Risk Factors Comparison 2024-02-13 to 2023-02-14 Form: 10-K

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You should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10- K, which could materially affect our business, financial condition, results of operations and prospects. The risks described below are not the only risks facing us. Risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially affect our business, financial condition, results of operations and prospects. Risk Factors Summary Our business is subject to numerous risks and uncertainties ~~, including those highlighted in Part I, Item 1A titled " Risk Factors~~ . ~~"~~ These risks include, but are not limited to, the following: Risks Related to Our Business and Industry ~~• shipment delays could cause revenue to fall; • some key components in our products come from sole or limited sources of supply and increases the risk of supply shortages, delays, extended lead times or costs, particularly in an industry-wide supply constrained environment;~~ • large purchases by a limited number of customers represent a substantial portion of our revenue; • adverse economic ~~and geopolitical~~ conditions ~~and~~ **, continuing uncertain economic conditions or** reduced information technology and network infrastructure spending may adversely affect our business; • **some key components in our products come from sole or limited sources of supply and increases the risk of supply shortages, extended lead times or supply changes; •** our revenue and revenue growth **rates are volatile and** may decline **or not meet our or our investor' s expectations** ; • our results of operations may vary significantly from period to period **and can be unpredictable** ; • the networking market is rapidly evolving; • failure to successfully ~~pursue~~ **carry out** new products and ~~services~~ - **service offerings** and expand into adjacent markets could adversely ~~affect~~ **impact** our business; • **we expect** our gross margins **to** vary **over time** and may be adversely affected by **numerous factors** ~~an increase in costs~~ ; • we face intense competition and industry consolidation; • we are subject to risks associated with **the expansion of our** international sales and operations; • we face risks associated with the **investments in and** ~~acquisition~~ **acquisitions** ~~and integration~~ of complementary companies, products or technologies; • ~~seasonal~~ **seasonality and industry cyclicality may cause** fluctuations ~~impact~~ **in our** revenue; • fluctuations in currency exchange rates could adversely affect our business; • failure to raise **additional** ~~any needed~~ capital on favorable terms could harm our business. Risks Related to Customers and Sales • **inability** ~~if we are unable~~ to attract new large customers or sell additional products and services to our existing customers ~~,~~ **could adversely affect** our revenue growth ~~will be adversely affected~~ ; • sales of our switches generate most of our product revenue; • ~~some~~ large customers require more favorable terms; • **inability** ~~if we are unable~~ to increase market awareness ~~of our~~ - **or acceptance of our new** products ~~,~~ **and services may adversely affect** our revenue ~~may not continue to grow or may decline~~ ; • sales prices of our products and services may decrease; • sales ~~cycle~~ **cycles** can be long and unpredictable; • inability to offer high quality support and services could adversely affect our business; • declines in maintenance renewals by customers could harm our business; • indemnification provisions under **our standard** sales contracts could expose us to losses; • we rely on distributors, systems integrators and **value- added** resellers to sell our products; • sales to government entities are subject to a number of **challenges and** risks ~~and challenges~~ ; • we are exposed to **the** credit risk of **our** channel partners and **some of our end** customers. Risks Related to Products and Services • product quality problems, defects, errors or vulnerabilities could harm our business; • failure to anticipate technological shifts could harm our business; • our products must interoperate with operating systems, software **applications** and hardware **that is** developed by others. Risks Related to Supply Chain and Manufacturing • managing the supply of our products and product components is complex; • we depend on third- party manufacturers to build our products; • future sales forecasts may be materially inaccurate which could result in incorrect levels of inventory and purchase commitments **; • shipment interruptions or delays could cause our revenue to fall** . Risks Related to Intellectual Property and Other Proprietary Rights • assertions by third parties of intellectual property **rights** infringement **, misappropriation or other violation** could harm our business; • failure to protect **or assert** our intellectual property rights could harm our competitive position; • we rely on the availability of licenses to third- party software and other intellectual property; • failure to comply with **licenses to** ~~open- source~~ software ~~licenses~~ **and other technology** could restrict our ability to sell our products; • risk that our competitors could develop products that are similar to or better than ours because we provide access to our software and selected source code to certain partners ~~, which creates additional risks~~ . Risks Related to Litigation • we may become involved in litigation that may materially adversely affect us. Risks Related to Cybersecurity and Data Privacy • defects, errors or vulnerabilities in our ~~security network~~ products, failure of our products to detect security breaches or incidents, misuse of our products or risks of product liability could harm our business; • breaches of our cybersecurity systems or other security breaches could ~~harm~~ **degrade our ability to conduct** our business **operations** and **deliver products and services to our customers, cause vulnerabilities in our products and services** ~~our~~ - **or subject us to** ~~products and result in~~ regulatory **enforcement actions and or** fines ~~, required changes to our~~ - **or** ~~data handling processes, and liability~~ **liabilities** for damages ~~to affected data subjects~~ **incurred by our customers or partners** . Risks Related to Accounting, Compliance, Regulation and Tax • failure to maintain effective internal control over financial reporting could adversely affect **the accuracy and timing of** our financial reporting; • if our critical accounting ~~estimates~~ **policies** are based on incorrect assumptions, our results of operations could fall below analyst and investor expectations and result in a decline in the market price of our common stock; • enhanced U. S. tax, tariff, import / export restrictions **, Chinese regulations** or other trade barriers may negatively affect our business; • changes in our **income taxes,** effective tax rate or new tax laws could adversely affect our results; • failure to comply with government laws and regulations could harm our business; • **issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations; •** we are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability for violations. • failure to comply with anti- bribery and anti- corruption laws and anti- money laundering laws, and similar laws, could subject us to penalties and other adverse consequences. Risks Related to Ownership of Our Common Stock • the trading price of our common stock ~~is~~ **has been and may continue to be** volatile and the value of your investment could decline; • any ~~reduction~~ **future decisions to reduce** or ~~discontinuance~~ --- **discontinue** ~~of~~ **repurchasing our common stock pursuant to** our stock repurchase programs could cause the market price of our common stock to decline; • sales of substantial amounts of our common stock could reduce the market price of our common stock; • insiders have substantial control over us; • our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment. General Risks • **inability** ~~if we are unable~~ to hire, retain ~~and~~ **,** train **and motivate qualified** personnel and senior management ~~,~~ **could cause** our business ~~could~~ **to** suffer; • **earthquakes** ~~natural disasters~~ , ~~terrorism~~ **fire, power outages, floods, health epidemics** and other catastrophic events could harm our business; • we have not paid dividends **in the past** and do not intend to pay dividends for the foreseeable future. ~~Interruptions~~ **We expect large purchases by a limited number of customers to continue to represent a substantial portion of** ~~or~~ **our revenue, and any loss,** ~~delays~~ - **delay, decline or other change** in ~~shipments~~ **expected purchases** could ~~cause~~ **result in material quarter- to- quarter fluctuations of** our revenue for the applicable period to fall below...... with our customers, reduce future sales or otherwise adversely affect our ~~- to- quarter fluctuations of our revenue or otherwise adversely affect our~~ results of operations.Historically,large purchases by a relatively limited number of ~~end~~ customers have accounted for a significant portion of our revenue.We have experienced unpredictability in the timing of orders from these large ~~end~~ customers primarily due to **the time it takes these customers to evaluate,test,qualify and accept our products,the overall complexity of these large orders and** changes in demand patterns specific to these customers, **including reductions in** ~~the time it takes these end customers to evaluate,test,qualify and accept our~~ - **or** ~~products,and~~ **changes in mix of capital expenditures by** ~~the~~ **these customers and** ~~overall complexity of these~~ -- **the** ~~large orders~~ **impact of cost reduction and other efficiency efforts by these customers** .For example,sales to our end customers Microsoft and Meta Platforms in fiscal **2023 and** 2022 collectively represented **39 % and** 42 % of our total revenue, **respectively,** whereas sales to ~~our end customer~~ Microsoft in fiscal ~~2020 and~~ 2021 amounted to ~~22 % and~~ 15 % of our ~~revenues~~ - **revenue and sales to** ~~,respectively,with our end customer~~ Meta Platforms **in fiscal 2021** ~~representing~~ **represented** less than 10 % of our ~~revenues~~ - **revenue** ~~in both fiscal 2020 and 2021~~ .This variability in customer concentration has been linked to the timing of new product deployments **,** and spending cycles with these customers,and we expect continued variability in our customer concentration and timing of sales on a quarterly and annual basis.In addition,we typically provide pricing discounts to large ~~end~~ customers,which **reduces gross** ~~may result in lower~~ margins for the period in which such sales occur.As a consequence of the concentrated nature of our customer base and their purchasing behavior,our quarterly revenue and results of operations have fluctuated from quarter to quarter and are difficult to estimate.Changes in the business **requirements or focus, upgrade cycles, vendor selection, project prioritization, manner in which spending allocations are assigned among multiple vendors based upon specific network roles or projects, financial prospects, lack of growth of our large customers, capital resources and expenditures or purchasing behavior and deceleration in spending of these customers could significantly decrease our sales to such customers or could lead to delays, reductions or cancellations of planned purchases of our products or services. In addition, an increased focus on the deployment of AI enabled solutions by these customers has accelerated the need for advanced technology offerings including some offerings from potential new market entrants. This prioritization of AI related infrastructure investment has come in conjunction with the announcement of various cost reduction measures by such customers, including optimization and increased efficiency in non- AI related capital expenditures. In some instances, such measures have had, and may continue to have, an impact on certain current or future projects and have reduced our visibility to customer demand, increased our risk of excess and obsolescence charges on existing products, and may result in reductions in future demand and negatively impact our revenue** , financial condition, **business or** ~~projects,financial~~ prospects ~~,lack of growth of our customers,capital resources and expenditures or purchasing behavior and deceleration in spending of our key end customers could significantly decrease our sales to such end customers or could lead to delays,reductions or cancellations of planned purchases of our products or services~~ .Moreover,because our sales are based primarily on purchase orders,our customers may cancel,delay,reduce or otherwise modify their purchase commitments with little or no notice to us.For example,due to manufacturing and supply chain disruptions ~~and~~ **resulting in** increased ~~product~~ lead times, ~~end~~ customers ~~may be~~ **had placed orders based on longer** ~~placing~~ **planning horizons** ~~orders in advance of demand to ensure supply~~ . ~~End~~ **These** customers may decide to delay or cancel such orders for any reason **,** including **changes in their IT investment priorities,** if economic conditions worsen **or their financial performance,condition or prospects deteriorate** .This limited visibility regarding our ~~end~~ customers' product **needs or changes in those** needs,the timing and quantity of which could vary significantly,requires us to rely on estimated demand forecasts to determine how much material to purchase and product to manufacture.Our failure to accurately forecast demand **combined with extended supplier lead times on some newer technologies,** can lead to product shortages which could lead to delays in fulfilling current and future purchase orders that can impede production by our customers and harm our customer relationships. ~~And~~ **Further** , ~~in~~ **if we are unable to reduce our lead times,customers may also cancel existing orders or reduce future orders.In** the event of any cancellations or reductions of orders,or any reductions in future demand,we may not have enough time to reduce operating expenses to mitigate the effect of the lost revenue on our business,and in addition,could incur increased excess and obsolete inventory **- related** charges,all of which could materially affect our operating results ~~of operations and prospects and result in~~ **. We may be unable to sustain or increase our revenue from our large customers, grow revenue with new or other existing customers at the rate we anticipate or at all, or offset** a decline ~~in~~ **or discontinuation of concentrated purchases by our larger customers with purchases by new or existing customers. These customers could reduce** ~~the~~ **their spending levels or otherwise could choose to divert all or a portion of their business with us to one of our competitors, re- assign spending allocations,**

increase their adoption of" white box" solutions and open- source network operating systems, demand pricing concessions for our services, or require us to provide enhanced services that increase our costs. Moreover, the AI market ~~assign spending allocations,increase~~ **is new and customers continue to evaluate** their **opportunity in this market** ~~adoption of" white box" solutions and open source network operating systems~~ , **and the potential** demand ~~pricing concessions~~ for **AI Ethernet switches may not develop as anticipated** ~~our~~ - **or at all** ~~services,require us to provide enhanced services that increase our costs,or reduce their spending levels~~ .If these factors ~~drove~~ **drive** some of our large customers to cancel all or a portion of their business relationships with us,the growth in our business and the ability to meet our current and long- term financial forecasts may be materially impacted.We expect that such concentrated purchases will continue to contribute materially to our revenue for the foreseeable future and that our results of operations may fluctuate materially as a result of such larger ~~end~~ customers' buying patterns.In addition,we may see consolidation of our customer base,such as among Internet companies and cloud service providers,which could result in **the** loss of ~~end~~ customers.The loss of such ~~end~~ customers,or a significant delay or reduction in their purchases,including reductions or delays due to customer departures from recent buying patterns,or an unfavorable change in competitive conditions could materially harm our business,financial condition,results of operations and prospects.Adverse economic conditions,continuing uncertain economic conditions or reduced information technology and network infrastructure spending may adversely affect our business,financial condition,results of operations and prospects.Our business depends on the overall demand for information technology,network connectivity and access to data and applications.Weak domestic or global economic conditions and continuing economic uncertainty,fear or anticipation of such conditions,a recession,international trade disputes,global pandemics such as the COVID- 19 pandemic,or a reduction in information technology and network infrastructure spending **or a deterioration of the financial performance,condition or prospects of our customers** even if economic conditions improve,could adversely affect our business,financial condition,results of operations and prospects in a number of ways,including longer sales cycles, **reduced demand or** lower ~~prices price~~ **prices** ~~of~~ **for our products and services, higher default rates among our channel partners, reduced unit sales and lower** ~~our~~ - **or** ~~common stock~~ **no growth. While all our markets may be adversely affected by negative macroeconomic conditions, the impact may be particularly significant in our enterprise market where we are seeking to increase our penetration into this market. In addition, the global macroeconomic environment has been negatively affected by, among other things, the uncertainty in the global banking and financial services markets, epidemics, instability in global economic markets, increased U. S. trade tariffs and trade disputes between the U. S., China and other countries, inflationary pressures, higher interest rates, instability in the global credit markets, the impact and uncertainty regarding global central bank monetary policy, instability in the geopolitical environment, the Russia- Ukraine and Israel- Hamas conflicts, the Houthi attacks on marine vessels in the Red Sea, political tensions between Taiwan and China, political demonstrations, and foreign governmental debt concerns which have caused, and are likely to continue to cause, uncertainty and instability in local economies and in global financial markets. A government shutdown or a default by the U. S. government on its debt obligations, or related credit- rating downgrades could also have adverse effects on the broader global economy and contribute to, or worsen, an economic recession. We believe that any extended or renewed economic disruptions or deterioration in the global economy could have an adverse impact to our liquidity or to our current and projected business operations, financial condition or results of operations. For example, if banks or other financial institutions with whom we have banking relationships or whose corporate bonds are held in our marketable securities investment portfolio, enter receivership or become insolvent in the future, we may be unable to access, and we may lose some of our existing cash, cash equivalents and investments to the extent those funds are not insured or otherwise protected by the FDIC. In addition, in such circumstances we might not be able to timely pay key vendors and others. We regularly maintain cash balances that are not insured or are in excess of the FDIC' s insurance limit. Any delay in our ability to access our cash, cash equivalents and investments (or the loss of such funds) or to timely pay key vendors and others could have a material adverse effect on our operations and cause us to need to seek additional capital sooner than planned. In addition, business disruptions and supply chain and manufacturing disruptions may result in customers delaying or canceling or reprioritizing capital expenditures on information technology and network infrastructure, which may affect the overall demand for our products. Customers may also be placing orders based on longer planning horizons to ensure supply. We also believe that our customers continue to assess the impact of these macroeconomic factors on their businesses and future investment plans, resulting in business uncertainty and a more constrained approach to forecasts and orders. Continuing or worsening economic instability or the deterioration of the financial performance, condition or prospects of our customers could result in a cancellation of, or defaults in the payments for, such orders or otherwise adversely affect spending for IT, network infrastructure, systems and tools, and limit our ability to forecast future demand for our products, which could reduce expected revenue or result in a write- down of excess or obsolete inventory. A downturn or a recession may also significantly affect financing markets, the availability of capital and the terms and conditions of any financing arrangements, including the overall cost of financing as well as the financial health or creditworthiness of our customers. Circumstances may arise in which we need, or desire, to raise additional capital, and such capital may not be available on commercially reasonable terms, or at all** . Because some of the **key** components in our products come from sole or limited sources of supply, we have ~~increased our~~ **entered into significant** purchase commitments and are susceptible to supply shortages, extended lead times or supply changes, which could disrupt or delay our scheduled product deliveries to our ~~end~~ customers and may result in the loss of sales and ~~end~~ customers. Our products rely on components, including merchant silicon chips, integrated circuit components, printed circuit boards, connectors, custom- tooled sheet metal and power supplies that we purchase **,** or our contract manufacturers purchase on our behalf from a limited number of suppliers, including certain sole source providers. Generally, we do not have guaranteed supply contracts with our component suppliers, and our suppliers have suffered and could continue to suffer shortages, **require** longer lead times, delay shipments, prioritize shipments to other vendors, decommit orders, increase prices **, impose expedite fees** or cease manufacturing such products or selling them to us at any time. Supply of these components worldwide ~~have been~~ **was and could continue to be** adversely affected by **supply constraints,** ~~the COVID- 19 pandemic~~ as well as industry consolidation and geopolitical conditions such as international trade wars like the U. S. trade war with China, **the** Russia- Ukraine conflict **, Israel-Hamas conflict, the Houthi attacks on marine vessels in the Red Sea,** and increased political tensions in Russia, Europe or Asia. Such shortages, increased component lead times, reduced allocations of components and decommitments of orders have resulted in and may continue to result in increased component prices, fewer sourcing options, unpredictability of supply, prolonged manufacturing disruptions and increased product lead times, which has **impacted** and may continue to adversely impact our revenue and gross margins. **Although** ~~In the past,~~ we have **entered into significant** ~~also experienced shortages in inventory for dynamic random access memory integrated circuits, semiconductors and delayed releases of the next generation of chipset, which delayed our production and / or the release of our new products. Although we have increased our~~ purchase commitments to support long- term customer demand, if we are unable to obtain sufficient quantities of any of these components on commercially reasonable terms or in a timely manner, or if we are unable to obtain alternative sources for these components, shipments of our products could be delayed or halted entirely **,** or we may be required to redesign our products. Any of these events could result in ~~a~~ **the** cancellation of orders, lost sales, reduced gross margins or damage to our ~~end~~ customer relationships, which would adversely impact our business, financial condition, results of operations and prospects. Additionally, if our suppliers do not meet their commitments **, customers cancel orders** or actual demand **is less than** ~~does not directly match with~~ our demand forecasts, it could result in excess or obsolete inventory, which we would be required to write down to its estimated realizable value, which in turn could result in lower gross margins **and operating income** . Our operating cash flows have also been and may continue to be negatively impacted by ~~increased~~ **significant** component inventories on hand or at our contract manufacturers ~~, awaiting supply of a limited number of scarce components necessary to build and ship the completed product~~ . Our reliance on component suppliers also yields the potential for the infringement ~~or~~ **,** misappropriation **or other violation** of third- party intellectual property rights due to the incorporation of such components into our products. We may not be indemnified by such component suppliers for such infringement ~~or~~ **,** misappropriation **or other violation** claims. Any litigation for which we do not receive indemnification could require us to incur significant legal expenses in defending against such claims or require us to pay substantial royalty payments or settlement amounts that would not be reimbursed by our component suppliers. Our product development efforts are also dependent upon the success of our continued collaboration with our key merchant silicon vendors such as Broadcom and Intel. As we develop our product roadmap, we select specific merchant silicon from these vendors for each new product. It is critical that we work in tandem with these vendors to ensure that their silicon includes improved features, that our products take advantage of such improved features, and that such vendors are able to supply us with sufficient quantities on commercially reasonable term to meet customer demand. Reliance on these relationships allows us to focus our research and development resources on our software core competencies while leveraging their investments and expertise. The merchant silicon vendors may not be successful in continuing to innovate, meet deadlines for the release of their products or produce a sufficient supply of their products. Moreover, these vendors may not collaborate with us or may become competitive with us by selling merchant silicon for “ white boxes ” or other products to our customers. If our key merchant silicon vendors do not continue to innovate, if there are delays in the release of their products or supply shortages, if they no longer collaborate in such fashion or if such merchant silicon is not offered to us on commercially reasonable terms, our products may become less competitive, our own product launches could be delayed or we may be required to redesign our products to incorporate alternative merchant silicon, which could result in lost sales, reduce gross margins, damage to our customer relationships or otherwise have a material effect on revenue and business, financial condition, results of operations and prospects. In the event of a shortage or supply interruption from our component suppliers, we may not be able to develop alternate or second sources in a timely manner. Further, long- term supply and maintenance obligations to ~~end~~ customers increase the duration for which specific components are required, which may increase the risk of component shortages or the cost of carrying inventory. In addition, our component suppliers change their selling prices frequently in response to market trends, including industry- wide increases in demand, **or charge additional fees to expedite orders,** and because we do not have contracts with these suppliers or guaranteed pricing, we are susceptible to availability or price fluctuations related to raw materials and components. If we are unable to pass component price increases along to our ~~end~~ customers or maintain stable pricing, our gross margins could be adversely affected and our business, financial condition, results of operations and prospects could suffer. We expect large purchases by a limited...... reasonable terms, or at all. Our revenue and our revenue growth rates are volatile and may decline **or not meet our or our investors' expectations** . Our revenue growth rates in previous periods may not be indicative of our future performance. We have experienced annual revenue growth rates of **33. 8 %,** 48. 6 %, 27. 2 %, **and** - 3. 9 % ~~, and 12. 1 %~~ in **2023,** 2022, 2021 ~~,~~ **and** 2020 ~~, and 2019~~ , respectively. In the future, our revenue growth rates will continue to be volatile due to cyclical trends in our business, and as we become more penetrated in our existing customer base and product markets and look to enter and expand into new markets. In addition, ~~industry- wide~~ **we have experienced** supply constraints **that** have resulted in manufacturing and shipment delays, which have ~~and could continue to~~ negatively ~~affect~~ **affected** the timing of revenue recognition. **If** ~~These~~ **these** manufacturing and supply chain disruptions ~~,~~ **recur and / or** if ~~unresolved,~~ **we are unable to reduce our lead times it** could also result in the cancellation of orders by customers, ~~reduced~~ - **reduce** demand from existing customers in future periods, and ~~increased~~ - **increase** difficulty in adding new customers. Other factors may also contribute to declines in our growth rates, including changes in demand for our products and services, particularly from our large ~~end~~ **customers, the deterioration of the financial performance, condition or prospects of our large** customers, changes in capital spending by our large ~~end~~ customers, increased competition, price sensitivities from our customers to increases in our pricing, our ability to successfully manage our expansion or continue to capitalize on growth opportunities, the maturation of our business, the Russia- Ukraine **and Israel- Hamas** ~~conflict~~ **conflicts , the Houthi attacks on**

marine vessels in the Red Sea , a potential global economic downturn or recession **that would particularly impact our enterprise customers** , **uncertainty in the global banking and financial service markets** and other general economic and international trade conditions such as political tensions between Taiwan and China and international trade wars involving the U. S. and China and other countries, and our ability to be successful in **the AI market and** adjacent markets, such as campus switching, WiFi networking markets and network security markets. **We** ~~For example, we~~ have experienced volatility in demand from certain of our large ~~end~~ customers ~~.~~ **, and some of our large customers have announced various cost reduction measures or are considering changing technology roadmaps and priorities including the need for the rapid deployment of AI and related technologies, which have had and could continue to have, an impact on certain current or future projects and have reduced our visibility to demand for these customers, which may result in reductions in** ~~Overall~~ **overall** demand from ~~larger~~ **these** customers ~~may decline~~ in future periods **and negatively** ~~, which would~~ impact our ~~future~~ revenue ~~growth~~ **, financial condition, business or prospects** . You should not rely on our revenue for any prior quarterly or annual period as an indication of our future revenue or revenue growth. If we are unable to maintain consistent revenue or revenue growth, our business, financial condition, results of operations and prospects could be materially adversely affected **,** and our stock price could be volatile. Our results of operations ~~may vary~~ **have varied** significantly from period to period and ~~be~~ **are** unpredictable and if we fail to meet the expectations of analysts or investors or our previously issued financial guidance, or if any forward- looking financial guidance does not meet the expectation of analysts or investors, the market price of our common stock could decline substantially. Our results of operations have historically varied from period to period, and we expect that this trend will continue. As a result, you should not rely upon our past financial results for any period as indicators of future performance. Our results of operations in any given period ~~can~~ **have been and could continue to** be influenced by a number of factors, many of which are outside of our control and may be difficult to predict, including: • general economic conditions, both domestically and in foreign markets, and disruptions in our business and the markets due to, among other things, recessionary risks and a global economic downturn, higher interest rates, monetary policy shifts, inflationary pressures, supply chain and labor shortages, the **recent banking crisis** ~~COVID- 19 pandemic~~ , potential disruptions from the Russia- Ukraine **and Israel-Hamas** ~~conflict~~ **conflicts , the Houthi attacks on marine vessels in the Red Sea** , political tensions between Taiwan and China and international trade wars involving the U. S. and China and other countries; • our inability to fulfill our ~~end~~ customers' orders, the cancellation of orders, the reduction in future demand for our products by our ~~end~~ customers or increased difficulty in adding new customers due to the unavailability or unpredictable supply of inventory, supply chain delays, access to key commodities or technologies, manufacturing disruptions or other events that impact our manufacturers or their suppliers; • deferral, reduction or cancellation of orders from ~~end~~ customers ~~,~~ due to long lead times, announcements by us or other competitors of new products or product enhancements, warranty returns, general economic conditions or other factors; • our ability to increase sales to existing customers and attract new ~~end~~ customers, including large ~~end~~ customers; • the budgeting, sales, implementation and refresh cycles, purchasing practices **, technology roadmaps and priorities** and buying patterns of ~~end~~ customers, including large ~~end~~ customers who generally receive lower pricing terms due to volume discounts and who may or may not make large bulk purchases in certain quarters or who may elect to re- assign allocations to multiple vendors based upon specific network roles or projects or who may be placing orders ~~in advance of demand~~ **based on longer planning horizons** to ensure supply; • changes in the growth rate of existing or new customers **or the deterioration of the financial performance, condition or prospects of existing or new customers** , including large ~~end~~ customers and service providers, changes in end- customer, distributor or reseller requirements or market needs, and changes in growth rates of the networking market; • the cost and potential outcomes of existing and future litigation; • increased expenses resulting from increases in component, production and logistics costs resulting from factors such as global inflationary pressures ~~and~~ **,** shortages in supply for semiconductors **, and China' s controls on the use of certain products and on the export of metals used in semiconductor manufacturing** , or the tariffs imposed by the U. S. on goods from other countries and tariffs imposed by other countries on U. S. goods, including the tariffs implemented by the U. S. government on various imports from China; • changes in our pricing policies, whether initiated by us or as a result of competition; • the amount and timing of operating costs and capital expenditures related to the operation and expansion of our business; • difficulty forecasting, budgeting and planning due to limited visibility ~~beyond the first two quarters~~ into the spending plans of current or prospective customers; • excess or obsolete inventory resulting in write- downs **and charges related to supplier liabilities** ; • the inclusion of any acceptance provisions in our customer contracts or any delays in acceptance of those products; • the actual or rumored timing and success of new product and service introductions by us or our competitors or any other change in the competitive landscape of our industry, including consolidation among our competitors or ~~end~~ customers; • our ability to successfully expand our business domestically and internationally; • our ability to increase the size and production of our sales or distribution channel, or any disruption in, or termination of, our sales or distribution channels; • decisions by potential ~~end~~ customers to purchase our networking solutions from larger, more established vendors, white box vendors or their primary network equipment vendors; • disruptions caused by pandemics, such as the COVID- 19 pandemic, and the government restrictions in response to the pandemic; • insolvency or credit difficulties confronting our ~~end~~ customers, which could adversely affect their ability to purchase or pay for our products and services, or confronting our key suppliers, including our sole source suppliers, which could disrupt our supply chain; • seasonality or cyclical fluctuations in our markets; • future accounting pronouncements or changes in our accounting policies; • our overall effective tax rate, including impacts caused by any reorganization in our corporate structure, any changes in our valuation allowance for domestic deferred tax assets and any new legislation or regulatory developments; • increases or decreases in our expenses caused by fluctuations in foreign currency exchange rates, as an increasing portion of our expenses are incurred and paid in currencies other than the U. S. dollar; • increases in cybersecurity threats, including security threats from state sponsors; and • other risk factors described in this Annual Report on Form 10- K. Any one of the factors above or the cumulative effect of several of the factors described above may result in significant fluctuations in our financial and other results of operations and may cause the market price of our common stock to decline. This variability and unpredictability could result in our failure to meet our revenue, gross margins, results of operations or other expectations contained in any forward **-** looking financial guidance we have issued or the expectations of securities analysts or investors for a particular period. If we fail to meet or exceed such guidance or expectations for these or any other reasons, the market price of our common stock could decline substantially, and we could face costly lawsuits, including securities class action suits. In the past, we have failed to meet investor financial expectations and the market price of our common stock declined. The networking market is rapidly evolving. If this market does not evolve as we anticipate or our target ~~end~~ customers do not adopt our networking solutions, we may not be able to compete effectively, and our ability to generate revenue will suffer. A substantial portion of our business and revenue depends on the growth and evolution of the networking market **, including the evolution of the market for AI networks and the future deployment of Ethernet networking solutions in these AI networks** . The market demand for networking solutions has increased in recent years as ~~end~~ customers have deployed larger, more sophisticated networks and have increased the use of virtualization and cloud computing. The continued growth of this market will be dependent upon many factors including but not limited to the adoption of and demand for our ~~end~~ customers' products and services, the expansion, evolution and build out of our ~~end~~ customers' networks, the capacity utilization of existing network infrastructures, changes in the technological requirements for the products and services to be deployed in these networks, the amount and mix of capital spending by our ~~end~~ customers **, including any changing technology priorities such as the rapid deployment of AI and related technologies** , the development of network switches and cloud service solutions by our large ~~end~~ customers for internal use, the financial performance and prospects of our ~~end~~ customers, the availability of capital resources to our ~~end~~ customers, changes in government regulation that could impact networking business models including those regulations related to **AI,** cybersecurity, privacy, data protection and net neutrality, our ability to provide networking solutions that address the needs of ~~end~~ **our** customers more effectively and economically than those of other competitors or existing technologies and general economic conditions. **In particular, the market for AI applications is new and our customers are continuing to evaluate their opportunity in this market. If the AI market does not develop as anticipated or at all, then the potential demand for AI Ethernet switches may not be realized. Moreover, even if the market for AI applications does develop, the successful adoption of AI Ethernet products will be dependent upon their ability to compete against more established InfiniBand products to address AI networking clusters.** If the networking solutions **market including the AI Ethernet** market does not develop in the way we anticipate or otherwise experiences a slow- down, if our solutions do not offer benefits compared to competing networking products or if ~~end~~ customers do not recognize the benefits that our solutions provide, then our business, financial condition, results of operations and prospects could be materially adversely affected. We pursue new product and service offerings and expand into adjacent markets, and if we fail to successfully carry out these initiatives, our business, financial condition, or results of operations could be adversely impacted. We have made substantial investments to develop new products and services and enhancements to existing products through our acquisitions and internal research and development efforts to expand our product offerings and maintain our revenue growth. If we are unable to anticipate technological changes in our industry by introducing new or enhanced products and services in a timely and cost- effective manner or if we fail to introduce products and services that meet market demand, we may lose our competitive position, our products may become obsolete, and our business, financial condition or results of operations could be adversely affected. For example, with our **most** recently introduced ~~400 GbE and~~ 800 GbE **and AI focused Ethernet** products, our ability to continue to maintain our competitive position with our customers will depend on our ability to deliver these new products in a timely manner ~~and~~ **,** our customers' acceptance of these products **and the growth of the markets that these products serve** . In addition, the evaluation, testing and qualification of our new products by our customers may be lengthy and may require contractual acceptance clauses, which could delay our revenue recognition and impact our revenue and deferred revenue balances. Additionally, from time to time, we invest in expansion into adjacent markets, including campus **and** ~~switching,~~ WiFi networking **, cloud** and **enterprise routing markets,** network security **markets and SD- WAN** markets. Although we believe these solutions are complementary to our current offerings, we have less experience and a more limited operating history in these markets, and our efforts in this area may not be successful. Expanding our services in existing and new markets and increasing the depth and breadth of our presence imposes significant burdens on our marketing, compliance, and other administrative and managerial resources. Our plan to expand and deepen our market share in our existing markets and possibly expand into additional markets is subject to a variety of risks and challenges. Our success in these new markets depends on a variety of factors, including but not limited to our ability to develop new products, new product features and services that address the customer requirements for these markets, attract a customer base in markets in which we have less experience, compete with new and existing competitors in these adjacent markets, and gain market acceptance of our new products. Developing our products is expensive, and the investment in product development may involve a long payback cycle. We expect to continue to invest heavily in software development in order to expand the capabilities of our cloud networking platform and introduce new products and features. We expect that our results of operations will be impacted by the timing and size of these investments. These investments may take several years to generate positive returns, if ever. Additionally, future market share gains may take longer than planned and cause us to incur significant costs. If we are unable to attract new large ~~end~~ customers or to sell additional products and services to our existing ~~end~~ customers, our revenue growth will be adversely affected **,** and our revenue could decrease. Difficulties in any of our new product development efforts or our efforts to enter adjacent markets could adversely affect our operating results and financial condition. We expect our gross margins to vary over time and may be adversely affected by numerous factors. We expect our gross margins to vary over time and the gross margins we have achieved in recent years may not be sustainable and may be adversely affected in the future by numerous factors, including but not limited to **pricing pressure on our products and services due to competition, the ability of more fully integrated competitors to bundle their networking products with other products, or utilize proprietary silicon in their products,** the mix of sales to large ~~end~~ customers who generally receive lower pricing, ~~increases in~~ **the mix of products sold, manufacturing- related costs, including costs associated with supply chain sourcing activities, merchant silicon costs, and excess / obsolete inventory charges, including charges for excess / obsolete** component **inventory held by our contract manufacturers. In addition** , **other** ~~production and logistics costs resulting from~~ factors **that may impact** ~~such as global inflationary pressures and shortages in supply for semiconductors and other components, geographic or~~ **our gross margins over time include the** ~~product mix, increased price competition,~~ introduction of new products and new business models including the sale and delivery of more software and subscription solutions, entry into new markets or growth in lower margin markets, entry in markets with different pricing and cost structures, pricing discounts given to customers, costs associated with defending intellectual property **rights** infringement ~~and~~ **, misappropriation or** other **violation** claims and the potential outcomes of such disputes ~~, higher levels of excess or obsolete inventory and inventory holding charges as a result of extended demand planning horizons due to industry- wide supply chain shortages, changes in shipment volumes, the timing of revenue recognition and revenue deferrals, increased costs arising from tariffs~~ , increased costs arising from epidemics, changes in distribution channels, increased warranty costs, and our ability to execute our operating plans. In addition, inflationary pressures and shortages have increased and **may** ~~we expect will~~ continue to increase costs for certain materials, components, supplies and services. As a result of cost inflation in our supply chain, we **have** implemented targeted price increases ~~in 2022~~ **from time to time** . However, ~~this~~ **these price increases** could result in a decrease in demand for our products which would decrease revenue. **In addition, business were subject to** ~~If these effects continue for a prolonged period or result in~~ sustained economic stress or recession, many of the risk factors identified in this risk factors section could be heightened. We determine our operating expenses largely on the basis of anticipated ~~revenues~~ - **revenue** and a high percentage of our expenses are fixed in the short and medium term. As a result, a failure or delay in generating or recognizing revenue could cause significant variations in our operating results and operating margin from quarter to quarter. Failure to sustain or improve our gross margins reduces our profitability and may have a material adverse effect on our business and stock price. We face intense competition, especially from larger, well- established companies and industry consolidation may lead to further increased competition, which may harm our business, financial condition, results of operations and prospects. The markets in which we compete, including the markets for data center, campus networking and network **visibility and** security, are intensely competitive, and we expect competition to increase in the future from established competitors **, industry consolidation** and new market entrants. This competition ~~could~~ **has** ~~result~~ **resulted** in increased pricing pressure, **which could result in** reduced profit margins, increased sales and marketing expenses and ~~our failure to increase, or~~ the loss of ~~,~~ market share, any of which would likely ~~seriously~~ harm our business, financial condition, results of operations and prospects. The data center and campus networking markets have been historically dominated by Cisco, with competition also coming from other large network equipment and system vendors, including Extreme Networks, Dell / EMC, Hewlett Packard Enterprise, ~~and~~ **Nvidia,** Juniper Networks **and white box networking vendors** . Most of our competitors and some strategic alliance partners have made acquisitions and / or have entered into or extended partnerships or other strategic relationships to offer more comprehensive product lines, including cloud networking solutions and network security. For example, Cisco acquired Acacia Communications, Broadcom acquired Brocade Communications ~~Systems, Extreme Networks purchased certain data center networking assets from Broadcom / Brocade~~ and ~~Avaya~~ **VMware** , Dell acquired ~~EMC~~ **Force10 Networks** , ~~and~~ Hewlett Packard Enterprise ~~acquired Aruba~~ **recently announced the acquisition of Juniper** Networks. This industry consolidation may lead to increased competition and may harm our business. Large system vendors are increasingly seeking to deliver **vertically integrated** ~~top- to- bottom~~ cloud networking solutions to ~~end~~ customers that combine cloud- focused hardware and software solutions **as** ~~to provide~~ an alternative to our products. We expect this trend to continue as companies attempt to strengthen their market positions in an evolving industry and as companies are acquired or are unable to continue operations. Industry consolidation may result in stronger competitors that are better able to compete with us, and this could lead to more variability in our results of operations and could have a material adverse effect on our business, the pricing of our solutions, financial condition, results of operations and prospects. We also face competition from other companies and new market entrants, including current technology partners, suppliers and ~~end~~ customers or other cloud service providers who may acquire or develop network switches and cloud service solutions for internal use and / or to broaden their portfolio of products to market and sell to customers. Some of these competitors are developing networking products based on off- the- shelf or commoditized hardware technology, or " white box " hardware, particularly where **a** ~~an end~~ customer' s network strategy seeks to emphasize deployment of such product offerings or adopt a disaggregated approach to the procurement of hardware and software. ~~End customers~~ **Customers** may also increase their adoption of networking solutions based upon open- source network operating systems that may be provided for free and used either on " white box " or proprietary hardware. ~~The~~ **As new markets emerge like AI, we expect the field to remain intensely competitive. In addition, we have not established broad market awareness or acceptance of our AI Ethernet products that will compete against more established InfiniBand products. Furthermore, the** entrance of new competitors into our markets or the increased adoption of these new technology solutions or consumption models may cause downward pricing pressures, result in lost sales or otherwise have a material adverse effect on our business, prospects, financial condition and operating results. Our relationships with our strategic alliance partners or suppliers may also shift as industry dynamics changes. If strategic alliance partners acquire or develop competitive products or services, our relationship with those partners may be adversely impacted, which could lead to more variability to our results of operations and impact the pricing of our solutions. Many of our existing and potential competitors enjoy substantial competitive advantages, such as greater name recognition and longer operating histories, larger sales and marketing budgets and resources, broader distribution and established relationships with channel partners and end customers, the ability to leverage their sales efforts across a broader portfolio of products, the ability to bundle competitive offerings with other products and services **or to reduce the price of products and services that compete with ours in order to promote the sale of other products or services** , the ability to develop their own silicon chips, the ability to set more aggressive pricing policies, lower labor and development costs, greater resources to make acquisitions, larger intellectual property **rights** portfolio, and substantially greater financial, technical, research and development or other resources. In addition, large competitors may have more extensive relationships with and within existing and potential ~~end~~ customers that provide them with an advantage in competing for business with those ~~end~~ customers. For example, certain large competitors encourage ~~end~~ customers of their other products and services to adopt their data networking solutions through discounted bundled product packages. Our ability to compete will depend upon our ability to provide a better solution than our competitors at a more competitive price. We may be required to make substantial additional investments in research, development, marketing and sales in order to respond to competition, and we cannot assure you that these investments will achieve any returns for us or that we will be able to compete successfully in the future. We also expect increased competition if our market continues to expand. As we continue to expand globally, we have seen and continue to see new competition in different geographic regions. In particular, we have experienced and could continue to experience price-focused competition from competitors in Asia, especially from China. As we expand into new markets, we will face competition not only from our existing competitors but also from other competitors, including existing companies with strong technological, marketing, and sales positions in those markets, as well as those with greater resources, including technical and engineering resources, than we do. Conditions in our market could change rapidly and significantly as a result of technological advancements or other factors. We are subject to a number of risks associated with the expansion of our international sales and operations. Our ability to grow our business and our future success will depend to a significant extent on our ability to expand our operations and customer base worldwide. Many of our customers, resellers, partners, suppliers and manufacturers operate around the world. Operating in a global marketplace, we are subject to risks associated with having an international reach and compliance and regulatory requirements. Our international sales and operations are subject to a number of risks, including the following: • ability to establish necessary business relationships and to comply with local business requirements, including distributor and reseller relationships; • greater difficulty in enforcing contracts and accounts receivable collection and longer collection periods and non- standard terms with customers related to payment, warranties or performance obligations; • increased management complexity involved in, and expenses incurred in establishing and maintaining our international operations; • fluctuations in exchange rates between the U. S. dollar and foreign currencies where we do business; • general economic and political conditions in these foreign markets; • **global macroeconomic conditions, including recessionary cycles; •** risks associated with U. S. and foreign legal requirements, including those relating to anti- corruption, anti- bribery, privacy, data protection and the importation, certification and localization of our products in foreign countries; • risks associated with ~~U. S.~~ government trade restrictions, including those which may impose restrictions, including prohibitions on the exportation, re- exportation, sale, shipment or other transfer of programming, technology, components, and / or services to foreign persons **; • changes in trade controls, economic sanctions, or other international trade regulations, which have in general recently trended toward increasing breadth and complexity of controls, and which may affect our ability to import or export our products to and from various countries** ; • risks of unexpected changes in regulatory practices, tariffs and tax laws and treaties; • greater risk of unexpected changes in tariffs imposed by the U. S. and other countries; • deterioration of political relations between the U. S. and China, Russia, the United Kingdom and the EU **as well as the Israel- Hamas conflict and Houthi attacks on marine vessels in the Red Sea** , which could have a material adverse effect on our sales and operations as well as our supply chain in these **countries; • possible deterioration in relations between Taiwan and China, and other factors affecting military, political, or economic conditions in Taiwan or elsewhere in Asia; • issues related to cloud- specific regulatory requirements in certain countries, including the UK, EU and Asia- Pacific** countries; • the uncertainty of protection for intellectual property rights in some countries; and • heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements. These and other factors could harm our ability to gain future international revenue and, consequently, materially affect our business, financial condition, results of operations and prospects. Expanding our existing international operations and entering into additional international markets will require significant management attention and financial commitments. Our failure to successfully manage our international operations and the associated risks effectively could limit our future growth or materially adversely affect our business, financial condition, results of operations and prospects. We have invested and may continue to invest in or acquire other businesses which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our business, financial condition, results of operations and prospects. As part of our business strategy, we have made and could continue to make investments in complementary companies, products or technologies which could involve licenses, additional channels of distribution, discount pricing or investments in or acquisitions of other companies. For example, we completed the acquisition of Untangle Holdings and Pluribus Networks in 2022 **,** which required management to focus efforts on integrating these acquisitions with the company. **In addition, the privately- held companies in which we invested are in the startup or development stages. These investments are inherently risky because the markets for the technologies or products these companies are developing are typically in the early stages and may never materialize, and we could lose our entire investment in these companies.** We may not be able to find suitable investment or acquisition candidates and we may not be able to complete such investments or acquisitions on favorable terms, if at all. If we do complete investments or acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any investments or acquisitions we complete could be viewed negatively by our ~~end~~ customers, investors and securities analysts. Through acquisitions, we continue to expand into new markets and ~~new market segments and~~ we may experience challenges in entering into new ~~market~~ **markets** ~~segments~~ for which we have not previously manufactured and sold products, including facing exposure to new market risks, difficulty achieving expected business results due to a lack of experience in new markets, products or technologies or the initial dependence on unfamiliar distribution partners or vendors. In addition, investments and acquisitions may result in unforeseen operating difficulties and expenditures. For example, if we are unsuccessful at integrating any acquisitions or retaining key talent from those acquisitions, or the technologies associated with such acquisitions, into our company, the business, financial condition, results of operations and prospects of the combined company could be adversely affected. We may have difficulty retaining the employees of any acquired business or the acquired technologies or research and development expectations may prove unsuccessful. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. Acquisitions may also disrupt our ongoing business, divert our resources and require significant management attention that would otherwise be available for development of our business. We may not successfully evaluate or utilize the acquired technology or personnel or accurately forecast the financial effects of an acquisition transaction, including accounting charges. Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure you that the anticipated benefits of any acquisition or investment would be realized or that we would not be exposed to unknown liabilities. We may not be successful in retaining or expanding the customers and sales activities of any acquired business or in realizing the expected operational and cost efficiencies anticipated with the acquisition. We may have to pay cash, incur debt or issue equity securities to pay for any such investment or acquisition, each of which could adversely affect our financial condition or the market price of our common stock. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. Moreover, if the investment or acquisition becomes impaired, we may be required to take an impairment charge, which could adversely affect our financial condition or the market price of our common stock. Seasonality **and industry cyclicality** may cause fluctuations in our revenue and results of operations. We operate on a December 31st year end and **typically** have **lower** ~~typically experienced higher~~ sequential ~~product~~ **quarter over quarter** revenue growth in the ~~fourth~~ **first** quarter **of each fiscal year** , **often** followed by **stronger sequential** revenue **growth** ~~that is sequentially flat- to- declining~~ in **subsequent** ~~the first quarter~~ **quarters** ~~of the following year~~ . We believe that this seasonality results from a number of factors, including the procurement, budgeting and deployment cycles of many of our ~~end~~ customers. ~~Our~~ **The effects of recent supply chain disruptions and our** rapid ~~historical~~ growth may have reduced the impact of seasonal or cyclical factors that might **otherwise** have influenced our business ~~to date~~ **and broader industry performance** . If our ~~increasing size causes our~~ growth ~~rate~~ **rates** ~~to~~ slow, seasonal or cyclical variations in our operations may become more pronounced over time and may materially affect our business, financial condition, results of operations and prospects. In addition, **any** ~~industry- wide~~ supply chain shortages ~~have~~ **and manufacturing disruptions that** ~~resulted~~ -- **result** in extended lead times ~~and have impacted, and~~ may ~~continue to~~ impact our ability to manufacture and ship products to our customers in a timely manner, which may disrupt typical seasonal trends. We are exposed to fluctuations in currency exchange rates, which could adversely affect our business, financial condition, results of operations and prospects. Our sales contracts are primarily denominated in U. S. dollars, and therefore, substantially all of our revenue is not subject to foreign currency risk; however, as a result of the strengthening U. S. dollar, there has been an increase in the cost of our products to our ~~end~~ customers outside of the U. S., which could adversely affect our business, financial condition, results of operations and prospects. In addition, a decrease in the value of the U. S. dollar relative to foreign currencies could increase our product and operating costs in foreign locations. Further, a portion of our operating expenses is incurred outside the U. S., is denominated in foreign currencies and is subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with the currency fluctuations, our business, financial condition, results of operations and prospects could be adversely affected. If we needed to raise additional capital to expand our operations, invest in new products or for other corporate purposes, our failure to do so on favorable terms could reduce our ability to compete and could harm our business, financial condition, results of operations and prospects. We expect that our existing cash and cash equivalents, will be sufficient to meet our anticipated cash needs for the foreseeable future. If we did need to raise additional funds to expand our operations, invest in new products or for other corporate purposes, we may not be able to obtain additional debt or equity financing on favorable terms. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the market price of our common stock could decline. Furthermore, if we engage in debt financing, the holders of such debt would have priority over the holders of common stock, and we may be required to accept terms that restrict our ability to incur additional indebtedness or impose other restrictions on our business. We may also be required to take other actions that would otherwise be in the interests of the debt holders, including maintaining specified liquidity or other ratios, any of which could harm our business, financial condition, results of operations and prospects. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things, enhance our products and services, expand our sales and marketing and research and development organizations, acquire complementary technologies, products or businesses, and respond to competitive pressures or unanticipated working capital requirements. Our failure to do any of these things could seriously harm our business, financial condition, results of operations and prospects. **If we are unable to attract new large customers or to sell additional products and services to our existing customers, our revenue growth will be adversely affected and our revenue could decrease.** To increase our revenue, we must add new ~~end~~ customers, especially large ~~end~~ customers, and sell additional products and services to existing ~~end~~ customers. For example, one of our sales strategies is to target specific projects at our current ~~end~~ customers because they are familiar with the operational and economic benefits of our solutions, thereby reducing the sales cycle into these customers. We also believe the opportunity with current ~~end~~ customers is significant given their existing infrastructure and expected future spend. Another one of our sales strategies is focused on increasing penetration in the enterprise and campus markets. However, sales strategies focused on expansion to adjacent markets can require more time and effort since enterprise and campus ~~end~~ customers typically start with small purchases, and there is often a long testing period. For this reason, in order to grow our revenue, it is important for us to attract new large ~~end~~ customers. Some factors that may limit our ability to attract new large ~~end~~ customers include, but are not limited to, saturation with certain large cloud networking customers, competition, decreased capital spending by such customers, a limited number of such customers, and a decline in growth at such customers. If we fail to attract new large ~~end~~ customers, including enterprise and campus ~~end~~ customers, or fail to reduce the sales cycle and sell additional products to our existing ~~end~~ customers, our business, financial condition, results of operations and prospects will be harmed. Sales of our switches generate most of our product revenue, and if we are unable to continue to grow sales of these products, our business, financial condition, results of operations and prospects will suffer. Historically, we have derived substantially all of our product revenue from sales of our ~~switches~~ **switching and routing platforms** , and we expect to continue to do so for the foreseeable future. We have experienced declines in sales for **some of** our products **over time as they mature** ~~, including our 10 Gigabit Ethernet modular~~ and ~~fixed switches~~ **are superseded by products with improved performance and functionality** . A decline in the price of switches and related services, or our inability to increase sales of these products, would harm our business, financial condition, results of operations and prospects more seriously than if we derived significant revenue from a larger variety of product lines and services. Our future financial performance will also depend upon successfully developing and selling next- generation versions of our switches. If we fail to deliver new products, new features, or new releases that ~~end~~ customers want and that allow us to maintain leadership in what will continue to be a competitive market environment, our business, financial condition, results of operations and prospects will be harmed. Our large ~~end~~ customers generally require more favorable terms and conditions from their vendors and may request price concessions. As we seek to sell more products to these ~~end~~ customers, we may be required to agree to terms and conditions that may have an adverse effect on our business or ability to recognize revenue. Our large ~~end~~ customers have significant purchasing power and, as a result, generally receive more favorable terms and conditions than we typically provide to other ~~end~~ customers, including lower prices, bundled upgrades, extended warranties, acceptance terms, indemnification terms and extended return policies and other contractual rights. As we seek to sell more products to these large ~~end~~ customers, an increased mix of our shipments may be subject to such terms and conditions, which may reduce our margins or affect the timing of our revenue recognition and thus may have an adverse effect on our business, financial condition, results of operations and prospects. If we are unable to increase market awareness or acceptance of ~~our company and~~ our new products and services, our revenue may not continue to grow or may decline. We have not yet established broad market awareness or acceptance of ~~our new~~ products and services **that** ~~, including new products~~ we **have** introduced in the **AI Ethernet,** campus workspace and network security markets. Market awareness of our value proposition and products and services will be essential to our continued growth and our success, particularly for the service provider and broader enterprise markets. If our marketing efforts are unsuccessful in creating market awareness of our company and our products and services or in gaining access to new customer markets, or if these new products and services are not accepted by customers, then our business, financial condition, results of operations and prospects will be adversely affected, and we will not be able to achieve sustained growth. The sales prices of our products and services may decrease, which may reduce our gross profits and adversely affect our results of operations. The sales prices for our products and services may decline for a variety of reasons, including competitive pricing pressures, discounts, a change in our mix of products and services, the introduction of new products and services by us or by our competitors including the adoption of " white box " solutions, promotional programs, or broader macroeconomic factors. In addition, we have provided, and plan to continue to in the future provide, pricing discounts to large ~~end~~ customers, which may result in lower margins for the period in which such sales occur. Our gross margins may also fluctuate as a result of the timing of such sales to large ~~end~~ customers. We have historically experienced declines in sales prices for **some of** our products and services **and could continue to experience such declines** . Competition continues to increase in the ~~market~~ **markets** ~~segments~~ in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse product and service offerings may reduce the price of products and services that compete with ours or may bundle them with other products and services. Additionally, although we generally price our products and services worldwide in U. S. dollars, currency fluctuations in certain countries and regions may adversely affect actual prices that partners and ~~end~~ customers are willing to pay in those countries and regions. Furthermore, sales prices and gross profits for our products may decrease over product life cycles. Decreased sales prices for any reason may reduce our gross profits and adversely affect our result of operations. Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, our sales and revenue are difficult to predict and may vary substantially from period to period, which may cause our results of operations to fluctuate significantly. The timing of our sales and revenue recognition is difficult to predict because of the length and unpredictability of our products' sales cycles. A sales cycle is the period between initial contact with a prospective ~~end~~ customer and any sale of our products. End- customer orders often involve the purchase of multiple products. These orders are complex and difficult to complete because prospective ~~end~~ customers generally consider a number of factors over an extended period of time before committing to purchase the products and solutions we sell. ~~End customers~~ **Customers** , especially our large ~~end~~ customers, often view the purchase of our products as a significant and strategic decision and require considerable time to evaluate, test and qualify our products prior to making a purchase decision and placing an order. The length of time that ~~end~~ customers devote to their evaluation, contract negotiation and budgeting processes varies significantly. In addition, customers may delay upgrades to their network infrastructure which extends the upgrade and sales cycle. Our products' sales cycles can be lengthy in certain cases, especially with respect to our prospective large ~~end~~ customers **and certain markets including the enterprise and campus markets** . During the sales cycle, we expend significant time and money on sales and marketing activities and make investments in evaluation equipment, all of which lower our operating margins, particularly if no sale occurs. Even if **a** ~~an end~~ customer decides to purchase our products, there are many factors affecting the timing of our recognition of revenue, which makes our revenue difficult to forecast. For example, there may be unexpected delays in **a** ~~an end~~ customer' s internal procurement processes, particularly for some of our larger ~~end~~ customers for which our products represent a very small percentage of their total procurement activity. In addition, due to macroeconomic uncertainties, the sales cycle may be extended and there may be delays and reductions of expenditures and cancellations by ~~end~~ customers. There are many other factors specific to ~~end~~ customers that contribute to the timing of their purchases and the variability of our revenue recognition, including the strategic importance of a particular project to **a** ~~an end~~

customer, budgetary constraints and changes in their personnel. Even after **a** ~~an end~~ customer makes a purchase, there may be circumstances or terms relating to the purchase that delay our ability to recognize revenue from that purchase. In addition, the significance and timing of our product enhancements, and the introduction of new products by our competitors, may also affect ~~end~~ customers' purchases. For all of these reasons, it is difficult to predict whether a sale will be completed, the particular period in which a sale will be completed or the period in which revenue from a sale will be recognized. If our sales cycles lengthen, our revenue could be lower than expected, which would have an adverse effect on our business, financial condition, results of operations and prospects. Our ability to sell our products is highly dependent on the quality of our support and services offerings, and **if we are unable to offer high- quality support and services this could adversely effect on our business, financial condition, results of operations and prospects. Once our products are deployed within our customers' networks, our customers depend on our support organization and our channel partners to resolve any issues relating to our products. High- quality support is critical for the successful marketing and sale of our products. If we** ~~our~~ **or** our channel partners do not assist our ~~end~~ customers in deploying our products effectively,do not succeed in helping our ~~end~~ customers resolve post- deployment issues quickly or do not provide adequate ongoing support,or if we experience quality issues with these new products,it could adversely affect our ability to sell our products to existing ~~end~~ customers and could harm our reputation with potential ~~end~~ customers.In addition,as we **continue to** expand our operations internationally,our support organization will face additional challenges,including those associated with delivering support,training and documentation in languages other than English. **Our** failure **or the failure of our channel partners** to ~~offer~~ **maintain** high- quality support and services could have a material adverse effect on our business, financial condition, results of operations and prospects. Once our products are deployed within our......, results of operations and prospects. Our business depends on ~~end~~ customers renewing their maintenance and support contracts. ~~Any decline~~ **Declines** in maintenance renewals **by customers** could harm our future business, financial condition, results of operations and prospects. We typically sell our products with maintenance and support as part of the initial purchase, and a portion of our annual revenue comes from renewals of maintenance and support contracts. Our ~~end~~ customers have no obligation to renew their maintenance and support contracts after the expiration of the initial period, and they may elect not to renew their maintenance and support contracts, to renew their maintenance and support contracts at lower prices through alternative channel partners or to reduce the product quantity under their maintenance and support contracts, thereby reducing our future revenue from maintenance and support contracts. If our ~~end~~ customers, especially our large ~~end~~ customers, do not renew their maintenance and support contracts or if they renew them on terms that are less favorable to us, our revenue may decline and our business, financial condition, results of operations and prospects will suffer. Our standard sales contracts contain indemnification provisions requiring us to defend our ~~end~~ customers against third- party claims, including against infringement **, misappropriation or other violation** of certain intellectual property rights that could expose us to losses which could seriously harm our business, financial conditions, results of operations and prospects. Under the indemnification provisions of our standard sales contracts, we agree to defend our ~~end~~ customers and channel partners against third- party claims asserting infringement **, misappropriation or other violation** of certain intellectual property rights, which may include patents, copyrights, trademarks or trade secrets, and to pay judgments entered on such claims. An adverse ruling in such litigation may potentially expose us to claims in the event that claims are brought against our customers based on the ruling and we are required to indemnify such customers. Our exposure under these indemnification provisions is frequently limited to the total amount paid by our ~~end~~ customer under the agreement. However, certain agreements include indemnification provisions that could potentially expose us to losses in excess of the amount received under the agreement. Any of these events, including claims for indemnification, could seriously harm our business, financial condition, results of operations and prospects. In addition to our own direct sales force, we rely on distributors, systems integrators and value- added resellers to sell our products, and our failure to effectively develop, manage or prevent disruptions to our distribution channels and the processes and procedures that support them could cause a reduction in the number of ~~end~~ customers of our products. Our future success is highly dependent upon maintaining our relationships with distributors, systems integrators and value- added resellers and establishing additional sales channel relationships. We anticipate that sales of our products to a limited number of channel partners will continue to account for a material portion of our total product revenue for the foreseeable future. We provide our channel partners with specific training and programs to assist them in selling our products, but these steps may not be effective. In addition, our channel partners may be unsuccessful in marketing, selling and supporting our products and services. If we are unable to develop and maintain effective sales incentive programs for our channel partners, we may not be able to incentivize these partners to sell our products to ~~end~~ customers. These partners may have incentives to promote our competitors' products to the detriment of our own or may cease selling our products altogether. One of our channel partners could elect to consolidate or enter into a strategic partnership with one of our competitors, which could reduce or eliminate our future opportunities with that channel partner. Our agreements with our channel partners may generally be terminated for any reason by either party with advance notice. We may be unable to retain these channel partners or secure additional or replacement channel partners. The loss of one or more of our significant channel partners requires extensive training, and any new or expanded relationship with a channel partner may take several months or more to achieve productivity. Where we rely on the channel partners for sales of our products, we may have little or no contact with the ultimate users of our products that purchase through such channel partners, thereby making it more difficult for us to establish brand awareness, ensure proper delivery and installation of our products, service ongoing end- customer requirements, estimate end- customer demand and respond to evolving end- customer needs. In addition, our channel partner sales structure could subject us to lawsuits, potential liability and reputational harm if, for example, any of our channel partners misrepresent the functionality of our products or services to ~~end~~ customers, fail to comply with their contractual obligations or violate laws **such as the U. S. Foreign Corrupt Practices Act or other applicable anti- corruption laws** or our corporate policies. If we fail to effectively manage our existing sales channels, or if our channel partners are unsuccessful in fulfilling the orders for our products, if we are unable to enter into arrangements with, and retain a sufficient number of, high- quality channel partners in each of the regions in which we sell products and keep them motivated to sell our products, our ability to sell our products and our business, financial condition, results of operations and prospects will be harmed. A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks. We anticipate increasing our sales efforts to U. S. and foreign, federal, state and local governmental ~~end~~ customers in the future. Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. The substantial majority of our sales to date to government entities have been made indirectly through our channel partners. Government certification requirements for products like ours may change and, in doing so, restrict our ability to sell into the government sector until we have attained revised certifications. Government demand and payment for our products and services may be affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products and services. Government entities may have statutory, contractual or other legal rights to terminate contracts with our distributors and resellers for convenience or due to a default. Selling to government entities ~~may also require~~ **requires** us to comply with various regulations that are not applicable to sales to non- government entities, including regulations that may relate to pricing, prohibitions against use of certain foreign components in our products and services, anti- corruption and other matters. The U. S. government may require certain products that it purchases to be manufactured in, or may require that products it purchases contain a certain threshold of " domestic origin " components from, the U. S. and other relatively high- cost manufacturing locations, and we may not manufacture all products in locations that meet these requirements. Complying with these regulations may also require us to put in place controls and procedures to monitor compliance with applicable regulations that may be costly or not possible. Governments also routinely investigate and audit government contractors' administrative processes and contract compliance. Failure to comply with the terms of our government contracts or applicable regulations, or an unfavorable audit, could result in the government ceasing to buy our products and services, a reduction of revenue, fines or civil or criminal liability, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects. We are exposed to the credit risk of our channel partners and some of our ~~end~~ customers, which could result in material losses. Most of our ~~sales~~ **contracts with customers** are on an open credit basis, with standard payment terms **payment terms** of 30 days ~~in the United States~~ and ~~, because of local customs or conditions, longer in some markets outside~~ the ~~U. S~~ **remainder generally between 30 to 90 days** . We monitor individual end- customer payment capability in granting such open credit arrangements, seek to limit such open credit to amounts we believe the ~~end~~ customers can pay and maintain reserves we believe are adequate to cover exposure for doubtful accounts. We are unable to recognize revenue from shipments until the collection of those amounts becomes reasonably assured. Any significant delay or default in the collection of significant accounts receivable could result in an increased need for us to obtain working capital from other sources, possibly on worse terms than we could have negotiated if we had established such working capital resources prior to such delays or defaults. Any significant default could adversely affect our results of operations and delay our ability to recognize revenue. A material portion of our sales is derived through our distributors, systems integrators and value- added resellers. Some of our distributors, systems integrators and value- added resellers may experience financial difficulties, which could adversely affect our collection of accounts receivable. Distributors tend to have more limited financial resources than other systems integrators, value- added resellers and ~~end~~ customers. Distributors represent potential sources of increased credit risk because they may be less likely to have the reserve resources required to meet payment obligations. Our exposure to credit risks of our channel partners may increase if our channel partners and their ~~end~~ customers are adversely affected by global or regional economic conditions. One or more of these channel partners could delay payments or default on credit extended to them, either of which could materially adversely affect our business, financial condition, results of operations and prospects. Product quality problems, defects, errors or vulnerabilities in our products or services could harm our reputation and adversely affect our business, financial condition, results of operations and prospects. We produce highly complex products that incorporate advanced technologies, including both hardware and software technologies. Despite testing prior to their release, our products may contain undetected defects or errors, especially when first introduced or when new versions are released. Product defects or errors could affect the performance of our products, could result in a failure of appropriate updates to be distributed or installed, could delay the development or release of new products or new versions of products, and could result in warranty claims and product liability claims from customers. Any actual or perceived defect, error, or vulnerability in our products or services, or other allegations of unsatisfactory performance could cause us to lose revenue or market share, increase our service costs, cause us to incur substantial costs in analyzing, correcting or redesigning the products or otherwise addressing defects, errors or vulnerabilities, cause us to lose significant ~~end~~ customers, harm our reputation and market positions, subject us to liability for damages, subject us to litigation, regulatory inquiries or investigations, and divert our resources from other tasks, any one of which could materially adversely affect our business, financial condition, results of operations and prospects. From time to time, we have had to replace certain components of products that we had shipped and provide remediation in response to the discovery of defects or bugs, including failures in software protocols or defective component batches resulting in reliability issues, in such products, and we may be required to do so in the future. We may also be required to provide full replacements or refunds for such defective products. We cannot assure you that such remediation or any of the other circumstances described above, including claims, litigation, or regulatory investigations, would not have a material effect on our business, financial condition, results of operations and prospects. If we do not successfully anticipate technological shifts and develop products and product enhancements that meet those technological shifts, if those products are not made available in a timely manner or do not gain market acceptance, or if we do not successfully manage product introductions, we may not be able to compete effectively, and our ability to generate revenue will suffer. We must continue to enhance our existing products and develop new technologies and products that address emerging technological trends, evolving industry standards and changing end- customer needs. The process of enhancing our existing products and developing new technology is complex and uncertain, and new offerings require significant upfront investment that may not result in material design improvements to existing products or result in marketable new products or costs savings or revenue for an extended period of time, if at all. In addition, new technologies could render our existing products obsolete or less attractive to ~~end~~ customers, and our business, financial condition, results of operations and prospects could be materially adversely affected if such technologies are widely adopted. For example, ~~end~~ customers may prefer to address their network switch requirements by licensing software operating systems separately and placing them on " white box " hardware rather than purchasing integrated hardware products as has occurred in the server industry. Additionally, ~~end~~ customers may require product upgrades including higher Ethernet speeds and additional functionality to address the increasing demands of the cloud computing environments. In the past several years, we have announced a number of new products and enhancements to our products and services, including new products in the **AI Ethernet,** campus workspace and network security markets. The success of our new products depends on several factors including, but not limited to, appropriate new product definition, the development of product features that sufficiently meet end- user requirements, our ability to manage the risks associated with new product production ramp- up issues, component costs, availability of components, timely completion and introduction of these products, prompt solution of any defects or bugs in these products, our ability to support these products, differentiation of new products from those of our competitors and market acceptance of these products. For example, our new product releases will require strong execution from our third- party merchant silicon chip suppliers to develop and release new merchant silicon chips that satisfy end- customer requirements, to meet expected release schedules and to provide sufficient quantities of these components. If we are unable to successfully manage our product introductions or transitions, or if we fail to penetrate new markets, as a result of any of these or other factors, our business, financial condition, results of operations and prospects could be adversely affected. Our product releases introduced new software products that include the capability for disaggregation of our software operating systems from our hardware. The success of our strategy to expand our software business is subject to a number of risks and uncertainties including the additional development efforts and costs to create these new products or make them compatible with other technologies, the potential for our strategy to negatively impact ~~revenues~~ - **revenue** and gross margins and additional costs associated with regulatory compliance. We may not be able to successfully anticipate or adapt to changing technology or end- customer requirements on a timely basis, or at all. If we fail to keep up with technology changes or to convince our ~~end~~ customers and potential ~~end~~ customers of the value of our solutions even in light of new technologies, we may lose customers, decrease or delay market acceptance and sales of our present and future products and services and materially and adversely affect our business, financial condition, results of operations and prospects. Our products must interoperate with operating systems, software applications and hardware that is developed by others, and if we are unable to devote the necessary resources to ensure that our products interoperate with such software and hardware, we may lose or fail to increase market share and experience a weakening demand for our products. Generally, our products comprise only a part of the network infrastructure and must interoperate with our ~~end~~ customers' existing infrastructure, specifically their networks, servers, software and operating systems, which may be manufactured by a wide variety of vendors and OEMs. Our products must comply with established industry standards in order to interoperate with the servers, storage, software and other networking equipment in the network infrastructure such that all systems function efficiently together. We depend on the vendors of servers and systems in a data center to support prevailing industry standards. Often, these vendors are significantly larger and more influential in driving industry standards than we are. Also, some industry standards may not be widely adopted or implemented uniformly and competing standards may emerge that may be preferred by our ~~end~~ customers. In addition, when new or updated versions of these software operating systems or applications are introduced, we must sometimes develop updated versions of our software so that our products will interoperate properly. We may not accomplish these development efforts quickly, cost- effectively or at all. These development efforts require capital investment and the devotion of engineering resources. If we fail to maintain compatibility with these systems and applications, our ~~end~~ customers may not be able to adequately utilize our products, and we may lose or fail to increase market share and experience a weakening in demand for our products, among other consequences, which would adversely affect our business, financial condition, results of operations and prospects. Managing the supply of our products and product components is complex. Insufficient component supply and inventory may result in lost sales opportunities or delayed revenue, while excess inventory may harm our gross margins. Managing our manufacturing capacity and extended supply chain is complex, and our inventory management systems and related supply- chain visibility tools may not enable us to forecast accurately and effectively manage the supply of our products and product components. Our ability to manage our supply chain ~~may~~ **has** also **and could continue to** be adversely affected by other factors including geopolitical conditions such as the ~~impact of the COVID- 19 pandemic, the~~ Russia- Ukraine conflict and related economic sanctions against Russia, the **Israel- Hamas conflict, the Houthi attacks on marine vessels in the Red Sea, the** U. S. trade war with China and political tensions between China and Taiwan. Global geopolitical and macroeconomic uncertainties have resulted in prolonged manufacturing and supply chain disruptions, including temporary closures of certain contract manufacturer and supplier facilities particularly within China **and controls on certain supplies including China' s restrictions in the use of Micron products and its controls on metals used in semiconductor manufacturing such as gallium and germanium** which, in turn, have caused and may continue to cause shortages of, and extended lead times for, components used to manufacture our products, increases in the prices for such components, a reduction, unpredictability or interruption of supply, prioritization of component shipments to other vendors and decommitments of orders. Insufficient component supply, and increases in the time required to manufacture our products, may lead to prolonged inventory shortages, manufacturing disruptions and increased customer lead times for our products that could result in increased cancellation of orders or loss of future sales opportunities altogether as potential ~~end~~ customers turn to competitors' products that are readily available. In order to reduce manufacturing lead times and plan for adequate component supply, we have issued and expect to continue to issue purchase orders for components and products that are non- cancellable and non- returnable, including purchase commitments for semiconductors as disclosed in Note 5. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report on Form 10- K. **Industry wide** ~~As a result of~~ supply ~~disruptions, we have~~ **chain shortages resulted in** extended **lead time for components, which required us to extend the lead time horizon of** our demand ~~planning horizon~~ **forecast for such components** and increased **our purchase commitments for long lead time components. Although** our purchase commitments for components and products ~~in order~~ **have recently declined, they remain at elevated levels, and may continue** to ~~support long-~~ **remain elevated in the near** term **, and** ~~customer demand. There~~ **there** is ~~however~~ no guarantee that suppliers will meet their commitments or that actual customer demand will ~~directly match~~ **not be lower than** our demand forecasts **. As customer lead times improve more broadly, we have seen and expect to continue to see a commensurate reduction in visibility to customer demand and a gradual return to a somewhat shorter demand- planning horizon. Additionally, certain customers have and may continue to engage in cost reduction measures including reductions in capital expenditures and other efficiency efforts which may result in a cancellation of orders or reduce demand for our products** . We establish a liability for non- cancellable, non- returnable purchase commitments with our component inventory suppliers for quantities in excess of our demand forecasts, or for products that are considered obsolete. In addition, we establish a liability and reimburse our contract manufacturer for component inventory purchased on our behalf that has been rendered excess or obsolete due to manufacturing and engineering change orders, or in cases where inventory levels greatly exceed our demand forecasts. **The larger magnitude of these balances, combined with a reduction in customer demand- planning horizons and shifting product priorities, has resulted in increased risk that we may not be able to sell all of this inventory, which in turn has resulted, and may in the future result, in additional excess and obsolete inventory- related charges.** Our non- cancellable commitments and the cash deposits to secure our purchases ~~to~~ **with** our contract manufacturers are disclosed in Note 5. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report on Form 10- K. If we ultimately determine that we have excess ~~inventory~~ or obsolete inventory, we may have to reduce our prices and write down inventory to its estimated realizable value, which in turn could result in lower gross margins. If we are unable to effectively manage our supply and inventory, our business, financial condition, results of operations and prospects could be adversely affected. Because we depend on third- party manufacturers to build our products, we are susceptible to manufacturing delays and pricing fluctuations that could prevent us from shipping end- customer orders on time, if at all, or on a cost- effective basis, which may result in the loss of sales and ~~end~~ customers. We depend on third- party contract manufacturers to manufacture our product lines. A significant portion of our cost of revenue consists of payments to these third- party contract manufacturers. Our reliance on these third- party contract manufacturers reduces our control over the manufacturing process, quality assurance, product costs and product supply and timing, which exposes us to operational risks including their ability to obtain in a timely manner sufficient components for our products and to ramp manufacturing sufficiently to meet our customer demand. Our reliance on contract manufacturers also yields the potential for their infringement **, misappropriation or other violation** of third- party intellectual property rights in the manufacturing of our products or their **infringement,** misappropriation **or other violation** of our intellectual property rights in the manufacturing of other customers' products. If we are unable to manage our relationships with our third- party contract manufacturers effectively, or if these third- party manufacturers suffer delays or disruptions or quality control problems in their operations, experience increased manufacturing lead times, capacity constraints or fail to meet our future requirements for timely delivery, our ability to ship products to our ~~end~~ customers would be severely impaired, and our business, financial condition, results of operations and prospects would be seriously harmed. To the extent that our products are manufactured at facilities in foreign countries, we may be subject to additional risks associated with complying with local rules and regulations in those jurisdictions. For example, due to the COVID- 19 pandemic, some of our contract manufacturers experienced temporary closures and labor shortages as a result of shelter in place orders issued in their local jurisdictions. Shelter in place orders, factory closures or reductions in staffing at our manufacturing sites would result in material disruptions, increased lead times and supply shortages of our ~~products. Lockdown orders increase the risk in obtaining components or material that are used to produce Arista~~ products. Our contract manufacturers typically fulfill our supply requirements on the basis of individual orders. We do not have long- term contracts with our third- party manufacturers that guarantee capacity, the continuation of particular pricing terms or the extension of credit limits. Accordingly, they are not obligated to continue to fulfill our supply requirements, which could result in supply shortages, and the prices we are charged for manufacturing services could be increased on short notice. For example, a competitor could place large orders with the third- party manufacturer, thereby utilizing all or substantially all of such third- party manufacturer' s capacity and leaving the manufacturer little or no capacity to fulfill our individual orders without price increases or delays, or at all. Our contract with one of our contract manufacturers permits it to terminate the agreement for convenience, subject to prior notice requirements. We may not be able to develop alternate or second contract manufacturers in a timely manner. If we add or change contract manufacturers or change any manufacturing plant locations within a contract manufacturer network, we would add additional complexity and risk to our supply chain management and may increase our working capital requirements. Ensuring a new contract manufacturer or new plant location is qualified and has sufficient manufacturing capacity to manufacture our products to our standards and industry requirements could take significant effort and be time consuming and expensive, and any delays or failures to adequately ramp production to meet our customer demand could negatively impact our business, financial condition, results of operations and prospects. Any addition or change in manufacturers may be extremely costly, time consuming and we may not be able to do so successfully. In addition, we may be subject to additional significant challenges to ensure that quality, processes and costs, among other issues, are consistent with our expectations and those of our customers. A new contract manufacturer or manufacturing location may not be able to scale its production of our products at the volumes or quality we require. This could also adversely affect our ability to meet our scheduled product deliveries to our ~~end~~ customers, which could damage our customer relationships and cause the loss of sales to existing or potential ~~end~~ customers, late delivery penalties, delayed revenue or an increase in our costs which could adversely affect our gross margins. This could also result in increased levels of inventory subjecting us to increased **risk of** excess and obsolete charges that could have a negative impact on our operating results. Any production interruptions, labor shortages or disruptions for any reason, including those noted above, as well as a natural disaster, epidemic ~~(such as the COVID- 19 pandemic)~~ , war, capacity shortages, adverse results from intellectual property litigation or quality problems, at one of our manufacturing partners would adversely affect sales of our product lines manufactured by that manufacturing partner and adversely affect our business, financial condition, results of operations and prospects. We base our inventory requirements on our forecasts of future sales. If these forecasts are materially inaccurate **or change** , we may procure inventory that we may be unable to use in a timely manner or at all. We and our contract manufacturers procure components and build our products based on our forecasts. These forecasts are based on estimates of future demand for our products, which are in turn based on historical trends and analysis from our sales and marketing organizations, adjusted for overall market conditions and other factors. In order to address supply chain shortages and extended lead times, we have **entered into significant** ~~extended our demand planning horizon and increased our~~ purchase commitments with our contract manufacturers and suppliers, and we have issued **non- cancellable** ~~and may continue to issue~~ purchase orders for **such commitments. Although we have seen a recent decline in our** ~~components and products that are non- cancellable and non- returnable including~~ purchase commitments ~~for semiconductors as disclosed in Note 5. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II~~ , **we have also experienced increased inventory levels** ~~Item 8, of this Annual Report on Form 10- K~~ . ~~However, there~~ **There** is no guarantee that suppliers will meet their commitments or that actual customer demand will directly match our demand forecasts. ~~Our non- cancellable commitments and the cash deposits to secure our purchases to our contract manufacturers are disclosed in Note 5. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report on Form 10- K.~~ If our forecasts are materially inaccurate **or change** , customers' orders are cancelled or if we otherwise do not need such inventory, we may under- or over- procure inventory, **which** ~~and such inaccuracies in our forecasts~~ could materially adversely affect our business, financial condition and results of operations. **for** the applicable period to fall below expected levels.We have been and could continue to be subject to manufacturing disruptions and supply chain delays.This places significant pressure on supply chain management,manufacturing,inventory and quality control management,shipping and trade compliance.Consequently,this has hindered and may continue to hinder our ability to forecast component supply,manufacturing capacity and timing of inventory receipts.A significant interruption in these critical functions has resulted and could continue to result in delayed order fulfillment or cancellation of orders,which may negatively impact our relationships with our customers,reduce future sales ~~or~~ Assertions by third parties of infringement **, misappropriation** or other violations by us of their intellectual property rights, or other lawsuits asserted against us, could result in significant costs and substantially harm our business, financial condition, results of operations and prospects. Patent and other intellectual property disputes are common in the network infrastructure, network security and Wi- Fi industries and have resulted in protracted and expensive litigation for many companies. Many companies in the network infrastructure, network security and Wi- Fi industries, including our competitors and other third parties, as well as non- practicing entities, own large numbers of patents, copyrights, trademarks ~~and~~ **,** trade secrets **and other intellectual property rights** , which they may use to assert claims of ~~patent~~ infringement, misappropriation, or other violations of intellectual property rights against us. From time to time, they have or may in the future also assert such claims against us, our ~~end~~ customers or channel partners whom we typically indemnify against claims that our products infringe, misappropriate or otherwise violate the intellectual property rights of third parties. For example, we have previously been involved in litigation with Cisco and OptumSoft, and are currently involved in litigation with WSOU Investments LLC (“ WSOU ”), which is described in the “ Legal Proceedings ” subheading in Note 5. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report on Form 10- K. As the number of products and competitors in our market increases and overlaps occur or if we enter into new markets, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violations of intellectual property rights by a third- party, even those without merit, could cause us to incur substantial costs defending against the claim, distract our management from our business and require us to cease use **or practice** of such intellectual property. In addition, some claims for patent infringement may relate to subcomponents that we purchase from third parties. If these third parties are unable or unwilling to indemnify us for these claims, we could be substantially harmed. The patent portfolios of most of our competitors are larger than ours. This disparity may increase the risk that our competitors may sue us for patent infringement and may limit our ability to counterclaim for patent infringement or settle through patent cross- licenses. In addition, future assertions of patent rights by third parties, and any resulting litigation, may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may therefore provide little or no deterrence or protection. We cannot assure you that we are not infringing **, misappropriating** or otherwise violating any third- party intellectual property rights. The third- party asserters of intellectual property **rights infringement** claims may be unreasonable in their demands, or may simply refuse to settle, which could lead to expensive settlement payments, longer periods of litigation and related expenses, additional burdens on employees or other resources, distraction from our business, supply stoppages and lost sales. An adverse outcome of a dispute may require us to pay substantial damages or penalties including treble damages if we are found to have willfully infringed a third- party’ s patents; cease making, licensing, using or importing into the U. S. products or services that are alleged to infringe ~~or~~ **,** misappropriate **or violate** the intellectual property **rights** of others; expend additional development resources to attempt to redesign our products or services or otherwise to develop non- infringing technology, which may not be successful; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights; and indemnify our partners and other third parties. Any damages, penalties or royalty obligations we may become subject to as a result of an adverse outcome, and any third- party indemnity we may need to provide, could harm our business, financial condition, results of operations and prospects. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. Further, there is little or no information publicly available concerning market or fair values for license fees, which can lead to overpayment of license or settlement fees. In addition, some licenses may be non- exclusive, and therefore our competitors may have access to the same technology licensed to us. Suppliers subject to third- party intellectual property **rights infringement** claims also may choose or be forced to discontinue or alter their arrangements with us, with little or no advance notice to us. Any of these events could seriously harm our business, financial condition, results of operations and prospects. In the event that we are found to infringe **, misappropriate or violate** any third- party intellectual property **rights** , we could be enjoined, or subject to other remedial orders that would prohibit us, from making, licensing, using or importing into the U. S. **or elsewhere** such products or services. In order to resume such activities with respect to any affected products or services, we (or our component suppliers) would be required to develop technical redesigns ~~to this~~ **that no longer infringe, misappropriate or violate the** third- party intellectual property **right** ~~that no longer infringe the third- party intellectual property~~ . In any efforts to develop technical redesigns for these products or services, we (or our component suppliers) may be unable to do so in a manner that does not continue to infringe the third- party intellectual property or that is acceptable to our customers. These redesign efforts could be extremely costly and time consuming as well as disruptive to our other development activities and distracting to management. Moreover, such redesigns could require us to obtain approvals from the court or administrative body to resume the activities with respect to these affected solutions. We may not be successful in our efforts to obtain such approvals in a timely manner, or at all. Any failure to effectively redesign our solutions or to obtain timely approval of those redesigns by a court or administrative body may cause a disruption to our product shipments and materially and adversely affect our business, prospects, reputation, results of operations, and financial condition. For example, in two prior investigations brought by Cisco in the International Trade Commission (" ITC "), we were subjected to remedial orders that prohibited us from importing and selling after importation any products the ITC found to infringe Cisco' s patents. As a result, we were required to redesign certain aspects of our products and obtain U. S. Customs and Border Protection' s approval of those redesigns before we could continue to import those products into the United States. If we are unable to protect our intellectual property rights, our competitive position could be harmed or we could be required to incur significant expenses to enforce our rights. We depend on our ability to protect our proprietary technology. We rely on trade secret, patent, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. The process of obtaining patent protection is expensive and time- consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions. Further, we do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. To the extent that additional patents are issued from our patent applications, which is not certain, they may be contested, circumvented or invalidated in the future. Moreover, the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages, and, as with any technology, competitors may be able to develop similar or superior technologies to our own now or in the future. In addition, we rely on confidentiality or license agreements with third parties in connection with their use of our products and technology. There is no guarantee that such parties will abide by the terms of such agreements or that we will be able to adequately enforce our rights, in part because we rely on " shrink- wrap " **or other unsigned** licenses in some instances. We have not registered our trademarks in all geographic markets. Failure to secure those registrations could adversely affect our ability to enforce and defend our trademark rights and result in indemnification claims. Further, any claim of infringement by a third- party, even those claims without merit, could cause us to incur substantial costs defending against such claim, could divert management attention from our business and could require us to cease use **or practice** of such intellectual property in certain geographic markets. Despite our efforts, the steps we have taken to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation or infringement **or any other violation** is uncertain, particularly in countries outside of the United States. Detecting and protecting against the unauthorized use of our products, technology and proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management resources, either of which could harm our business, financial condition, results of operations and prospects, and there is no guarantee that we would be successful. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to protecting their technology or intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing ~~upon~~ or misappropriating our intellectual property **rights** , which could result in a substantial loss of our market share. We rely on the availability of licenses to third- party software and other intellectual property. Many of our products and services include software or other intellectual property licensed from third parties, and we otherwise use software and other intellectual property licensed from third parties in our business. This exposes us to risks over which we may have little or no control. For example, a licensor may have difficulties keeping up with technological changes or may stop supporting the software or other intellectual property that it licenses to us. Also, it will be necessary in the future to renew licenses, expand the scope of existing licenses or seek new licenses, relating to various aspects of these products and services or otherwise relating to our business, which may result in increased license fees. These licenses may not be available on acceptable terms, if at all. In addition, a third- party may assert that we or our ~~end~~ customers are in breach of the terms of a license, which could, among other things, give such third- party the right to terminate a license or seek damages from us, or both. The inability to obtain or maintain certain licenses or other rights or to obtain or maintain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in delays in releases of products and services and could otherwise disrupt our business, until equivalent technology can be identified, licensed or developed, if at all, and integrated into our products and services or otherwise in the conduct of our business. Moreover, the inclusion in our products and services of software or other intellectual property licensed from third parties on a nonexclusive basis may limit our ability to differentiate our products from those of our competitors. Any of these events could have a material adverse effect on our business, financial condition, results of operations and prospects. Our products contain third- party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell our products. Our products contain software modules licensed to us by third- party authors under " open source " licenses. Use and distribution of open source software may entail greater risks than use of third- party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding **intellectual property rights** infringement **, misappropriation or violation** claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software that we use. If we combine our software with open source software in a certain manner, we could, under certain open source licenses, be required to release portions of the source code of our software to **our customers or** the public **more generally** . This would allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for us. Although we monitor our use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U. S. courts, and these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, we cannot assure you that our processes for controlling our use of open source software in our products will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products on terms that are not economically feasible, to re- engineer our products, to discontinue the sale of our products if re- engineering could not be accomplished on a timely basis or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, financial condition, results of operations and prospects. We provide access to our software and other selected source code to certain partners, which creates additional risk that our competitors could develop products that are similar to or better than ours. Our success and ability to compete depend substantially upon our internally developed technology, which is incorporated in the source code for our products. We seek to protect the source code, design code, documentation and other information relating to our software, under trade secret, patent and copyright laws. However, we have chosen to provide access to selected source code of our software to several of our partners for co- development, as well as for open application ~~programming interfaces ("~~ APIs ~~")~~ , formats and protocols. Though we generally control access to our source code and other intellectual property and enter into confidentiality or license agreements with such partners as well as with our employees and consultants, this combination of procedural and contractual safeguards may be insufficient to protect our trade secrets and other rights to our technology. Our protective measures may be inadequate, especially because we may not be able to prevent our partners, employees or consultants from violating any agreements or licenses we may have in place or abusing their access granted to our source code. Improper disclosure or use of our source code could help competitors develop products similar to or better than ours. We may become involved in litigation that may materially adversely affect us. From time to time, we **are** ~~may become~~ involved in legal proceedings relating to matters incidental to the ordinary course of our business, including patent, copyright, commercial, product liability, employment, class action, whistleblower and other litigation, in addition to governmental and other regulatory investigations and proceedings. Such matters can be time- consuming, divert management' s attention and resources, cause us to incur significant expenses or liability and / or require us to change our business practices. For example, we were previously involved in litigation with Cisco and OptumSoft. In addition, on November 25, 2020, WSOU filed a lawsuit against us in the Western District of Texas asserting that certain of our products infringe three WSOU patents. WSOU' s allegations are directed to certain features of our wireless and switching products. WSOU seeks remedies including monetary damages, attorney' s fees and costs. On February 4, 2021, we filed an answer denying WSOU' s allegations. On November 5, 2021, the case was transferred to the Northern District of California. On March 30, 2022, WSOU dismissed one of the patents with prejudice, removing Arista wireless products from those accused of infringement. On July 1, 2022, the court stayed the case pending the resolution of an inter partes review of one of the patents- in- suit **. On May 30, 2023, the US Patent Trial and Appeal Board (" PTAB ") ruled all challenged claims in the inter partes review unpatentable. The district court case remains pending appeal and / or final resolution of the PTAB ruling** . We intend to vigorously defend against the claims brought against us by WSOU. However, we cannot be certain that any of WSOU' s claims will be resolved in our favor, regardless of the merits of those claims. Any adverse litigation ruling could result in a significant damages award against us and injunctive relief. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we have meritorious claims or defenses. Although we have insurance which may provide coverage for some kinds of claims we may face, that insurance may not cover some kinds of claims or types of relief and may not be adequate in a particular case. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, financial condition, results of operations and prospects. For more information regarding the litigation in which we have been involved, see the " Legal Proceedings " subheading in Note 5. Commitments and Contingencies of the Notes to Consolidated Financial Statements included in Part II, Item 8, of this Annual Report on Form 10- K. Defects, errors or vulnerabilities in our products, the failure of our products to detect security breaches or incidents, the misuse of our products or the risks of product liability could harm our reputation and adversely impact our operating results. Our products, services and internal network systems could become a target for security attacks, including attacks specifically designed to disrupt our business and our customers and introduce malicious software and attacks by state sponsors. If our products, services or internal networks, system or data are or are perceived to have been compromised, our reputation may be damaged and our financial results may be negatively affected. Organizations are increasingly subject to a wide variety of attacks on their networks, systems, endpoints, products and services, and no security solution, including our security platform, can address all possible security threats or block all methods of penetrating a network, products and services or otherwise perpetrating a security incident. Additionally, any defects, errors, or vulnerabilities in our security platform or in the hardware upon which it is deployed, including a failure to implement updates to such platform, could temporarily or permanently limit our detection capabilities and expose our end- customers' networks, leaving their networks unprotected against the latest security threats. If customers of our security platform do suffer a data security incident or data breach, even if it is not attributable to a failure of our platform to identify any threat or vulnerability, customers may believe that our platform failed to detect a threat or vulnerability, which could harm our reputation or negatively affect our financial results. The classifications of application type, virus, spyware, vulnerability exploits, data, or URL categories by our security platform may also falsely detect, report and act on applications, content, or threats that do not actually exist. These false positives may impair the perceived reliability of our security platform and may therefore adversely impact market acceptance of our security platform. Any such false identification of important files or applications could result in damage to our reputation, negative publicity, loss of channel partners, end-customers and sales, increased costs to remedy any problem, and costly litigation. Breaches of our cybersecurity systems, or other security breaches or incidents with respect to our products, services, networks, systems, or data, could degrade our ability to conduct our business operations and deliver products and services to our customers, **cause vulnerabilities in our products and services, and subject us to regulatory enforcement actions and or fines or liabilities for damages incurred by our customers or partners,** delay our ability to recognize revenue, compromise the integrity of our software products and our networks, systems, and data, result in significant data losses and the theft of our intellectual property, damage our reputation, expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data. We increasingly depend upon our IT systems to conduct virtually all of our business operations, ranging from our internal operations and product development activities to our marketing and sales efforts and communications with our customers and business partners. Computer programmers or other persons or organizations may attempt to penetrate our network security, or that of our website or systems, and access, use, or obtain confidential, personal, or otherwise sensitive or proprietary information about us or our customers, or via these or other methods, including denial of service attacks and other cyberattacks, disrupt or cause interruptions of our service. In addition, geopolitical tensions, such as the Russia- Ukraine conflict **, the Israel- Hamas hostilities and deteriorating relations with China** , may create a greater risk of cyberattacks against our company and our manufacturers, suppliers, logistics providers, banks and other business partners. Because the techniques used to access, disrupt, or sabotage networks and systems change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. In addition, our software and sophisticated hardware and operating system software and applications that we ~~produce~~ **develop** or procure from third parties may contain vulnerabilities or defects in design or manufacture, including " bugs, " viruses, ransomware and other malware, and other problems that could cause the software or applications to fail or otherwise to unexpectedly interfere with the operation of the system or that could result in a breach of or disruption to our systems, products, services or networks or the systems, networks, products, or services of third parties that support us and our services. We also face risks of others gaining unauthorized access to our products and services and introducing malicious software, and such malicious software, defects, bugs or vulnerabilities, or other defects, bugs, or vulnerabilities in our products or services may result in failures or interruptions of our products or services or expose our end-customers' networks, leaving their networks unprotected against the latest security threats. We have also outsourced a number of our business functions to third parties, including our manufacturers, logistics providers, and cloud service providers, and our business operations also depend, in part, on the success of these third parties' own cybersecurity measures. Similarly, we rely upon distributors, resellers and system integrators to sell our products and our sales operations depend, in part, on the reliability of their cybersecurity measures. Additionally, we depend upon our employees to appropriately handle confidential, sensitive, and proprietary data and **comply** ~~deploy our IT resources~~ with the ~~use of~~ security measures ~~designed~~ **we have instituted** to prevent exposure of our networks and systems to security breaches and incidents **, the unauthorized access to our products** and the loss of data. We and all of the aforementioned third parties also face the risk of ransomware and other malicious software, phishing schemes and other social engineering methods, fraud and other malfeasance, cybersecurity threats from state sponsors and other actors, and intentional or negligent acts or omissions of employees and contractors. Furthermore, our acquisition of Awake Security and our provision of its NDR platform may result in us being a more attractive target for such attacks. Accordingly, if our cybersecurity systems and measures or those of any of the aforementioned third parties fail to protect against sophisticated cyber- attacks, other means of effectuating security breaches or incidents, interruptions or other disruptions of our or our third- party service providers' systems, networks, products, or services, the mishandling of data by employees and contractors, the corruption, loss, or mishandling or other unauthorized processing of data by unauthorized persons, or any other means of unauthorized access to, or use of, our manufacturing process, products, services, networks, systems, or data that we or such third parties maintain, operate, or process, our ability to conduct our business effectively could be damaged in a number of ways, including: • sensitive data regarding our business or our customers, including intellectual property and other proprietary data, could be stolen or lost, modified, rendered unavailable, or otherwise used or processed; • our electronic communications systems, including email and other methods, or other systems, and access to or availability of data, could be disrupted or harmed, and our ability to conduct our business operations could be seriously damaged until such systems or data access and availability can be restored, which we may be unable to achieve in a prompt manner or at all; • our ability to process customer orders and electronically deliver products and services could be degraded, and our distribution channels could be disrupted, resulting in delays in revenue recognition; • defects and security vulnerabilities could be introduced into our software, thereby damaging the reputation and perceived reliability and security of our products and potentially making the data systems of our customers vulnerable to further data loss and cyber incidents; • our manufacturing process, products, services, supply chain, network systems and data could be corrupted; and • personal data of our customers, employees, contractors, and business partners could be lost, accessed, obtained, modified, disclosed or used without authorization, corrupted or made unavailable, or otherwise compromised. Should any of the above events occur, or be perceived to occur, we could be subject to significant claims for liability from our customers and others and regulatory investigations and actions from governmental agencies, and we could be required to expend significant capital and other resources to remediate and otherwise address any data security incident or breach, including to notify individuals, entities, or regulatory bodies and to implement measures in an effort to prevent further breaches or incidents. In addition, our ability to protect our intellectual property rights could be compromised and our reputation and competitive position could be significantly harmed. Also, the regulatory and contractual actions, proceedings, litigation, investigations, fines, penalties and liabilities relating to any actual or perceived data breaches or security incidents that result in losses of, damage or destruction of, or unauthorized access to or acquisition of, credit card information or other personal or sensitive data of users of our services can be significant in terms of fines and reputational impact and necessitate changes to our business operations that may be disruptive to us. Additionally, we could incur significant costs in order to upgrade our cybersecurity systems and other measures in an effort to prevent network and system disruptions and other security breaches and other incidents. Even the perception of inadequate security may damage our reputation and negatively impact our ability to win new customers and retain existing customers. Consequently, our financial performance and results of operations could be adversely affected by any of the foregoing types of security breaches, incidents, vulnerabilities, or other matters, or the perception that any of them have occurred. In addition, we cannot assure that any limitation of liability provisions in our customer agreements, contracts with third- party vendors and service providers or other contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security- related matter. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any future claim will not be excluded or otherwise be denied coverage by any insurer. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co- insurance requirements, could have a material adverse effect on our business, including our reputation, financial condition and operating results. If we fail to maintain effective internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be adversely affected. Assessing our processes, procedures and staffing in order to improve our internal control over financial reporting is an ongoing process. Preparing our financial statements involves a number of complex processes, many of which are done manually and are dependent upon individual data input or review. These processes include, but are not limited to, calculating revenue, inventory costs and the preparation of our statement of cash flows. While we continue to automate our processes and enhance our review controls to reduce the likelihood for errors, we expect that for the foreseeable future many of our processes will remain manually intensive and thus subject to human error. If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect or if there is a change in accounting principles, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in the market price of our common stock. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. A change in these principles or interpretations could harm our revenue and financial results, and could affect the reporting of transactions completed before the announcement of a change. In addition, we base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in" Management' s Discussion and Analysis of Financial Condition and Results of Operations", in Part II, Item 7, of this Annual Report on Form 10- K, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, inventory valuation and contract manufacturer / supplier liabilities, income taxes and loss contingencies. If our assumptions change or if actual circumstances differ from those in our assumptions, our results of operations may be adversely affected and may fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock. Enhanced United States tax, tariff, import / export restrictions, Chinese regulations or other trade **or regulatory** barriers may have a negative effect on global economic conditions, financial markets and our business. There is currently significant uncertainty about the future relationship between the United States, and various other countries, most significantly China, with respect to trade policies, treaties, tariffs and taxes. The U. S. government has and continues to make significant additional changes in U. S. trade policy and has taken certain actions that could negatively impact U. S. trade. For example, in 2018, the Office of the U. S. Trade Representative ~~(the " USTR ")~~ enacted various tariffs of 7. 5 %, 10 %, 15 % and 25 % on imports into the U. S. from China, including communications equipment products and components manufactured and imported from China. Since then, China has retaliated through various trade related measures including imposing tariffs on imports into China from the United States. The U. S. government ~~has also~~ **continues to add additional entities, in China and elsewhere, to restricted party lists impacting the ability of U. S. companies to provide products, and in certain cases services, to these entities and, in some cases, receive products or services from these entities. Additionally, the U. S. government continues to expand controls** enacted ~~controls~~ **in October 2022** restricting the ability to send certain products and technology related to semiconductors, semiconductor manufacturing, and supercomputing to China without an export license. ~~These new~~ **In 2023, the U. S. government expanded the list of advanced integrated circuits subject to heightened export** controls **, including** ~~also apply to~~ certain hardware containing these specified integrated circuits **, expanded the list of destinations requiring export authorization for such items, and added new restrictions based on the headquarters location of the parties involved. The U. S. government also has expanded the scope of restrictions on the development or production of advanced integrated circuits and certain semiconductor manufacturing equipment, and the restrictions on supercomputing, in China and other countries** . Other foreign governments may in turn impose similar or more restrictive controls. ~~The U. S. government~~

~~continue to add additional entities, in China and elsewhere, to restricted party lists impacting the ability of U. S. companies to provide items to these entities.~~ These controls or any additional restrictions may impact our ability to export certain products to China **or other countries** , prohibit us from selling our products to certain of our customers ~~or~~ **,** restrict our ability to use certain Integrated Circuits (" ICs ") in our products **, or impact our suppliers who may utilize facilities or equipment described in these controls** . It also is possible that the Chinese government will retaliate in ways that could impact our business. **For example, China has announced controls on both the use of Micron products and export license requirements on certain materials used, among other things, in the production of semiconductors, optical components, and other electronic devices including germanium and gallium.** Additionally, these restrictions could disrupt the ability of China to produce semiconductors and other electronics and impact our ability to source components from China. These restrictions could impact the cost of components or inputs used to produce our products **. Should the relationship between China and Taiwan deteriorate, it is possible that the U. S. government could impose new controls on China, specific parties, or specific kinds of transactions in the region that could impact our business including our ability to source components from China and sell to certain of our customers. These restrictions could impact the cost of components or inputs used to produce our products. Additionally, these controls or any additional restrictions may impact our ability to export certain products to China and / or prohibit us from selling our products to certain of our customers** . We cannot predict what actions may ultimately be taken with respect to trade relations between the United States and China or other countries, what products may be subject to such actions or what actions may be taken by the other countries in retaliation. If we are unable to obtain or use components for inclusion in our products, if component prices increase significantly or if we are unable to export or sell our products to any of our customers, our business, liquidity, financial condition, and / or results of operations would be materially and adversely affected. As well, due to concerns with ~~the security of~~ products and services from certain **semiconductor,** telecommunications and video providers based in China, U. S. Congress has enacted bans on the use of certain Chinese- origin components or systems either in items sold to the U. S. government or **, in some cases,** in the internal networks of government contractors and subcontractors (even if those networks are not used for government- related projects). Further, the Chinese government has responded to these U. S. actions by indicating its intention to develop an unreliable entity list, which may limit the ability of companies on the list to engage in business with Chinese customers. If tariffs, trade restrictions, or trade barriers remain in place or if new tariffs, trade restrictions, or trade barriers are placed on products such as ours by U. S. or foreign governments, especially China, our costs may increase. We believe we can adjust our supply chain and manufacturing practices to minimize the impact of the tariffs and any impact on the supply chain of components sourced in China, but our efforts may not be successful, there can be no assurance that we will not experience a disruption in our business related to these or other changes in trade practices and the process of changing suppliers in order to mitigate any such tariff costs could be complicated, time- consuming, and costly. The U. S. tariffs may also cause customers to delay orders as they evaluate where to take delivery of our products in connection with their efforts to mitigate their own tariff exposure. Such delays create forecasting difficulties for us and increase the risk that orders might be canceled or might never be placed. Current or future tariffs imposed by the U. S. may also negatively impact our customers' sales, thereby causing an indirect negative impact on our own sales. Even in the absence of further tariffs, the related uncertainty and the market' s fear of an escalating trade war might cause our distributors and customers to place fewer orders for our products, which could have a material adverse effect on our business, liquidity, financial condition, and / or results of operations. In June 2022, the import restrictions contained in the Uyghur Forced Labor Prevention Act (" UFLPA") became effective. The UFLPA creates a rebuttable presumption that any goods mined, produced or manufactured, wholly or in part in the Xinjiang Uyghur Autonomous Region (" XUAR ") of China, or produced by a listed entity, were made with forced labor and would therefore not be entitled to entry at any U. S. port. Importers are required to present clear and convincing evidence that such goods are not made with forced labor. While we do not source items from the XUAR or from listed parties, and we have increased our supply chain diligence, there is risk that our ability to import components and products may be adversely affected by the UFLPA. Given the relatively fluid regulatory environment in China and the United States and uncertainty how the U. S. government or foreign governments will act with respect to tariffs, international trade agreements and policies, a trade war, further governmental action related to tariffs or international trade policies, or additional tax or other regulatory changes in the future could directly and adversely impact our financial results and results of operations. **In addition to laws aimed directly at trade, failure of our products to comply with a broader set of evolving industry standards and government regulations may adversely impact our business and in particular our ability to market in particular countries. Our products must comply with various U. S. federal government regulations and standards defined by agencies such as the Federal Communications Commission, standards established by governmental authorities in various foreign countries and recommendations of the International Telecommunication Union. In some circumstances, we must obtain regulatory approvals or certificates of compliance before we can offer or distribute our products in certain jurisdictions or to certain customers. In recent years, certain jurisdictions have tied these approvals to concerns about international relationships, including, e. g., concerns about entities with components sourced from China. Complying with new regulations or obtaining certifications, especially as standards evolve, may be costly and disruptive to our business and also may affect our ability to sell our products where these standards or regulations apply, which in turn may prevent us from sustaining our net revenues or achieving profitability.** Changes in our income taxes or our effective tax rate, enactment of new tax laws or changes in the application of existing tax laws of various jurisdictions or adverse outcomes resulting from examination of our income tax returns could adversely affect our results. Our income taxes are subject to volatility and could be adversely affected by several factors, some of which are outside of our control, including earnings that are lower than anticipated in countries that have lower tax rates and higher than anticipated in countries that have higher tax rates; our ability to generate and use tax attributes; changes in the valuation of our deferred tax assets and liabilities; transfer pricing adjustments from tax authorities challenging our methods for valuing developed technology or intercompany arrangements; tax effects of nondeductible compensation, including certain stock- based compensation; tax costs related to inter- company restructuring; changes in accounting principles; imposition of withholding or other taxes on payments by subsidiaries or customers; or a change in our decision to indefinitely reinvest certain foreign earnings. Significant judgment is required to evaluate our tax positions and determine our income tax liability. The accounting guidance for uncertainty in income taxes applies to all income tax positions, including the potential recovery of previously paid taxes, which if settled unfavorably could adversely affect income taxes. Tax laws are dynamic and subject to change. Changes in tax laws and regulations and interpretations of such laws and regulations, including taxation of earnings outside of the U. S. may have adverse effects on our operating results and could impact the tax treatment of our earnings and cash and cash equivalent balances we currently maintain. Furthermore, due to shifting economic and political conditions, tax policies ~~or~~ **and** rates in various jurisdictions ~~, including the United States~~, may be subject to significant change. For example, in 2022, the United States passed the Inflation Reduction Act, which made a number of changes to the Internal Revenue Code **of 1986, as amended (" IRC")** , including ~~adding a 1 % excise tax on stock buybacks by publicly- traded corporations and~~ a 15 % corporate minimum tax on adjusted financial statement income of certain large companies. The impact of these provisions on our effective tax rate will ~~also~~ depend on additional guidance to be issued by the Treasury Secretary. We are currently evaluating the impact of these provisions on our effective tax rate. While we do not anticipate any **materially** adverse impacts to our effective tax rate, we cannot provide any assurances that these provisions will not **have a materially** ~~adversely~~ -- **adverse** impact **on** our effective tax rate. Further, beginning in 2022, the Tax Cuts and Jobs Act of 2017 (" TCJA ") ~~eliminates~~ **eliminated** the option to deduct research and development expenditures currently and requires taxpayers to capitalize and amortize them over five years for U. S. incurred expenditures or fifteen years for non- U. S. incurred expenditures, pursuant to IRC Section 174. ~~While~~ **However, recently proposed tax legislation, if enacted, would restore** ~~there~~ -- **the** ~~is the potential~~ **ability to deduct currently domestic research and development expenditures through 2025 and would retroactively restore this benefit** for ~~legislation that would repeal or defer the capitalization requirement to later years, we have followed the current legislation to capitalize R & D expenditures in our current financial statements. There is no assurance that the provision will be repealed or otherwise modified, however, we do not anticipate any material change to our effective tax rate, if repealing or modifying the legislation is enacted retroactively to~~ 2022 **and 2023** . **Finally** ~~In addition~~, several countries, including the United States and **other members of** ~~Ireland as well as~~ the Organization for Economic Cooperation and Development (" OECD ") have reached agreement on a global minimum tax initiative (" Pillar Two "). ~~The Council of the~~ **Other OECD** ~~European Union adopted this initiative for enactment by European Union member states by December 31, 2022, with implementation into the domestic laws of those states by the end of 2023. Many~~ countries are also actively considering changes to existing tax laws or have proposed ~~or enacted~~ new laws to align with the recommendations and guidelines proposed by the OECD, including Pillar Two. Enactment of such tax laws could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. **We have assessed the impacts of these new laws in countries that we operate in and do not currently anticipate any material impacts to our effective tax rate. However, we cannot provide any assurance that there will not be a material impact to our effective tax rate in the future as a result of these developments.** Finally, we are subject to ~~the~~ examination of our income tax returns by the Internal Revenue Service (~~"~~ **"** IRS ~~"~~ **"**) and other tax authorities. Audits by the IRS or other tax authorities are subject to inherent uncertainties and could result in unfavorable outcomes, including potential fines or penalties. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. The expense of defending and resolving such ~~an audit~~ **audits** may be significant. The amount of time to resolve an audit is also unpredictable and may divert management' s attention from our business operations. We regularly assess the likelihood of adverse outcomes resulting from ~~these~~ **tax** examinations to determine the adequacy of our provision for income taxes. We cannot assure you that fluctuations in our provision for income taxes or our effective tax rate, the enactment of new tax laws or changes in the application or interpretation of existing tax laws or adverse outcomes resulting from examination of our tax returns by tax authorities will not have an adverse effect on our business, financial condition, results of operations and prospects. Failure to comply with governmental laws and regulations could harm our business, financial condition, results of operations and prospects. Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing employment and labor laws, workplace safety, product safety, environmental laws (including new laws related to climate change), consumer protection laws, privacy, data protection, anti- bribery laws such as the U. S. Foreign Corrupt Practices Act, import / export controls and sanctions, conflict minerals, federal securities laws and tax laws and regulations. **In addition, emerging tools and technologies we utilize in providing our products, like AI and machine learning, may also become subject to regulation under new laws or new applications of existing laws.** Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business, and damage to our reputation. In addition, in certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. For example, the EU has implemented the General Data Protection Regulation (" GDPR "). The GDPR provides for substantial obligations relating to the handling, storage and other processing of data relating to individuals and administrative fines for violations, which can be up four percent of the previous year' s annual revenue or € 20 million, whichever is higher. We have relied on the E. U.- U. S. and Swiss- U. S. Privacy Shield programs, and the use of standard contractual clauses approved by the European Commission (" SCCs"), to legitimize these transfers. **In** ~~Both the E. U.- U. S. Privacy Shield and the SCCs have been subject to legal challenge, and in~~ July 2020, the Court of Justice of the E. U. (" CJEU") issued a decision invalidating the E. U.- U. S. Privacy Shield and imposing additional obligations in connection with the use of the SCCs. The European Commission subsequently issued new SCCs that address certain of the CJEU' s concerns and which are required to be implemented. The effects of the CJEU' s decision and related developments relating to cross- border data transfer are uncertain and difficult to predict. Among other effects, we may experience additional costs associated with increased compliance burdens and new contract negotiations with third parties that aid in processing data on our behalf. We may experience reluctance or refusal by current or prospective European customers to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of residents of the European Economic Area (" EEA "). The regulatory environment applicable to the handling of EEA residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs and could result in our business, operating results and financial condition being harmed. Additionally, we and our customers may face a risk of enforcement actions by data protection authorities in the EEA relating to personal data transfers to us and by us from the EEA. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results, and financial condition. Further, the UK has implemented legislation that substantially mirrors the GDPR, and which provides for fines of up to the greater of 17. 5 million British Pounds or four percent of the previous year' s annual revenue, whichever is higher. The relationship between the UK and the EU in relation to certain aspects of data protection law remains unclear following the UK' s exit from the EU, including with respect to regulation of data transfers between EU member states and the UK. The UK has issued new standard contractual clauses that, like the SCCs, are required to be implemented. Several jurisdictions have passed new laws and regulations relating to privacy, data protection, and other matters, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. For example, the California Consumer Privacy Act (" CCPA ") became operative on January 1, 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California consumers, and affords such consumers new abilities to opt- out of certain sales of personal information. Certain aspects of the CCPA and its interpretation remain uncertain and are likely to remain uncertain for an extended period. Further, a new privacy law, the California Privacy Rights Act (" CPRA "), was approved in the November 3, 2020 election. The CPRA ~~modifies~~ **modified** the CCPA significantly, creating obligations relating to consumer data ~~beginning~~ **that commenced** on January 1, 2022 **and went into effect on** ~~, with enforcement anticipated to begin~~ July 1, 2023. The CPRA has resulted in further uncertainty and may require us to incur additional costs and expenses in an effort to comply. In addition to the CCPA **/ CPRA** , numerous other states ~~' legislatures~~ **have enacted or** are considering similar laws that will require ongoing compliance efforts and investment. For example, **Connecticut,** Virginia, Colorado ~~, Connecticut,~~ and Utah ~~all~~ have enacted ~~privacy~~ **legislation similar to the CCPA and CPRA that took effect in 2023; Florida, Montana, and Texas have enacted similar** legislation that ~~shares similarities with the CCPA~~ **becomes effective in 2024; Delaware** , **Tennessee** ~~CPRA,~~ and **Iowa have enacted similar** legislation ~~proposed~~ **that will take effect** in **2025; and Indiana has enacted similar legislation that will become effective in 2026. Among** other ~~states~~ **emerging laws relating to privacy and data protection globally, India has released its Digital Personal Data Protection Act 2023, although the full scope of the implementation remains uncertain. We maintain an employee and operational presence in India, and this act may require us to modify our policies and practices and incur increased costs in our efforts to comply** . In addition, some countries are considering or have enacted legislation requiring local storage and processing of data that could increase the cost and complexity of delivering our services. Accordingly, we cannot predict the full impact of the CCPA, the CPRA or other evolving privacy and data protection obligations on our business or operations. Complying with emerging and changing legal and regulatory requirements relating to privacy, data protection and other matters may cause us to incur costs or require us to change our business practices, which could harm our business, financial condition, results of operations and prospects. We are also subject to environmental laws and regulations governing the management and disposal of hazardous materials and wastes, including the hazardous material content of our products and laws relating to the collection, recycling and disposal of electrical and electronic equipment. Our failure, or the failure of our partners, including our contract manufacturers, to comply with past, present and future environmental laws could result in fines, penalties, third- party claims, reduced sales of our products, re- engineering our products, substantial product inventory write- offs and reputational damage, any of which could harm our business, financial condition, results of operations and prospects. We also expect that our business will be affected by new environmental laws and regulations on an ongoing basis applicable to us and our partners, including our contract manufacturers. To date, our expenditures for environmental compliance have not had a material effect on our results of operations or cash flows. Although we cannot predict the future effect of such laws or regulations, they will likely result in additional costs or require us to change the content or manufacturing of our products, which could have a material adverse effect on our business, financial condition, results of operations and prospects. From time to time, we may receive inquiries from governmental agencies or we may make voluntary disclosures regarding our compliance with applicable governmental regulations or requirements relating to various matters, including import / export controls, federal securities laws and tax laws and regulations which could lead to formal investigations. Actual or alleged noncompliance with applicable laws, regulations or other governmental requirements could lead to regulatory investigations, enforcement actions, and other proceedings, private claims and litigation, and potentially may subject us to sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental fines, penalties, or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, financial condition, results of operations and prospects could be materially adversely affected. In addition, responding to any investigation, action or other proceeding will likely result in a significant diversion of management' s attention and resources and an increase in professional fees. Enforcement actions, investigations, and fines, penalties, and other sanctions could harm our business, financial condition, results of operations and prospects. **Issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations. We use machine learning and AI technologies in our offerings and business, including in our Arista Guardian for Network Identity offering, and we are making investments in expanding our AI capabilities in our products, services, and tools, including ongoing deployment and improvement of existing machine learning and AI technologies, as well as developing new product features using AI**

technologies. AI technologies are complex and rapidly evolving, and we face significant competition from other companies as well as evolving legal and regulatory landscapes. Laws and regulations applicable to AI continue to develop and may be inconsistent from jurisdiction to jurisdiction. For example, the European Union has reached political agreement on an Artificial Intelligence Act that, when finalized, would prohibit certain AI applications and systems and impose additional requirements on the use of certain applications or systems. The use of AI technologies in new or existing products may result in new or enhanced governmental or regulatory scrutiny, new or modified laws or regulations, claims, demands, and litigation, confidentiality, privacy, data protection, or security risks, ethical concerns, or other complications that could adversely affect our business, financial condition, results of operations and prospects. Uncertainty around new and emerging AI technologies may require additional investment in the development and maintenance of proprietary datasets and machine learning models, development of new approaches and processes to provide attribution or remuneration to creators of training data, and development of appropriate protections, safeguards, and policies for handling the processing of data with AI technologies, which may be costly and could impact our expenses. AI technologies also present emerging ethical and social issues, including with respect to potential or actual bias reflected in, or flawed outputs of, models. AI technologies that we make use of may produce or create outputs that appear correct but are factually inaccurate or otherwise flawed, which may expose us to brand or reputational harm, competitive harm, regulatory scrutiny, and / or legal liability. We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we violate these controls. Our products **are** ~~may be~~ subject to various export controls and because we incorporate encryption technology into certain of our products, certain of our products may be exported from various countries only with the required export license or through an export license exception. If we were to fail to comply with the applicable export control laws, customs regulations, economic sanctions or other applicable laws, we could be subject to monetary damages or the imposition of restrictions which could be material to our business, operating results and prospects and could also harm our reputation. Further, there could be criminal penalties for knowing or willful violations, including incarceration for culpable employees and managers. Obtaining the necessary export license or other authorization for a particular sale may be time- consuming and may result in the delay or loss of sales opportunities. Furthermore, certain export control and economic sanctions laws prohibit the shipment of certain products, technology, software and services to embargoed countries and sanctioned governments, entities, and persons. For example, in addition to the controls imposed on China, following Russia' s invasion of Ukraine, the United States and other countries imposed restrictions on the import to the US of raw materials and goods from Russia and certain economic sanctions and severe export control restrictions against Russia, Belarus and regions of Ukraine as well as certain Russian nationals and entities which required us, in many cases, to terminate business relationships in those countries. These sanctions and restrictions have continued to increase as the conflict has further escalated, and the United States and other countries could impose wider sanctions and export restrictions as well as prohibitions on the import into the United States of additional raw materials from Russia and take other actions in the future that could further **impact our business. Any deterioration in relations between Taiwan and China could lead to additional sanctions or export controls on China, on specific individuals or entities, or otherwise in the region which could impact our ability to sell to certain of our customers, source components from China, or otherwise negatively** impact our business. Even though we take precautions to ensure that we and our channel partners comply with all relevant regulations, any failure by us or our channel partners to comply with such regulations could have negative consequences, including reputational harm, government investigations and penalties. In addition, economic sanctions that are vague and not subject to guidance by regulators lead to heightened compliance risk. Although we have developed procedures and controls to comply with export control and other applicable laws, historically, we have had some instances where we **, or a business that we acquired,** inadvertently ~~have~~ **did** not fully ~~complied~~ **comply** with certain **trade** ~~export control~~ laws, but we made **relevant** disclosures to, and implemented corrective actions with, the appropriate government agencies. In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our ~~end~~ customers' ability to implement our products in those countries. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations or change in the countries, governments, persons or technologies targeted by such regulations could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential ~~end~~ customers with international operations or create delays in the introduction of our products into international markets. Any decreased use of our products or limitation on our ability to export or sell our products could adversely affect our business, financial condition, results of operations and prospects. Failure to comply with anti- bribery and anti- corruption laws and anti- money laundering laws, and similar laws, could subject us to penalties and other adverse consequences. We are subject to the U. S. Foreign Corrupt Practices Act of 1977 (the " FCPA "), the U. S. domestic bribery statute contained in 18 U. S. C. § 201, the United Kingdom Bribery Act 2010, and possibly other anti- bribery and anti- corruption laws and anti- money laundering laws in countries outside of the United States where we conduct our activities. Anti- corruption and anti- bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third- party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, business partners and third- party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state- owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners or third- party intermediaries even if we do not explicitly authorize such activities. We cannot assure you that all of our employees, agents, representatives, business partners or third- party intermediaries will not take actions in violation of applicable law for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third- party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any allegations or violation of the FCPA or other applicable anti- bribery and anti- corruption laws and anti- money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management' s attention and resources and significant defense costs and other professional fees. The trading price of our common stock has been and may continue to be volatile, and the value of your investment could decline. The trading price of our common stock has historically been and is likely to continue to be volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our common stock. Factors that could cause fluctuations in the market price of our common stock include, but are not limited to, forward- looking statements related to future revenue, gross margins and earnings per share, changes or decreases in our growth rate, manufacturing, supply or distribution shortages or constraints, ratings changes by securities analysts, actual or anticipated announcements of new products by our company or our competitors, litigation, actual or anticipated changes or fluctuations in our results of operations, regulatory developments, repurchases of our common stock, departures of key executives, the financial results or financial projections of our large customers, major catastrophic events, macroeconomic factors including inflation and interest rate fluctuations and other broad market and industry fluctuations. In addition, technology stocks have historically experienced high levels of volatility and, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the market price of our common stock could decline for reasons unrelated to our business, financial condition, results of operations and prospects. The market price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us **, or where actual financial results do not meet the expectations set by industry analysts or other market participants** . In the past, following periods of volatility in the market price of a company' s securities, securities class action litigation has often been brought against that company. If the market price of our common stock is volatile, we may become the target of securities litigation. Securities litigation could result in substantial costs and divert our management' s attention and resources from our business and prospects. This could have a material adverse effect on our business, financial condition, results of operations and prospects. We have adopted stock repurchase programs to repurchase shares of our common stock; however, any future decisions to reduce or discontinue repurchasing our common stock pursuant to ~~our~~ stock repurchase programs could cause the market price ~~for~~ **of** our common stock to decline. Although our board of directors has authorized stock repurchase programs, any determination to execute ~~our~~ stock repurchase programs will be subject to, among other things, our financial position and results of operations, available cash and cash flow, capital requirements, and other factors, as well as our board of director' s continuing determination that the repurchase programs are in the best interests of our shareholders and is in compliance with all laws and agreements applicable to the repurchase programs. Our stock repurchase ~~programs~~ **program** ~~do~~ **does** not obligate us to acquire any common stock. If we fail to meet any expectations related to stock repurchases, the market price of our common stock could decline, and could have a material adverse impact on investor confidence. Additionally, price volatility of our common stock over a given period may cause the average price at which we repurchase our common stock to exceed the stock' s market price at a given point in time. We may further increase or decrease the amount of repurchases of our common stock in the future. Any reduction or discontinuance by us of repurchases of our common stock pursuant to our current stock repurchase ~~programs~~ **program** could cause the market price of our common stock to decline. Moreover, in the event repurchases of our common stock are reduced or discontinued, our failure or inability to resume repurchasing common stock at historical levels could result in a lower market valuation of our common stock. Sales of substantial amounts of our common stock in the public markets, or the perception that such sales might occur, could reduce the market price that our common stock might otherwise attain and ~~may~~ dilute your voting power and your ownership interest in us. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for you to sell your common stock at a time and price that you deem appropriate and may dilute your voting power and your ownership interest in us. In addition, we have registered the offer and sale of all shares of common stock that we may issue under our equity compensation plans. If holders, by exercising their registration rights, sell large numbers of shares, it could adversely affect the market price of our common stock. Insiders have substantial control over us, which could limit your ability to influence the outcome of key transactions, including a change of control. Our directors, executive officers and each of our stockholders who own greater than 10 % of our outstanding common stock together with their affiliates, in the aggregate, beneficially own approximately ~~19~~ **18** . ~~0~~ **4** % of the outstanding shares of our common stock, based on shares outstanding as of December 31, ~~2022~~ **2023** . As a result, these stockholders, if acting together, could exercise a significant level of influence over matters requiring approval by our stockholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may also discourage a potential investor from acquiring our common stock due to the limited voting power of such stock or otherwise may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock. Our charter documents and Delaware law could discourage takeover attempts and lead to management entrenchment. Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include: • a classified board of directors with three- year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors; • the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer; • the exclusive right of our board of directors to elect a director to fill ~~a vacancy~~ **an unfilled seat on our board of directors** created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors; • a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders; • the requirement that a special meeting of stockholders may be called only by the chairman of our board of directors, our chief executive officer, our president (in the absence of our chief executive officer) or a majority vote of our board of directors, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors; • the requirement for the affirmative vote of holders of at least 66 2 / 3 % of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation relating to the structure of our board of directors, the management of our business, and certain rights of our stockholders (including the right to take action by written consent) or **for our stockholders to amend** our amended and restated bylaws, which may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt; • the ability of our board of directors, by majority vote, to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and • advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer' s own slate of directors or otherwise attempting to obtain control of us. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15 % or more of our outstanding voting stock, from merging or combining with us for a certain period of time. If we are unable to hire, retain, train and motivate qualified personnel and senior management, our business, financial condition, results of operations and prospects could suffer. Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel, particularly software engineering and sales personnel. In addition, **we are** ~~our success in~~ expanding **internationally and** into adjacent markets including the enterprise market **, which** requires a significant investment of time, effort and financial resources into hiring and training our sales force to address these markets. If we do not effectively train our direct sales force, we may be unable to add new ~~end~~ customers, increase sales to our existing ~~end~~ customers, or successfully expand into new markets. Competition for highly skilled personnel is often intense, especially in the San Francisco Bay Area where we have a substantial presence and need for highly skilled personnel. Many of the companies with which we compete for experienced personnel have greater resources than we have to provide more attractive compensation packages and other amenities. Research and development personnel are aggressively recruited by startup and growth companies, which are especially active in many of the technical areas and geographic regions in which we conduct product development. In addition, in making employment decisions, particularly in the high- technology industry, job candidates often consider the value of the stock- based compensation they are to receive in connection with their employment. Declines in the market price of our stock could adversely affect our ability to attract, motivate or retain key employees. In addition, our future performance also depends on the continued services and continuing contributions of our senior management to execute our business plan and to identify and pursue new opportunities and product innovations. Our employment arrangements with our employees do not generally require that they continue to work for us for any specified period, and therefore, they could terminate their employment with us at any time. If we are unable to attract or retain qualified personnel, or if there are delays in hiring required personnel, our business, financial condition, results of operations and prospects may be seriously harmed. Our business is subject to the risks of earthquakes, fire, power outages, floods, health epidemics and other catastrophic events **including as a result of climate change** and to interruption by man- made problems such as terrorism and war. Our corporate headquarters and the operations of our key manufacturing vendors, logistics providers and partners, as well as many of our customers, are located in areas exposed to risks of natural disasters such as earthquakes and tsunamis, including the San Francisco Bay Area, Japan and Taiwan **. In addition, climate change may result in greater frequency and severity of natural disasters** . A significant natural disaster, such as an earthquake, tsunami, fire or a flood, or other catastrophic event such as the COVID- 19 pandemic or other disease outbreak, could have a material adverse effect on our or their business, which could in turn materially affect our financial condition, results of operations and prospects. These events could result in manufacturing and supply chain disruptions, shipment delays, order cancellations, and sales delays which could result in missed financial targets. Any health epidemic could have a material adverse effect on our ability to obtain components for our products that are supplied from Asia or to manufacture our products in Asia. Any such disruption of our suppliers, our contract manufacturers or our service providers would likely impact our sales and operating results. In addition, a health epidemic could adversely affect the economies of many countries, resulting in an economic downturn that could affect demand for our products and likely impact our operating results. In addition, acts of terrorism and war could cause disruptions in our business or the business of our manufacturers, logistics providers, partners or ~~end~~ customers or the economy as a whole. Given our typical concentration of sales at each quarter end, any disruption in the business of our manufacturers, logistics providers, partners or ~~end~~ customers that affects sales at the end of our quarter could have a particularly significant adverse effect on our quarterly results. We have not paid dividends in the past and do not intend to pay dividends for the foreseeable future. We have never declared nor paid any dividends on our common stock, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases. ~~45~~