Risk Factors Comparison 2024-03-14 to 2023-03-17 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

An investment in our securities involves a high degree of risk. You should carefully consider all of the risks described below, together with the other information contained in this Annual Report ~~on Form 10- K~~, including our financial statements and related notes, before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment. Summary Risk Factors Some of the factors that could materially and adversely affect our business, financial condition, results of operations and cash flows include, but are not limited to, the following: ~~●~~ **•** Unfavorable global economic or political conditions, including the ongoing ~~conflict~~ **conflicts** between Russia and Ukraine **, and Israel and Hamas,** may adversely affect our business, financial condition, results from operations, or the businesses of our suppliers, vendors and logistics partners; ~~●~~ **•** our inability to predict or anticipate the duration or adapt to the long- term economic and business consequences of a global pandemic linked to the COVID- 19 pandemic or any future pandemics; ~~●~~ **•** our inability to predict or adapt to the unstable market and economic conditions of the global economy; ~~●~~ **•** our ability to continue to attract and retain customers; ~~●~~ **•** our ability to sell additional products and services to customers; ~~●~~ **•** our ability to raise funds in a timely fashion and successfully manage cash flow needs and financing plans; ~~●~~ **•** our ability to successfully maintain a competitive position in our industry and market; ~~●~~ **•** our ability to manage our business and sell our products within a changing and evolving industry environment; ~~●~~ **•** our ability to locate and leverage potential growth opportunities; ~~●~~ **•** our ability to achieve expected technological advances by us or by third parties and our ability to leverage them; ~~●~~ **•** our ability to integrate our business acquisitions fully and successfully into Boxlight' s existing business and platform; ~~●~~ **•** the effects of future regulation; and ~~●~~ **•** our ability to protect and monetize our intellectual property. Risks Related to Our Business, Operations and Financial ~~ConditionUnfavorable~~ **Condition We have not complied with certain covenants, minimum liquidity and borrowing base requirements under the Credit Agreement and this could cause us to be unable to continue to operate as a going concern. As mentioned before, we have been unable to comply with certain covenants under our Credit Agreement with the Lender. Although, to date, we have been successful in obtaining forbearance agreements with respect to these matters and avoid defaults under the agreement, there can be no assurance that the lender will not declare an event of default and acceleration all of our obligations under the Credit Agreement in the event we are unable to get into full compliance with these covenants in the future. We are considering various alternatives to potentially refinancing such indebtedness. We believe that our ability to do so will require an improvement of our 2023 financial performance in 2024. In addition, there is no assurance that we will refinance the indebtedness, so if so, the terms will be favorable to us. Additionally, we have disclosed this in our periodic reports filed with the SEC that there is substantial doubt about our ability to continue as a going concern. We have a substantial amount of indebtedness bearing interest at a variable rate, which may adversely affect our cash flow and our ability to operate our business. We have a significant amount of indebtedness. As of December 31, 2023, we have approximately $ 43 million of indebtedness outstanding, all of which is secured. Our substantial amount of indebtedness could have important consequences. For example, it could: • increase our vulnerability to adverse economic, industry or competitive developments; • result in an event of default if we fail to satisfy our obligations with respect to our Credit Agreement or which event of default could result in all of our debt becoming immediately due and payable and could permit our lenders to foreclose on our assets securing such debt; • require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use cash flow to fund our operations, capital expenditures and future business opportunities; • limit our ability to service our indebtedness; • limit our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, or general corporate purpose; The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations or prospects. In addition, borrowings under the Credit Agreement bear interest at variable rates. If these rates were to increase significantly, the risk related to our substantial indebtedness would intensify. While we may enter into agreements limiting our exposure to higher interest rates, any such agreements may not offer complete protection for this risk. Unfavorable** global economic or political conditions, including the ongoing conflict between Russia and Ukraine **, and Israel and Hamas** may adversely affect our business, financial condition, or results of operations. Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. Inflation rates, particularly in the United States, have increased recently to levels not seen in years. Increased inflation may result in increased operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the United States Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks, which may impact our ability to raise additional capital in the future. The March 2023 failure of Silicon Valley Bank and its potential near- and long- term effects on the overall banking industry, may also adversely affect our operations and stock price. In addition, U. S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and ~~the start of~~ the military conflict between Russia and Ukraine. On February 24, 2022, a full- scale military invasion of Ukraine by Russian troops began. Although the length and impact of the ongoing military conflict is highly unpredictable, the conflict in Ukraine has led to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain disruptions. While neither Ukraine nor Russia is a key supplier of ours, the scope, intensity, duration and outcome of the ongoing war is uncertain and its continuation or escalation could have a material adverse effect on our business due to the general impact on the global supply chain and prices of certain commodities. While we presently have no business or direct trade relationships with entities located in Russia or Ukraine, the ongoing conflict between Russia and Ukraine could potentially cause supply chain disruptions that could disrupt our business should any of our end- suppliers rely on supplies, products or shipments from those regions. In response to the war, the United States, other North Atlantic Treaty Organization (" NATO ") member states, as well as non- member states, have announced targeted economic sanctions on Russia, certain Russian citizens and enterprises. Any continuation or escalation of the war may trigger a series of additional economic and other sanctions. Certain companies have experienced negative reactions from their investors, employees, customers, or other stakeholders as a result of their action or inaction related to the war between Russia and Ukraine. We continue to monitor the reactions of our investors, employees, customers and other stakeholders and, as of the date of this report, have neither experienced any material adverse financial impacts nor suffered from the loss of key customers or employees **. Further, in October 2023, a military conflict commenced between Israel and Hamas. It is not possible to predict the broader or longer- term consequences of these conflicts, which could include further sanctions, embargoes, regional instability, energy shortages, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, currency exchange rates and financial markets. Such geopolitical instability and uncertainty could have a negative impact on our ability to sell to, ship products to, collect payments from, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, and logistics restrictions including closures of air space, and could increase the costs, risks and adverse impacts from these new challenges. We may also be the subject of increased cyber- attacks. While currently the countries involved in these conflicts do not constitute a portion of our business, a significant escalation or expansion of economic disruption or the conflicts' current scope could have a material adverse effect on our results of operations** . In addition, the risk of cybersecurity incidents has increased in connection with the ongoing war, driven by justifications such as retaliation for the sanctions imposed in conjunction with the war, or in response to certain companies' continued operations in Russia. For example, the war has been accompanied by cyberattacks against the Ukrainian government and other countries in the region. It is possible that these attacks could have collateral effects on additional critical infrastructure and financial institutions globally, which could adversely affect our operations and could increase the frequency and severity of cyber- based attacks against our information technology systems. While we have taken actions to mitigate such potential risks, the proliferation of malware from the war into systems unrelated to the war or cyberattacks against U. S. companies in retaliation for U. S. sanctions against Russia or U. S. support of Ukraine, could also adversely affect our operations. We insure ourselves against many types of risks; however, while this insurance may mitigate certain of the risks associated with general market disruptions, including the risk related to the banking system and the ongoing war in Ukraine, our level of insurance ~~19may~~ -- **may** not cover all losses we could incur. The potential effects of these conditions could have a material adverse effect on our business, results of operations and financial condition. War, terrorism, other acts of violence, changing circumstances related to the COVID- 19 Pandemic or potential effects of future pandemics, are unpredictable and could adversely affect our business operations and the market for our products. War, terrorism, other acts of violence or natural or man- made disasters, including a global pandemic, may affect the markets in which the Company operates, the Company' s customers, the Company' s delivery of products and customer service, and could have a material adverse impact on our business, results of operations, or financial conditions. The Company' s business may be adversely affected by instability, disruption or destruction in a geographic region in which it operates, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest, and natural or man- made disasters, including famine, food, fire, earthquake, storm or pandemic events and spread of disease (including the COVID- 19 outbreak which commenced in 2020). Such events may cause customers to suspend their decisions on using the Company' s products and services, make it impossible to attend or sponsor trade shows or other conferences in which our products and services are presented to customers and potential customers, cause restrictions, postponements and cancellations of events that attract large crowds and public gatherings such as trade shows at which we have historically presented our products, and give rise to sudden significant changes in regional and global economic conditions and cycles that could interfere with purchases of goods or services, commitments to develop new products. These events also pose significant risks to the Company' s personnel and to physical facilities, transportation and operations, which could materially adversely affect the Company' s financial results. While conditions surrounding the COVID- 19 pandemic seem to have stabilized, there is nonetheless a risk related to modification of the traditional classroom setting, similar to what occurred during 2020 to 2021 when many classrooms were all virtual, that may result in reduced demand for our classroom solutions, including reduced demand for our interactive displays due to extended or indefinite distance and digital learning. There is also a risk of reduced borrowing with our factoring and purchase order financing facilities, as well as **the** risk of inability to raise additional capital. We generate a substantial portion of our revenue from the sale of our display products, and any significant reduction in sales of these products would materially harm our business. For the year ended December 31, ~~2022~~ **2023** , we generated approximately ~~80~~ **78** % of our revenues from sales of our interactive display products, consisting of interactive flat **-** panels and whiteboards. A decrease in demand for our interactive displays would significantly reduce our revenue. If any of our competitors introduces attractive alternatives to our interactive displays, we could experience a significant decrease in sales as customers migrate to those alternative products. Our business is subject to seasonal fluctuations, which may cause our operating results to fluctuate from quarter- to- quarter and adversely affect our working capital and liquidity throughout the year. Our revenues and operating results normally fluctuate as a result of seasonal variations in our business, driven largely by the purchasing cycles of the educational market. Traditionally, the bulk of expenditures by school districts occur in the second and third calendar quarters after receipt of budget allocations. We expect quarterly fluctuations in our revenues and operating results to continue. These fluctuations could result in volatility and adversely affect our cash flow. As our business grows, these seasonal fluctuations may become more pronounced. As a result, we believe that sequential quarterly comparisons of our financial results may not provide an accurate assessment of our financial position. Our working capital requirements and cash flows are subject to fluctuation, which could have an adverse effect on our financial condition. Our working capital requirements and cash flows have historically been, and are expected to continue to be, subject to quarterly and yearly fluctuations, depending on a number of factors. Factors which could result in cash flow fluctuations include: ~~●~~ • the level of sales and the related margins on those sales; • ~~20 ●~~ the collection of receivables; ~~●~~ • the timing and size of purchases of inventory and related components; and ~~●~~ • the timing of payment on payables and accrued liabilities. If we are unable to manage fluctuations in cash flow, our business, operating results and financial condition may be materially adversely affected. For example, we may be unable to make required interest payments on our indebtedness. We operate in a highly competitive industry. We are engaged in the interactive education industry. We face substantial competition from developers, manufacturers and distributors of interactive learning products and solutions, including interactive flat- panel displays, interactive whiteboards and micro- computer data logging products and any new product we may offer in the future. The industry is highly competitive and characterized by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of interactive flat- panel displays, interactive whiteboards, and micro- computer- based logging technologies and combinations of them. We face increased competition from companies with strong positions in certain markets we serve, and in new markets and regions we may enter. These companies manufacture and / or distribute new, disruptive or substitute products that compete for the pool of available funds that previously could have been spent on interactive displays and associated products. Many of these competitors have, and our potential competitors may have, significantly greater financial and other resources than we do and have spent, and may continue to spend, significant amounts of resources to try to enter or expand their presence in the market. In addition, low- cost competitors have appeared in China and other countries. We may not be able to compete effectively against these current and future competitors. Increased competition or other competitive pressures have and may continue to result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on our business, financial condition or results of operations. Some of our customers are required to purchase equipment by soliciting proposals from several sources and, in some cases, are required to purchase from the lowest bidder. While we attempt to price our products competitively, based upon the relative features they offer, our competitors' prices and other factors, we are often not the lowest bidder and, in such cases, may lose sales. Competitors may be able to respond to new or emerging technologies and changes in customer requirements more effectively and faster than we can or devote greater resources to the development, promotion and sale of products than we can. Current and potential competitors may establish cooperative relationships among themselves or with third parties, including through mergers or acquisitions, to increase the ability of their products to address the needs of customers. If these interactive display competitors or other substitute or alternative technology competitors acquire significantly increased market share, it could have a material adverse effect on our business, financial condition or results of operations. If we are unable to continually enhance our products and to develop, introduce and sell new technologies and products at competitive prices and in a timely manner, our business will be harmed. The market for interactive learning and collaboration solutions is still emerging and evolving. It is characterized by rapid technological change and frequent new product introductions, many of which may compete with, be considered as alternatives to or replace our interactive displays. For example, we have recently observed significant sales of tablet computers by competitors to school districts in the U. S. whose technology budgets could otherwise have been used to purchase interactive displays. Accordingly, our future success will depend upon our ability to enhance our products and to develop, introduce and sell new technologies and products offering enhanced performance and functionality at competitive prices and in a timely manner. The development of new technologies and products involves time, substantial costs and risks. Our ability to successfully develop new technologies will depend in large measure on our ability to maintain a technically skilled research and development staff and to adapt to technological changes and advances in the industry. The success of new product introductions depends on a number of factors, including timely and successful product development, market acceptance, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of components in appropriate quantities and costs to meet anticipated demand, the risk that new products may have quality or other defects and our ability to manage distribution and production ~~21issues~~ -- **issues** related to new product introductions. If we are unsuccessful in selling the new products that we develop and introduce, or any future products that we may develop, we may carry obsolete inventory and have reduced available working capital for the development of other new technologies and products. If we are unable, for any reason, to enhance, develop, introduce and sell new products in a timely manner, or at all, in response to changing market conditions or customer requirements or otherwise, our business will be harmed. We may not be successful in our strategy to increase sales in the business and government market. The majority of our revenue has been derived from sales to the education market. Our business strategy contemplates expanding our sales in both the education market, as well as ~~to~~ the business and government training sectors. However, to date, there has not been widespread adoption of interactive displays and collaboration solutions in the business and government market, and these solutions may fail to achieve wide acceptance in this market. Successful expansion into the business and government markets will require us to augment and develop new distribution and reseller relationships, and we may not be successful in developing those relationships. In addition, widespread acceptance of our interactive solutions may not occur due to lack of familiarity with how our products work, the perception that our products are difficult to use and a lack of appreciation of the contribution they can make in the business and government markets. In addition, the Boxlight brands are less recognized in these markets as compared to the education market. A key part of our strategy to grow in the business and government market is to develop strategic alliances with companies in the unified communications and collaboration sector, and there can be no assurance that these alliances will help us to successfully grow our sales in this market. Furthermore, our ability to successfully grow in the business and government market depends upon revenue and cash flows derived from sales to the education market. As the education market represents a significant portion of our revenue and cash flow, we utilize cash from sales in the education market for our operating expenses. If we cannot continue to augment and develop new distributor and reseller relationships, market our brand, develop strategic alliances and innovate new technologies, we may not be successful in our strategy to grow in the business and government market. As a result of market saturation, our future sales of interactive displays in developed markets may slow or decrease. As a result of the high levels of penetration in developed markets, the education market for interactive displays in the U. S., U. K. and Australia may have reached saturation levels. Future sales growth in those markets and other developed markets with similar penetration levels may, as a result, be difficult to achieve, and our sales of interactive displays may decline in those countries. If we are unable to replace the revenue and earnings, we have historically derived from sales of interactive displays to the education market in these developed markets, whether through sales of additional products, sales in other underserved markets, such as Africa, Latin America **,** and Asia, sales in the business and government market or otherwise, our business, financial condition and results of operations may be materially adversely affected. We face significant challenges growing our sales in foreign markets. For our products to gain broad acceptance in all markets, we may need to develop customized solutions specifically designed for each country in which we seek to grow our sales and to sell those solutions at prices that are competitive in that country. For example, while our hardware requires only minimal modification to be usable in other countries, our software and content require significant customization and modification to adapt to the needs of foreign customers. Specifically, our software will need to be adapted to work in a user- friendly way in several languages and alphabets, and content that fits the specific needs of foreign customers (such as, for example, classroom lessons adapted to specific foreign curricula) will need to be developed. If we are not able to develop, or choose not to support, customized products and solutions for use in a particular country, we may be unable to compete successfully in that country and our sales growth in that country will be adversely affected. We cannot assure you that we will be able to successfully develop or choose to support customized solutions for each foreign country in which we seek to grow our sales or that our solutions, if developed, will be competitive in the relevant country. Growth in many foreign countries will require us to price our products competitively in those countries. In certain developing countries, we have been and may continue to be required to sell our products at prices significantly below those that we are currently charging in developed countries. Such pricing pressures could reduce our gross margins and adversely affect our revenue. ~~22Our~~ -- **Our** customers' experience with our products will be directly affected by the availability and quality of our customers' Internet access. We are unable to control broadband penetration rates, and, to the extent that broadband growth in emerging markets slows, our growth in international markets could be hindered. In addition, we will face lengthy and unpredictable sales cycles in foreign markets, particularly in countries with centralized decision making. In these countries, particularly in connection with significant technology product purchases, we have experienced recurrent requests for proposals, significant delays in the decision- making process and, in some cases, indefinite deferrals of purchases or cancellations of requests for proposals. If we are unable to overcome these challenges, the growth of our sales in these markets would be adversely affected, and we may incur unrecovered marketing costs, impairing our profitability. Our suppliers may not be able to always supply components or products to us on a timely basis and on favorable terms, and as a result, our dependency on third **-** party suppliers has adversely affected our revenue and may continue to do so. We do not manufacture any of the products we sell and distribute and, therefore, rely on our suppliers for all products and components and depend on obtaining adequate supplies of quality components on a timely basis with favorable terms. Some of those components, as well as certain complete products that we sell are provided to us by only one key supplier or contract manufacturer. We are subject to disruptions in our operations if our sole or limited supply contract manufacturers decrease or stop production of components and products, or if such suppliers and contract manufacturers do not produce components and products of sufficient quantity. Alternative sources for our components are not always available. Many of our products and components are manufactured overseas, so they have long lead times, and events such as local disruptions, natural disasters or political conflict may cause unexpected interruptions to the supply of our products or components. In addition, we do not have written supply agreements with our suppliers. Although we are endeavoring to enter into written agreements with certain of our suppliers, we cannot assure that our efforts will be successful. Furthermore, ~~due to~~ the ~~impacts of the COVID- 19 pandemic the company~~ **Company** may experience ~~material~~ **materially** adverse impacts on its supply chain **in the event of sanctions or shipping embargoes caused by any conflict, war, or pandemics** . We rely on highly skilled personnel, and, if we are unable to attract, retain or motivate qualified personnel, we may not be able to operate our business effectively. Our success depends in large part on continued employment of senior management and key personnel who can effectively operate our business, as well as our ability to attract and retain skilled employees. Competition for highly skilled management, technical, research and development and other employees is intense in the high- technology industry **,** and we may not be able to attract or retain highly qualified personnel in the future. In making employment decisions, particularly in the high- technology industry, job candidates often consider the value of the equity awards they would receive in connection with their employment. Our long- term incentive programs may not be attractive enough or perform sufficiently to attract or retain qualified personnel. If any of our employees leaves us, and we fail to effectively manage a transition to new personnel, or if we fail to attract and retain qualified and experienced professionals on acceptable terms, our business, financial condition and results of operations could be adversely affected. Our success also depends on our having highly trained financial, technical, recruiting, sales and marketing personnel. We will need to continue to hire additional personnel as our business grows. A shortage in the number of people with these skills or our failure to attract them to our ~~company~~ **Company** could impede our ability to increase revenues from our existing products and services, ensure full compliance with federal and state regulations, or launch new product offerings and would have an adverse effect on our business and financial results. We may have difficulty in entering into and maintaining strategic alliances with third parties. We have entered into and we may continue to enter into strategic alliances with third parties to gain access to new and innovative technologies and markets. These parties are often large, established companies. Negotiating and performing under these arrangements involves significant time and expense, and we may not have sufficient resources to devote to our strategic alliances, particularly those ~~23with~~ -- **with** companies that have significantly greater financial and other resources than we do. The anticipated benefits of these arrangements may never materialize and performing under these arrangements may adversely affect our results of operations. We use resellers and distributors to promote and sell our products. Substantially all our sales are made through resellers and distributors. Industry and economic conditions have the potential to weaken the financial position of our resellers and distributors. Such resellers and distributors may no longer sell our products, or may reduce efforts to sell our products, which could materially adversely affect our business, financial condition and results of operations. Furthermore, if our resellers and distributors' abilities to repay their credit obligations were to deteriorate and result in the write- down or write- off of such receivables, it would negatively affect our operating results and, if significant, could materially adversely affect our business, financial condition and results of operations. In addition, our resellers and most of our distributors are not contractually required to sell our products exclusively and may offer competing interactive display products, and therefore we depend on our ability to establish and develop new relationships and to build on existing relationships with resellers and distributors. We cannot ~~assure~~ **ensure** that our resellers and distributors will act in a manner that will promote the success of our products. Factors that are largely within the control of those resellers and distributors but are important to the success of our products include: ~~●~~ • the degree to which our resellers and distributors actively promote our products; ~~●~~ • the extent to which our resellers and distributors offer and promote competitive products; and ~~●~~ • the quality of installation, training and other support services offered by our resellers and distributors. In addition, if some of our competitors offer their products to resellers and distributors on more favorable terms or have more products available to meet their needs, there may be pressure on us to reduce the price of our products, or those resellers and distributors may stop carrying our products or de- emphasize the sale of our products in favor of the products of these competitors. If we do not maintain and continue to build relationships with resellers and distributors our business will be harmed. If our electronic data is compromised, our business could be significantly harmed. We and our business partners maintain significant amounts of data electronically in locations around the world. This data relates to all aspects of our business, including current and future products under development, as well as certain customer, consumer, supplier, partner and employee data. We maintain systems and processes designed to protect this data, but notwithstanding such protective measures, there is a risk of intrusion, cyber- attacks or tampering that could compromise the integrity and privacy of this data. In addition, we provide confidential and proprietary information to our third- party business partners in certain cases where doing so is necessary to conduct our business. While we obtain assurances from those parties that they have systems and processes in place to protect such data, and where applicable, that they will take steps to assure the protections of such data by third parties, nonetheless those partners may also be subject to data intrusion or otherwise compromise the protection of such data. Any compromise of the confidential data of our customers, consumers, suppliers, partners, employees or ourselves, or failure to prevent or mitigate the loss of or damage to this data through breach of our information technology systems or other means could substantially disrupt our operations, harm our customers, consumers, employees and other business partners, damage our reputation, violate applicable laws and regulations, subject us to potentially significant costs and liabilities and result in a loss of business that could be material. A failure to keep pace with developments in technology could impair our operations or competitive position. Our business continues to demand the use of sophisticated systems and technology. These systems and technologies must be refined, updated and replaced with more advanced systems on a regular basis in order for us to meet our customers' demands and expectations. If we are unable to do so on a timely basis or within reasonable cost parameters, or if we are unable to appropriately and timely train our employees to operate any of these new systems, our business could suffer. We also may not achieve the benefits that we anticipate from any new system or technology, such as fuel abatement technologies, and a failure to do so could result in higher than anticipated costs or could impair our operating results. ~~24An~~ **An** information security incident, including a cybersecurity breach, could have a negative impact to the Company' s business or ~~reputationTo~~ -- **reputation. To** meet business objectives, the Company relies on both internal information technology (IT) systems and networks, and those of third parties and their vendors, to process and store sensitive data, including confidential research, business plans, financial information, intellectual property, and personal data that may be subject to legal protection. The extensive information security and cybersecurity threats, which affect companies globally, pose a risk to the security and availability of these IT systems and networks, and the confidentiality, integrity and availability of the Company' s sensitive data. The Company continually assesses these threats and makes investments to increase internal protection, detection and response capabilities, as well as ensure the Company' s third- party providers have required capabilities and controls to address these risks. To date, the Company has not experienced any material impact to the business or operations resulting from information or cybersecurity attacks; however, because of the frequently changing attack techniques, along with the increased volume and sophistication of the attacks, there is the potential for the Company to be adversely impacted. This impact could result in reputational, competitive, operational or other business harm as well as financial costs and regulatory action. ~~The Company maintains cybersecurity insurance in the event of an information security or cyber incident; however, the coverage may not be sufficient to cover all financial losses.~~ Risks Related to our Industry and Regulations ~~.~~ Decreases in, or stagnation of, spending or changes in the spending policies or budget priorities for government funding of schools, colleges, universities, other education providers or government agencies may have a material adverse effect on our revenue. Our customers include primary and secondary schools, colleges, universities, other education providers and, to a lesser extent, government agencies, each of which depends heavily on government funding. The ~~effects and duration of the COVID- 19 pandemic, which has resulted in worldwide disruptions in supply chains and economic recession, are as yet unknown. We anticipate that the~~ COVID- 19 pandemic and resulting economic recession could cause a substantial disruption in, decrease or stagnation of, spending and budget priorities for government funding of schools, colleges, universities and other education providers and government agencies. The economy had only recently experienced a similar disruption from the worldwide recession of 2008 and subsequent sovereign debt and global financial crisis, which resulted in substantial declines in the revenues and fiscal capacity of many national, federal, state, provincial and local governments. Like in the 2008 financial crisis, where many of those governments have reacted to the decreases in revenues by cutting funding to educational institutions, we anticipate that governments and governmental entities will react similarly to the economic crisis and resulting decreases in revenue caused by the COVID- 19 pandemic by cutting funding to educational institutions. If our products are not a high priority expenditure for such institutions, or if such institutions allocate expenditures to substitute alternative technologies, we could lose revenue. Any additional decrease in, stagnation of or adverse change in national, federal, state, provincial or local funding for primary and secondary schools, colleges, universities, or other education providers or for government agencies that use our products could cause our current and prospective customers to further reduce their purchases of our products, which could cause us to lose additional revenue. In addition, a specific reduction in governmental funding support for products such as ours could also cause us to lose revenue. If our products fail to comply with consumer product or environmental laws, it could materially affect our financial performance. Because we sell products used by children in classrooms and because our products are subject to environmental regulations in some jurisdictions in which we conduct business and sell our products, we are and will be required to comply with a variety of product safety, product testing and environmental regulations, including compliance with applicable laws and standards with respect to lead content and other child safety and environmental issues. If our products do not meet applicable safety or regulatory standards, we could experience lost sales, diverted resources and increased costs, which could have a material adverse effect on our financial condition and results of operations. Events that give rise to actual, potential or perceived product safety or environmental concerns could expose us to government enforcement action or private litigation and result in product recalls and other liabilities. In addition, negative consumer perceptions regarding the safety of our products could cause negative publicity and harm our reputation. ~~25Risks~~ -- **Risks** Related to our Foreign Operations ~~-~~We are subject to risks inherently related to our foreign operations. Sales outside the US represented ~~46~~ **49** % of our revenues for the year ended December 31, ~~2022~~ **2023** . We have committed, and may continue to commit, significant resources to our international operations and sales and marketing activities. Our significant foreign operations subject us to several risks related to these international business activities that may increase costs, lengthen sales cycles and require significant management attention. International operations carry certain risks and associated costs, such as the complexities and expense of administering a business abroad, complications in compliance with, and unexpected changes in regulatory requirements, foreign laws, international import and export legislation, trading and investment policies, exchange controls, tariffs and other trade barriers, difficulties in collecting accounts receivable, potential adverse tax consequences, uncertainties of laws, difficulties in protecting, maintaining or enforcing intellectual property rights, difficulty in managing a geographically dispersed workforce in compliance with diverse local laws and customs, and other factors, depending upon the country involved. Moreover, local laws and customs in many countries differ significantly and compliance with the laws of multiple jurisdictions can be complex, difficult and costly. We cannot ~~assure~~ **ensure** that risks inherent in our foreign operations will not have a material adverse effect on our business. We must comply with the Foreign Corrupt Practices Act. We are required to comply with the United States Foreign Corrupt Practices Act, which prohibits U. S. companies from engaging in bribery of or other prohibited payments to foreign officials for the purpose of obtaining or retaining business and requires that we maintain adequate financial records and internal controls to prevent such prohibited payments. Our international operations are managed by the Sahara team who are required to comply with the ~~UK~~ **U. K.** Bribery Act 2010 which goes further than current ~~US~~ **U. S.** legislation where the Bribery Act is not limited to foreign officials but also includes customers and includes all form of inducement and incentives; the same standard is expected of all our Sahara employees of other European countries where similar legislation is in force under EU- Law Corruption, extortion, bribery, pay- offs, theft and other fraudulent practices may occur in countries where we do business. If our competitors engage in these practices, they may receive preferential treatment from personnel of some companies, giving our competitors an advantage in securing business or from government officials who might give them priority in obtaining new business, which would put us at a disadvantage. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties. Our worldwide operations will subject us to income taxation in many jurisdictions, and we must exercise significant judgment to determine our worldwide financial provision for income taxes. That determination ultimately is an estimate, and, accordingly, we cannot assure that our historical income tax provisions and accruals will be adequate. We are subject to income taxation in the United States and numerous other jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, we cannot assure you that the final determination of any tax audits and litigation will not be materially different from that which is reflected in our historical income tax provisions and accruals. Should additional taxes be assessed against us as a result of an audit or litigation, there could be a material adverse effect on our current and future results and financial condition. Certain of our subsidiaries provide products to and may from time to time undertake certain significant transactions with us and our other subsidiaries in different jurisdictions. In general, cross **-** border transactions between related parties and, in particular, related party financing transactions, are subject to close review by tax authorities. Moreover, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules that require all transactions with nonresident related parties to be priced using arm' s- length pricing principles and require the existence of contemporaneous documentation to support such pricing. A tax authority in one or more jurisdictions could challenge the validity of our related party transfer pricing policies. If in the future any taxation authorities are successful in challenging our financing or transfer pricing policies, our income tax expense may be adversely affected and we could become subject to interest and penalty charges, which may harm our business, financial condition and operating results. ~~26If~~ **If** we are unable to ship and transport components and final products efficiently and economically across long distances and borders, our business would be harmed. We transport significant volumes of components and finished products across long distances and international borders. Any increases in our transportation costs, as a result of increases in the price of oil or otherwise, would increase our costs and the final prices of our products to our customers. In addition, any increases in customs or tariffs, as a result of changes to existing trade agreements between countries or otherwise, could increase our costs or the final cost of our products to our customers or decrease our margins. Such increases could harm our competitive position and could have a material adverse effect on our business. The laws governing customs and tariffs in many countries are complex and often include substantial penalties for non- compliance. Disputes may arise and could subject us to material liabilities and have a material adverse effect on our business. If our procedures to ensure compliance with export control laws are ineffective, our business could be harmed. Our extensive foreign operations and sales are subject to far reaching and complex export control laws and regulations in the United States and elsewhere. Violations of those laws and regulations could have material negative consequences for us including large fines, criminal sanctions, prohibitions on participating in certain transactions and government contracts, sanctions on other companies if they continue to do business with us and adverse publicity. We will be exposed to fluctuations in foreign currencies that may materially adversely affect our results of operations. Our reporting currency is the U. S. dollar. Sahara ~~Holdings Ltd.~~ consolidates results using the British pound (with principal functional currencies in British pound, Euro and U. S. dollar) and Boxlight Latin America uses the Mexican Peso as functional currency to report revenue and expenses. As a result, we will be exposed to foreign exchange rate fluctuations when we translate the financial statements of our group companies into U. S. dollars in consolidation. If there is a change in foreign currency exchange rates, the translation of any of the group ~~companies~~ - **companie' s** financial statements into U. S. dollars will lead to a translation gain or loss which is recorded as a component of other comprehensive income. In addition, we may have certain monetary assets and liabilities that are denominated in currencies other than the relevant entity' s functional currency. To the extent the U. S. dollar strengthens or weakens against the certain foreign currencies then the translation of foreign currency denominated transactions will result in a change to reported revenue, operating expenses and net income for subsidiary operations. We have not entered into agreements or purchased instruments to hedge our exchange rate risks, although we may do so in the future. The availability and effectiveness of any hedging transaction may be limited, and we may not be able to successfully hedge fully our exchange rate risks. We monitor our foreign exchange exposures, and these activities mitigate, but do not eliminate, our exposure to exchange rate fluctuations. As a result, exchange rate fluctuations may materially adversely affect our operating results in future periods. Unstable market and economic conditions may have serious adverse consequences on our business, financial condition and results of operations. The global economy, including credit and financial markets, has experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, increases in inflation rates and uncertainty about economic stability. Any such volatility and disruptions may have adverse consequences on us or the third parties upon ~~who~~ **whom** we rely. Risks Related to Our Intellectual Property and ~~TechnologyDefects~~ **Technology Defects** in our products can be difficult to detect before shipment. If defects occur, they could have a material adverse effect on our business. Our products are highly complex and sophisticated and, from time to time, have contained and may continue to contain design defects or software " bugs " or failures that are difficult to detect and correct in advance of shipping. The occurrence of errors and defects in our products could result in loss of, or delay in, market acceptance of our products, including harm to our brand. Correcting such errors and failures in our products could require significant expenditure of capital by us. In addition, we are rapidly developing and introducing new products, and new products may have higher rates of errors and defects than ~~27our~~ -- **our** established products. The Boxlight Group has historically provided product warranties between one and five years, and the failure of our products to operate as described could give rise to warranty claims. The consequences of such errors, failures and other defects and claims could have a material adverse effect on our business, financial condition, results of operations and our reputation. We may not be able to obtain patents or other intellectual property rights necessary to protect our proprietary technology and business. Our commercial success depends to a significant degree upon our ability to develop new or improved technologies and products, and to obtain patents or other intellectual property rights or statutory protection for these technologies and products in the United States and other countries. We will seek to patent concepts, components, processes, designs and methods, and other inventions and technologies that we consider have commercial value or that will likely give us a technological advantage. Boxlight own rights in patents and patent applications for technologies relating to interactive displays and other complementary products in the United States and other countries such as Germany, Mexico, Israel, Japan, Taiwan and China. Despite devoting resources to the research and development of proprietary technology, we may not be able to develop technology that is patentable or protectable. Patents may not be issued in connection with pending patent applications, and claims allowed may not be sufficient to allow them to use the inventions that they create exclusively. Furthermore, any patents issued could be challenged, re- examined, held invalid or unenforceable or circumvented and may not provide sufficient protection or a competitive advantage. In addition, despite efforts to protect and maintain patents, competitors and other third parties may be able to design around their patents or develop products similar to our products that are not within the scope of their patents. Finally, patents provide certain statutory protection only for a limited period of time that varies depending on the jurisdiction and type of patent. The statutory protection term of certain of our material patents may expire soon and, thereafter, the underlying technology of such patents can be used by any third- party including competitors. Prosecution and protection of the rights sought in patent applications and patents can be costly and uncertain, often involve complex legal and factual issues and consume significant time and resources. In addition, the breadth of claims allowed in our patents, their enforceability and our ability to protect and maintain them cannot be predicted with any certainty. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of the United States. Even if our patents are held to be valid and enforceable in a certain jurisdiction, any legal proceedings that we may initiate against third parties to enforce such patents will likely be expensive, take significant time and divert management' s attention from other business matters. We cannot assure that any of the issued patents or pending patent applications will provide any protectable, maintainable or enforceable rights or competitive advantages to us. In addition to patents, we will rely on a combination of copyrights, trademarks, trade secrets and other related laws and confidentiality procedures and contractual provisions to protect, maintain and enforce our proprietary technology and intellectual property rights in the United States, the United Kingdom, Mexico, Australia, Malaysia, Canada, Turkey Sweden, Finland, Germany, Holland, and China. However, our ability to protect our brands by registering certain trademarks may be limited. In addition, while we will generally enter into confidentiality and nondisclosure agreements with our employees, consultants, contract manufacturers, distributors and resellers and with others to attempt to limit access to and distribution of our proprietary and confidential information, it is possible that: ~~•~~ • misappropriation of our proprietary and confidential information, including technology, will nevertheless occur; ~~•~~ • our confidentiality agreements will not be honored or may be rendered unenforceable; ~~•~~ • third parties will independently develop equivalent, superior or competitive technology or products; ~~•~~ • disputes will arise with our current or future strategic licensees, customers or others concerning the ownership, validity, enforceability, use, patentability or registrability of intellectual property; or ~~•~~ • unauthorized disclosure of our know-how, trade secrets or other proprietary or confidential information will occur. • ~~28 •~~ we cannot assure that we will be successful in protecting, maintaining or enforcing our intellectual property rights. If we are unsuccessful in protecting, maintaining or enforcing our intellectual property rights, then our business, operating results and financial condition could be materially adversely affected, which could: ~~•~~ • adversely affect our relationships with current or future distributors and resellers of our products; ~~•~~ • adversely affect our reputation with customers; ~~•~~ • be time- consuming and expensive to evaluate and defend; ~~•~~ • cause product shipment delays or stoppages; ~~•~~ • divert management' s attention and resources; ~~•~~ • subject us to significant liabilities and damages; ~~•~~ • require us to enter into royalty or licensing agreements; or ~~•~~ • require us to cease certain activities, including the sale of products. If it is determined that we have infringed, violated or are infringing or violating a patent or other intellectual property right of any other person or if we are found liable in respect of any other related claim, then, in addition to being liable for potentially substantial damages, we may be prohibited from developing, using, distributing, selling or commercializing certain of our technologies and products unless we obtain a license from the holder of the patent or other intellectual property right. We cannot assure that we will be able to obtain any such license on a timely basis or on commercially favorable terms, or that any such licenses will be available, or that workarounds will be feasible and cost- efficient. If we do not obtain such a license or find a cost- efficient workaround, our business, operating results and financial condition could be materially adversely affected, and we could be required to cease related business operations in some markets and restructure our business to focus on our continuing operations in other markets. Our business may suffer if it is alleged or determined that our technology or another aspect of our business infringes the intellectual property of others. The markets in which we will compete are characterized by the existence of many patents and trade secrets and also by litigation based on allegations of infringement or other violations of intellectual property rights. Moreover, in recent years, individuals and groups have purchased patents and other intellectual property assets for the purpose of making claims of infringement to extract settlements from companies like ours. Also, third parties may make infringement claims against us that relate to technology developed and owned by one of our suppliers for which our suppliers may or may not indemnify us. Even if we are indemnified against such costs, the indemnifying party may be unable to uphold its contractual obligations and determining the extent ~~such~~ of such obligations could require additional litigation. Claims of intellectual property infringement against us or our suppliers might require us to redesign our products, enter into costly settlements or license agreements, pay costly damage awards or face a temporary or permanent injunction prohibiting us from marketing or selling our products or services. If we cannot or do not license the infringed intellectual property on reasonable terms or at all, or substitute similar intellectual property from another source, our revenue and operating results could be adversely impacted. Additionally, our customers and distributors may not purchase our offerings if they are concerned that they may infringe third **-** party intellectual property rights. Responding to such claims, regardless of their merit, can be time consuming, costly to defend in litigation, divert management' s attention and resources, damage our reputation and cause us to incur significant expenses. The occurrence of any of these events may have a material adverse effect on our business, financial condition and operating results. If we are unable to anticipate consumer preferences and successfully develop attractive products, we might not be able to maintain or increase our revenue or achieve profitability. Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing demands and preferences of customers in a timely manner. If we are unable to introduce new products or technologies in a timely manner or our new products or technologies are not accepted by our customers, our competitors may introduce more attractive products which ~~29would~~ -- **would** adversely impact our competitive position. Failure to respond in a timely manner to changing consumer preferences could lead to, among other things, lower revenues and excess inventory positions of outdated products. We may be unable to keep pace with changes in technology as our business and market strategy evolves. We will need to respond to technological advances and emerging industry standards in a cost- effective and timely manner in order to remain competitive. The need to respond to technological changes may require us to make substantial, unanticipated expenditures. There can be no assurance that we will be able to respond successfully to technological change. Risks Related to Our Class A Common ~~StockWe~~ -- **Stock We** may not be able to maintain a listing of our Class A common stock on Nasdaq Capital Market, or Nasdaq. Because our Class A common stock is listed on Nasdaq, we must meet certain financial and liquidity criteria to maintain such listing. At present, we are in the ~~second~~ **initial period of** 180- day compliance period provided by Nasdaq relating to our failure to maintain the $ 1. 00 minimum bid price requirement **. On February 29, 2024, we received a letter from the Listing Qualifications Department** (the " ~~Minimum~~ **Staff ") of the Nasdaq notifying us that based upon the closing bid price for the last 30 consecutive business days, we no longer meet the Nasdaq Listing Rule 5550 (a) (2) (the "** Bid Price **Rule** "). ~~This~~ **We have been provided an initial period of 180 calendar days, or until August 26, 2024, to regain compliance with the Bid Price Rule. If we are not in compliance with the Bid Price Rule by August 26, 2024, we may be afforded a** second 180 ~~-~~ **calendar** day ~~compliance~~ period ~~expires on July 3, 2023. In order~~ to regain compliance ~~, we must regain the $ 1~~ . **We** ~~00 Minimum Bid Price and trade at $ 1. 00 or higher for 10 consecutive days. If we do not organically regain the Minimum Bid Price within that period, we~~ will ~~need~~ **continue** to ~~seek stockholder approval~~ **actively monitor the closing bid price of our Class A common stock and will evaluate available options, including, without limitation, seeking** to ~~conduct~~ **effect** a reverse stock split **, in order to resolve the deficiency and regain compliance with the Bid Price Rule** . If we fail to regain compliance, or otherwise violate or fail to meet any Nasdaq listing requirements, our Class A common stock may be delisted. In addition, our Board may determine that the cost of maintaining our listing on a national securities exchange outweighs the benefits of such listing. A delisting of our Class A common stock from Nasdaq may materially impair our stockholders’ ability to buy and sell our Class A common stock and could have an adverse effect on the market price of, and the efficiency of the trading market for, our Class A common stock. In the event our stock is delisted from Nasdaq, whether by choice or otherwise, the delisting of our Class A common stock could significantly impair our ability to raise capital and stockholder value. Future sales of our Class A common stock could adversely affect our share price, and any additional capital raised by us through the sale of equity or convertible debt securities may dilute your ownership in ~~BOXL~~ **our securities** and may adversely affect the market price of our Class A common stock. **The** ~~We believe that our existing working capital, expected cash flow from operations and other available cash resources will enable us to meet our working capital requirements for at least the next 12 months. However, the~~ development and marketing of new products and the expansion of distribution channels require a significant commitment of resources. From time to time, we may seek additional equity or debt financing to finance working capital requirements, continue our expansion, develop new products or make acquisitions or other investments. In addition, if our business plans change, general economic, financial or political conditions in our industry change, or other circumstances arise that have a material effect on our cash flow, the anticipated cash needs of our business, as well as our conclusions as to the adequacy of our available sources of capital, could change significantly. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. If additional funds are raised through the issuance of equity shares, preferred shares or debt securities, the terms of such securities could impose restrictions on our operations and would reduce the percentage ownership of our existing stockholders. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business or to develop new business at the rate desired and our results of operations may suffer. The market price of our Class A common stock may be volatile, which could cause the value of our common stock to fluctuate and possibly decline significantly. The market price of our Class A common stock may be highly volatile and subject to wide fluctuations. In ~~2022~~ **2023** , the price of our Class A common stock declined from $ ~~1~~ **2** . ~~41~~ **48** on January ~~4~~ **3** , ~~2022~~ **2023** to $ ~~0~~ **1** . ~~31~~ **07** per share on December ~~30~~ **29** , ~~2022~~ **2023** . As of March ~~13~~ **8** , ~~2023~~ **2024** , our Class A common stock closed at $ 0. ~~48~~ **92** per share. In addition, our financial performance, government regulatory action, tax laws and market conditions in general, including the ongoing COVID- 19 pandemic and ~~its~~ **conflicts between Ukraine and Russia, and Israel and Hamas, and their** resulting impact on the economy at large, could have a significant impact on the future market price of our Class A common stock. Some of the factors that could negatively affect our share price or result in fluctuations in the price of our common stock include: ~~•~~ **•** our operating and financial performance and prospects; ~~•~~ **•** our quarterly or annual earnings or those of other companies in our industry; **•** ~~30 •~~ the public’ s reaction to our press releases, our other public announcements and our filings with the SEC; ~~•~~ **•** changes in, or failure to meet, earnings estimates or recommendations by research analysts who track our Class A common stock or the stock of other companies in our industry; ~~•~~ **•** the failure of analysts to cover our Class A common stock; ~~•~~ **•** strategic actions by us or our competitors, such as acquisitions or restructurings; ~~•~~ **•** announcements by us, our competitors or our vendors of significant contracts, acquisitions, joint marketing relationships, joint ventures or capital commitments; ~~•~~ **•** new laws or regulations or new interpretations of existing laws or regulations applicable to our business; ~~•~~ **•** changes in accounting standards, policies, guidance, interpretations or principles; ~~•~~ **•** announcements by third parties or governmental entities of significant claims or proceedings against us; ~~•~~ **•** new laws and governmental regulations, or other regulatory developments, applicable to our industry; ~~•~~ **•** changes in general conditions in the United States and global economies or financial markets, including both social and economic conditions resulting from the ongoing COVID- 19 pandemic **and, conflicts between Ukraine and Russia, and Israel and Hamas** , war, incidents of terrorism or responses to such events; ~~•~~ **•** changes in government spending levels on education; ~~•~~ **•** changes in key personnel; ~~•~~ **•** sales of common stock by us, members of our management team or our stockholders; ~~•~~ **•** the granting or exercise of employee stock options or other equity awards; ~~•~~ **•** the volume of trading in our Class A common stock; and ~~•~~ **•** the realization of any risks described in this ~~section~~ **Item 1A** under the caption “ Risk Factors ” **.** Furthermore, the stock market has recently experienced extreme volatility that, in some cases, has been unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our Class A common stock, regardless of our actual operating performance. In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation. Our Articles of Incorporation, Bylaws and Nevada law may have anti- takeover effects. Our Articles of Incorporation authorize the issuance of common stock and preferred stock. Each share of Class A common stock entitles the holder to one vote on all matters to be voted upon by stockholders, and the Class B common stock has no vote, except as required by law. In addition, **the** ~~our board of directors (“~~ Board ~~”)~~ has the authority to issue additional shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The ability of our Board to issue additional shares of preferred stock could make it more difficult for a third **-** party to acquire a majority of our voting stock. Other provisions of our Bylaws also may have the effect of discouraging, ~~31delaying~~ -- **delaying** or preventing a merger, tender offer or proxy contest, which could have an adverse effect on the market price of our Class A common stock. In addition, certain provisions of Nevada law applicable to our company could also delay or make more difficult a merger, tender offer or proxy contest involving our company, including Sections 78. 411 through 78. 444 of the Nevada Revised Statutes, which prohibit a Nevada corporation from engaging in any business combination with any “ interested stockholder ” (as defined in the statute) for a period of two years unless certain conditions are met. In addition, our senior management is entitled to certain payments upon a change in control and certain of the stock options and restricted shares we have granted provide for the acceleration of vesting in the event of a change in control of our ~~company~~ **Company** . We have no intention of declaring dividends in the foreseeable future. The decision to pay cash dividends on our Class A common stock rests with our Board and will depend on our earnings, unencumbered cash, capital requirements and financial condition. We do not anticipate declaring any dividends in the foreseeable future, as we intend to use any excess cash to fund our operations. Investors in our Class A common stock should not expect to receive dividend income on their investment, and investors will be dependent on the appreciation of our Class A common stock to earn a return on their investment. If securities or industry analysts do not publish research or reports about us, or if they adversely change their recommendations regarding our Class A common stock, then our stock price and trading volume could decline. The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts publish about us, our industry and our market. If no analyst elects to cover us and publish research or reports about us, the market for our Class A common stock could be severely limited and our stock price could be adversely affected. In addition, if one or more analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. If one or more analysts who elect to cover us adversely change their recommendations regarding our Class A common stock, our stock price could decline. We may be exposed to risks relating to evaluations of controls required by Sarbanes- Oxley Act of 2002. Pursuant to Sarbanes- Oxley Act of 2002, our management is required to report on ~~, and our independent registered public accounting firm is required to attest to,~~ the effectiveness of our internal control over financial reporting. Although we prepare our financial statements in accordance with accounting principles generally accepted in the United States, our internal accounting controls may not meet all standards applicable to companies with publicly traded securities. If we fail to implement any required improvements to our disclosure controls and procedures, we may be obligated to report control deficiencies ~~and our independent registered public accounting firm may not be able to certify the effectiveness of our internal controls over financial reporting~~ . In either case, we could become subject to regulatory sanction or investigation. Further, these outcomes could damage investor confidence in the accuracy and reliability of our financial statements. If we fail to develop, implement and maintain an effective system of internal control over financial reporting, the accuracy and timing of our financial reporting in future periods may be adversely affected. The Sarbanes- Oxley Act and related rules and regulations require that management report annually on the effectiveness of our internal control over financial reporting and assess the effectiveness of our disclosure controls and procedures on a quarterly basis. Effective internal controls are necessary for us to provide timely and reliable financial reports and effectively prevent fraud. We have identified control deficiencies that constituted a material weakness in our internal controls and procedures in the past and may experience a material weakness in future years. If we fail to maintain adequate internal controls, our financial statements may not accurately reflect our financial condition. Any material misstatements could require a restatement of our consolidated financial statements, cause us to fail to meet our reporting obligations or cause investors to lose confidence in our reported financial information, leading to a decline in the market value of our securities. ~~32~~ **Unstable market and economic conditions and potential disruptions in the credit markets may adversely affect our business, including the availability and cost of short- term funds for liquidity requirements and our ability to meet long- term commitments, which could adversely affect our results of operations, cash flows and financial condition. If internally generated funds are not available from operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short- term liquidity needs. Our access to funds under our revolving credit facility or pursuant to arrangements with other financial institutions is dependent on the financial institution' s ability to meet funding commitments. Financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience high volumes of borrowing requests from other borrowers within a short period of time. In addition, the global credit and financial markets have recently experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, inflationary pressure and interest rate changes and uncertainty about economic stability. More recently, the closures of Silicon Valley Bank, Signature Bank and First Republic Bank and their placement into receivership with the Federal Deposit Insurance Corporation (FDIC) created bank- specific and broader financial institution liquidity risk and concerns. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market- wide liquidity shortages, impair the ability of companies to access near- term working capital needs, and create additional market and economic uncertainty. There can be no assurance that future credit and financial market instability and a deterioration in confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, liquidity shortages, volatile business environment or continued unpredictable and unstable market conditions. If the equity and credit markets deteriorate, or if adverse developments are experienced by financial institutions, it may cause short- term liquidity risk and also make any necessary debt or equity financing more difficult, more costly and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price and could require us to delay or abandon clinical development plans. In addition, there is a risk that one or more of our current service providers, financial institutions, manufacturers and other partners may be adversely affected by the foregoing risks, which could directly affect our ability to attain our operating goals on schedule and on budget.**