly all terminations, including when an employer decides not to renew a fixed-term contract. Any further changes to these laws may increase our costs and reduce our flexibility.

~~24Risks Related to Our Divestiture in the PRC The termination of our proposed sale of our China manufacturing facilities and claims asserted by the intended purchaser could materially adversely affect our business, financial condition, and results of operations. On September 15, 2022, AOI and Prime World International Holdings Ltd. (the "Seller") entered into a definitive agreement (the "Purchase Agreement") with Yuhao Optoelectronic Technology (Shanghai) Co., Ltd. (the "Purchaser") pursuant to which the Seller would divest its manufacturing facilities located in the People's Republic of China and certain assets related to its transceiver business and multichannel optical sub-assembly products for the internet data center, FTTN and telecom markets. On September 12, 2023, we delivered a notice of termination to the Purchaser to terminate the Purchase Agreement as a result of the Purchaser's failure to satisfy certain of its material obligations under the Purchase Agreement. In doing so, we also asserted the right to recover a break-up fee from the Purchaser. On December 22, 2023, the Purchaser filed for arbitration in Hong Kong with the Hong Kong International Arbitration Centre disputing the validity of our termination notice and seeking specific performance with respect to the transaction contemplated by the Purchase Agreement, which would in any case remain subject to regulatory approvals. A hearing has not been set for the arbitration and we are not able to predict the outcome of this dispute with certainty at this time. However, any costs, damages or other losses we might incur in connection with the arbitration, as well as any injunction or other equitable remedy we may be subject to, could adversely affect our operations and financial conditions, divert management's attention and seriously harm our business.~~

Risks Related to Intellectual Property Matters If we fail to protect, or incur significant costs in defending, our intellectual property and other proprietary rights, our business and results of operations could be materially harmed. Our success depends on our ability to protect our intellectual property and other proprietary rights. We rely on a combination of patent, trademark, copyright, trade secret and unfair competition laws, as well as license agreements and other contractual provisions, to establish and protect our intellectual property and other proprietary rights. We have applied for patents in the U. S. and in other foreign countries, some of which have been issued. In addition, we have registered certain trademarks in the U. S. We cannot guarantee that our pending applications will be approved by the applicable governmental authorities. Moreover, our existing and future patents and trademarks may not be sufficiently broad to protect our proprietary rights or may be held invalid or unenforceable in court. A failure to obtain patents or trademark registrations or a successful challenge to our patents and trademark registrations in the U. S. or other foreign countries may limit our ability to protect the intellectual property rights that these patent and trademark registrations intended to cover. Policing unauthorized use of our technology is difficult and we cannot be certain that the steps we have taken will prevent the misappropriation, unauthorized use or other infringement of our intellectual property rights. Further, we may not be able to effectively protect our intellectual property rights from misappropriation or other infringement in foreign countries where we have not applied for patent protections and where effective patent, trademark, trade secret and other intellectual property laws may be unavailable, or may not protect our proprietary rights as fully as U. S. law. We may seek to secure comparable intellectual property protections in other countries. However, the level of protection afforded by patent and other laws in other countries may not be comparable to that afforded in the U. S. We also attempt to protect our intellectual property, including our trade secrets and know-how, through the use of trade secret and other intellectual property laws, and contractual provisions. We enter into confidentiality and invention assignment agreements with our employees and independent consultants. We also use non-disclosure agreements with other third parties who may have access to our proprietary technologies and information. Such measures, however, provide only limited protection, and there can be no assurance that our confidentiality and non-disclosure agreements will not be breached, especially after our employees end their employment, and that our trade secrets will not otherwise become known by competitors or that we will have adequate remedies in the event of

unauthorized use or disclosure of proprietary information. Unauthorized third parties may try to copy or reverse engineer our products or portions of our products, otherwise obtain and use our intellectual property, or may independently develop similar or equivalent trade secrets or know-how. If we fail to protect our intellectual property and other proprietary rights, or if such intellectual property and proprietary rights are infringed, misappropriated or duplicated, our business, results of operations or financial condition could be materially harmed. In the future, we may need to take legal actions to prevent third parties from infringing upon or misappropriating our intellectual property or from otherwise gaining access to our technology. Protecting and enforcing our intellectual property rights and determining their validity and scope could result in significant litigation costs and require significant time and attention from our technical and management personnel, which could significantly harm our business. We may not prevail in such proceedings, and an adverse outcome may adversely impact our competitive advantage or otherwise harm our financial condition and our business. We may be involved in intellectual property disputes in the future, which could divert management's attention, cause us to incur significant costs and prevent us from selling or using the challenged technology. Participants in the markets in which we sell our products have experienced frequent litigation regarding patent and other intellectual property rights. While we have a policy in place that is designed to reduce the risk of infringement of intellectual property rights of others and we have conducted a limited review of other companies' relevant patents, there can be no assurance that third parties will not assert infringement claims against us. We cannot be certain that our products would not be found infringing on the intellectual property rights of others. Regardless of their merit, responding to such claims can be time consuming, divert management's attention and resources and may cause us to incur significant expenses. Intellectual property claims against us could force us to do one or more of the following: - obtain from a third party claiming infringement a license to the relevant technology, which may not be available on reasonable terms, or at all; - stop manufacturing, selling, incorporating or using our products that use the challenged intellectual property; - pay substantial monetary damages; or - expend significant resources to redesign the products that use the technology and to develop non-infringing technology. Any of these actions could result in a substantial reduction in our revenue and could result in losses over an extended period of time. In any potential intellectual property dispute, our customers could also become the target of litigation. Because we often indemnify our customers for intellectual property claims made against them with respect to our products, any claims against our customers could trigger indemnification claims against us. These obligations could result in substantial expenses such as legal expenses, damages for past infringement or royalties for future use. Any indemnity claim could also adversely affect our relationships with our customers and result in substantial costs to us.

Risks Related to Our Common Stock Our stock price has been and is likely to be volatile. The market price of our common stock has been and is likely to be subject to wide fluctuations in response to, among other things, the risk factors described in this section of this Form 10-K, and other factors beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us. For example, announcements made by competitors regarding factors influencing their business may cause fluctuations in the valuation of companies throughout our industry, including fluctuations in the valuation of our stock. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We have been and may become the target of this type of litigation in the future. Our charter documents, stock incentive plans and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock. Our amended and restated certificate of incorporation and our amended and restated bylaws and our stock incentive plans contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include: - providing for a classified board of directors with staggered, three-year terms; - not providing for cumulative voting in the election of directors; - authorizing our board of directors to issue, without stockholder approval, preferred stock rights senior to those of common stock; - prohibiting stockholder action by written consent; - limiting the persons who may call special meetings of stockholders; - requiring advance notification of stockholder nominations and proposals; and - change of control provisions in our stock incentive plans, and the individual stock option agreements, which provide that a change of control may accelerate the vesting of the stock options and equity awards issued under such plans. In addition, we are governed by the provisions of Section 203 of the Delaware General Corporate Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding common stock, from engaging in certain business combinations without the approval of substantially all of our stockholders for a certain period of time. These and other provisions in our amended and restated certificate of incorporation, our amended and restated bylaws and under Delaware law could discourage potential takeover attempts, reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price being lower than it would be without these provisions. Our Amended and Restated Certificate of Incorporation includes a forum selection clause, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. Our Amended and Restated Certificate of Incorporation provides that, unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Company's Amended and Restated Certificate of Incorporation or By-laws, or (iv) any action asserting a claim against the Company governed by the internal affairs doctrine. This exclusive forum provision will not apply to claims under the Securities Exchange Act of 1934 but will apply to other state and federal law claims including actions arising under the Securities Act of 1933 (although our

stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder). Section 22 of the Securities Act of 1933, however, creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act of 1933 or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act of 1933. This forum selection provision in our Amended and Restated Certificate of Incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. It is also possible that a court could rule that such a provision is inapplicable or unenforceable. Item 1B. Unresolved Staff Comments