Risk Factors Comparison 2024-02-27 to 2023-02-27 Form: 10-K

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~~Below is a summary of the principal factors that make an investment in our common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found below under the heading " Risk Factors " and should be carefully considered, together with other information in this Annual Report on Form 10- K and our other filings with the Securities and Exchange Commission (SEC) before making investment decisions regarding our common stock. •~~ Our competitive position and success in the market depend to a significant degree upon our ability to build and maintain the strength of our ~~brand~~ **brands** among gaming enthusiasts **,** and any failure to build and maintain our ~~brand~~ **brands** may seriously harm our business. • Our success and growth depend on our ability to continuously develop and successfully market new ~~gear~~ **products** and improvements. If we are unable to do so, demand for our current ~~gear~~ **products** may decline and new ~~gear~~ **products** we introduce may not be successful. • We depend upon the introduction and success of new third- party high- performance computer hardware, particularly graphics processing units, or GPUs, and central processing units, or CPUs, and sophisticated new video games to drive sales of our ~~gear~~ **products** . If newly introduced GPUs, CPUs and sophisticated video games are not successful, if the rate at which those products are introduced declines or if such products are not readily available, it may seriously harm our business. • We face intense competition, and if we do not compete effectively, we could lose market share, demand for our ~~gear~~ **products** could decline and our business may be seriously harmed. • If the gaming industry, including streaming and esports, does not grow as expected or declines, our business could be seriously harmed ~~. • If we lose or are unable to attract and retain key management, our ability to compete could be seriously harmed and our financial performance could suffer~~ . • Currency exchange rate fluctuations could result in our ~~gear~~ **products** becoming relatively more expensive to our overseas customers or increase our manufacturing costs, each of which may seriously harm our business. • **Our sales are subject to seasonal fluctuations, which may seriously harm our business.** Total unit shipments of our ~~gear~~ **products** tend to be higher during the third and fourth quarters of the year ~~. As a result, our sales are subject to seasonal fluctuations, which may seriously harm our business. • The coronavirus outbreak has had, and could continue to have, a materially disruptive effect on our business~~ . • The ongoing war between Russia and Ukraine **and the ongoing conflict in Gaza** could adversely affect our business, financial condition and results of operations. • We are controlled by a single stockholder, **EagleTree,** whose ~~interest~~ **interests** in our business may be different than yours. **Corsair Gaming, Inc. | 2023 Form 10- K |** • We are a " controlled company " within the meaning of the Nasdaq Global Select Market, rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements. **Risk Factors** Our business involves significant risks, some of which are described below. You should consider carefully the risks and uncertainties described below, together with all of the other information contained in this Annual Report on Form 10- K such as " Management' s Discussion and Analysis of Financial Condition and Results of Operations " and our consolidated financial statements and related notes. If any of the following risks actually occurs, our business, reputation, financial condition, results of operations, revenue and future prospects could be seriously harmed. In such event, the market price of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. This Annual Report on Form 10- K also contains forward- looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward- looking statements as a result of factors that are described below and elsewhere in this Annual Report. Unless otherwise indicated, references to our business being seriously harmed in these risk factors and elsewhere will include harm to our business, reputation, financial condition, results of operations, revenue and future prospects. Risks Related to Our Business Our competitive position and success in the market depend to a significant degree upon our ability to build and maintain the strength of our brands among gaming enthusiasts and ~~streamers~~ **creators** , and any failure to build and maintain our brands may seriously harm our business. We regard our brands as a valuable asset, and **reinforcing** ~~we consider it essential to both maintaining and strengthening~~ our **position** ~~brands that we be perceived by current and prospective customers~~ as a leading supplier of cutting- edge, high- performance ~~gear~~ **products** for gaming and streaming **is essential to maintaining and strengthening our brands** . This requires that we constantly innovate by introducing new and enhanced ~~gear~~ **products** that ~~achieves~~ - **achieve** significant levels of acceptance among gamers. We also need to continue to invest in, and devote substantial resources to, advertising, marketing, customer support and other efforts to create and maintain brand recognition and loyalty among our retailer customers, distributors and gamers. However, product development, marketing and other brand promotion activities may not yield increased net revenue and, even if they do, any increased net revenue may not offset the expenses incurred in building our brands. Further, certain marketing efforts such as sponsorship of esports athletes, content creators or events could become prohibitively expensive, and as a result these marketing initiatives may no longer be feasible. Additionally, the quality of our customer support is important to our customers, and if we fail to provide adequate levels of customer support or devote substantial resources to customer support, we could lose customers. Our consumers depend on our customer support organization to resolve any issues relating to our ~~gear and~~ products. A high level of support is critical for the successful marketing of our brands and marketing and sales of our products. If we fail to build and maintain our brands, or if we incur substantial expenses in an unsuccessful attempt to build and maintain our brands, our business may be harmed. Our brands may also be damaged by events such as product recalls, perceived declines in quality or reliability, product shortages, damaging action or conduct of our sponsored esports athletes or content creators and other events, some of which are beyond our control. The ~~gear~~ **products** we sell, which ~~includes~~ - **include** gamer and creator peripherals and gaming components and systems, ~~is~~ **are** characterized by short product life cycles, frequent new product introductions, rapidly changing technology and evolving industry standards. In addition, average selling prices of some of our ~~gear~~ **products** tend to decline as the ~~gear~~ **products** ~~matures~~ - **mature** , and we expect this trend to continue. As a result, we must continually anticipate and respond to changing gamer requirements, innovate in our current and emerging categories of ~~gear~~ **products** , introduce new ~~gear~~ **products** and enhance existing ~~gear~~ **products** in a timely and efficient manner in order to remain competitive and execute our growth strategy. We believe that the success of our ~~gear~~ **products** depends to a significant degree on our ability to identify new features or category opportunities, anticipate technological developments and market trends and distinguish our ~~gear~~ **products** from those of our competitors. In order to further grow our business, we also will need to quickly develop, manufacture and ship innovative and reliable new ~~gear~~ **products** and enhancements to our existing ~~gear~~ **products** in a cost- effective and timely manner to take advantage of developments in enabling technologies and the introduction of new computer hardware, such as new generations of GPUs and CPUs, and computer games, all of which drive demand for our ~~gear~~ **products** . ~~Further~~ **In recent years** , ~~our growth depends in part on our ability to introduce and successfully market new gear and categories of gear. For example, in the last 24 months,~~ we **have** entered into **several** ~~four large~~ new markets, ~~namely~~ **for example** the ~~microphones and~~ cameras ~~markets~~ - **market** for content creators ~~,~~ **and** the gaming monitors ~~market and prebuilt gaming laptops~~ market for both gamers and content creators, and in the future, we intend to introduce other ~~gear~~ **products** designed to appeal to these markets. To the extent we do so, we will likely encounter competition from large, well- known consumer electronics and peripherals companies. Some of these companies have significantly greater financial, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the design, development, ~~manufacturing~~ **manufacture** , distribution, promotion, sale and support of their products. We cannot predict whether we will be successful in developing or marketing new ~~gear~~ **products** and categories of ~~gear~~ **products** and, if we fail to do so, our business may be seriously harmed. ~~In addition, we have shifted to a hybrid work model for many of our employees in response to the continuing COVID- 19 disruptions. Pursuant to this policy, many of our employees work in the office and at home on designated days. This hybrid work model is relatively new and may impair our ability to maintain a collaborative and innovative culture, and may cause disruptions among our employees, including decreases in productivity, challenges in communications between on- site and off- site employees and, potentially, employee dissatisfaction and attrition. Further, any future attempt to transition away from the hybrid work model to more stringent on- site work requirements may result in employee dissatisfaction and attrition.~~ If ~~we fail to retain key employees, attract new employees or maintain employee productivity as a result of the hybrid work model or an attempt to return to more on- site work, our business could be adversely impacted. The duration and extent of the impact from the coronavirus outbreak on our business depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our employees. If we do not execute on these factors successfully, demand for our current gear may decline and any new gear that we may introduce may not gain widespread acceptance. If this were to occur, our business may be seriously harmed. In addition, if~~ we do not continue to distinguish our ~~gear~~ **products** through distinctive, technologically advanced features and designs ~~, as well as continue to build and strengthen our brand recognition and our access to distribution channels~~ , our business may be seriously harmed. We depend upon the introduction and success of new third- party high- performance computer hardware, particularly GPUs and CPUs, and sophisticated new video games to drive sales of our ~~gear~~ **products** . If newly introduced GPUs, CPUs and sophisticated **new** video games are not successful, if the rate at which those products are introduced declines, or if ~~they~~ **such products** are not readily available, it may seriously harm our business. We believe that the introduction of more powerful GPUs, CPUs and similar computer hardware that place increased demands on other system components, such as memory, **power supply units or** PSUs or cooling **solutions** , has a significant effect on the demand for our ~~gear~~ **products** . The manufacturers of those products are large, public, independent companies that we do not influence or control. As a result, our business results can be materially affected by the frequency with which new high- performance hardware products are introduced by these independent third parties, whether these products achieve widespread acceptance among gamers, whether such products are readily available at affordable prices and whether additional memory, enhanced PSUs or cooling solutions, new computer cases or other peripheral devices are necessary to support those products. Although we believe that, historically, new generations of high- performance GPUs and CPUs have positively affected the demand for our ~~gear~~ **products** , there can be no assurance that this will be the case in the future. For example, the introduction of a new generation of highly efficient GPUs and CPUs that require less power or that generate less heat than prior generations may reduce the demand for both our **PSUs** ~~power supply units~~ and cooling solutions. In the past, semiconductor and computer hardware companies have typically introduced new products annually, generally in the second calendar quarter, which has tended to drive our sales in the following two quarters. If computer hardware companies do not continue to regularly introduce new and enhanced GPUs, CPUs and other products that place increasing demands on system memory and processing speed, require larger **PSUs** ~~power supply units~~ or cooling solutions or that otherwise drive demand for computer cases and other peripherals, or if gamers do not accept those products, our business may be seriously harmed. We also believe that sales of our ~~gear~~ **products** are driven by conditions in the computer gaming industry. In particular, we believe that our business depends on the introduction and success of computer games with sophisticated graphics that place greater demands on system processing speed and capacity and therefore require more powerful GPUs or CPUs, which in turn drives demand for our DRAM modules, PSUs, cooling ~~systems~~ **solutions** and other components and peripherals. Likewise, we believe that the continued introduction and market acceptance of new or enhanced versions of computer games helps sustain consumer interest in computer gaming generally. The demand for our ~~gear~~ **products** would likely decline, perhaps substantially, if computer game companies and developers do not introduce and successfully market sophisticated new and improved games that require increasingly high levels of system and graphics processing power on an ongoing basis or if demand for computer games among computer gaming enthusiasts or conditions in the computer gaming industry deteriorate for any reason. As a result, our sales and other operating results fluctuate due to conditions in the market for computer games, and downturns in this market may seriously harm our business. We face intense competition in the markets for all of our ~~gear~~ **products** . We operate in markets that are characterized by rapid technological change, constant price pressure, rapid product obsolescence, evolving industry standards and new demands for features and performance. We experience aggressive price competition and other promotional activities by competitors, including in response to declines in consumer demand and excess product supply or as competitors seek to gain market share. We provide a variety of financial incentive programs to our customers, including special pricing arrangements, promotions, rebates and volume- based incentives, among others. The reserves for such incentive programs are based on our judgment and estimates, using actual sales data, historical experience, forecasted incentives, anticipated volume of future purchases, and inventory levels in the channel. There could be significant differences between the actual costs of such programs and our estimates. Because of the continuing convergence of the markets for computing devices and consumer electronics, we expect greater competition in the future from well- established consumer electronics companies. Many of our current and potential competitors, some of which are large, multi- national businesses, have substantially greater financial, technical, sales, marketing, personnel and other resources and greater brand recognition than we have. Our competitors may be in a stronger position to respond quickly to new technologies and may be able to design, develop, market and sell their products more effectively than we can. In addition, some of our competitors are small or mid- sized specialty companies that can react to changes in industry trends or consumer preferences or ~~to~~ introduce new or innovative products more quickly than we can. As a result, our product development efforts may not be successful or result in market acceptance of our ~~gear~~ **products** . Our primary competitors include: Competitors in the gamer and creator peripherals market. Our primary competitors in the market for gaming keyboards and mice include Logitech and Razer. Our primary competitors in the market for headset and related audio products include Logitech, Razer, Steel Series and HP through its HyperX brand. Our primary competitors in the gamer and creator streaming ~~gear~~ **products** market include Logitech, following its acquisition of Blue Microphones, and AVerMedia. Our primary competitors in the performance controller market include Microsoft and Logitech. Competitors in the gaming components and systems market. Our primary competitors in the market for PSUs, cooling solutions and computer cases include Cooler Master, NZXT, EVGA, Seasonic and Thermaltake. Our primary competitors in the market for DRAM modules include G. Skill and Kingston. Our primary competitors in the market for prebuilt gaming PCs and laptops include Dell through its Alienware brand, HP through its Omen brand, Asus, MSI and Razer. Our primary competitors in the market for custom- built gaming PCs and laptops include iBuypower and Cyberpower. Competitors in new markets. We are considering introducing new ~~gear~~ **products** for gamers ~~or streamers~~ and ~~content~~ creators and, to the extent we introduce ~~gear~~ **products** in new categories, we will likely experience substantial competition from additional companies, including large computer gaming and streaming peripherals and consumer electronics companies with global brand recognition and significantly greater resources than ours. Our ability to compete successfully is fundamental to our success in existing and new markets. We believe that the principal competitive factors in our markets include performance, reliability, brand and associated style and image, time to market with new emerging technologies, early identification of emerging opportunities, interoperability of products and responsive customer support on a worldwide basis. If we do not compete effectively, demand for our ~~gear~~ **products** could decline, our net revenue and gross margin could decrease and we could lose market share, which may seriously harm our business. Further, our ability to successfully compete depends in large part on our ability to compete on price for our high- performance ~~gear~~ **products** . Much of the ~~gear~~ **products** we sell is priced higher than products offered by our competitors. If gamers or ~~streamers~~ **creators** are not willing to pay the higher price point for our ~~gear~~ **products** , we will either need to discount our ~~gear~~ **products** or our sales volume could decrease. In either event, our business could be seriously harmed. If **the** gaming **industry** , including streaming and esports, does not grow as expected or declines our business could be seriously harmed. Over the past three decades, gaming has grown from a relatively niche industry to a significant segment of the global entertainment industry with a wide following across various demographic groups globally. This growth includes, and has been driven by, the rapid expansion of live game streaming by content creators and the growing popularity of professional competitive gaming, also referred to as esports. However, the continued growth of the video gaming industry will depend on numerous factors, many of which are beyond our control, including but not limited to: • the rate of growth of PCs and gaming consoles or the migration of gamers to mobile devices and tablets away from PCs, which historically have been the core focus of our business; • the continued growth of streaming, including its popularity among fans and aspiring content creators and how it impacts their desire to purchase high- performance gaming and streaming ~~gear~~ **products** ; • the continued growth of esports, including its increasing popularity among fans and amateur esports athletes and how it impacts their desire to purchase high- performance gaming ~~gear~~ **products** ; • general economic conditions, particularly economic conditions adversely affecting discretionary consumer spending; • social perceptions of gaming, especially those related to the impact of gaming on health and social development; • the introduction of legislation or other regulatory restrictions on gaming, such as restrictions addressing violence in video games and addiction to video games, also referred to as Gaming Disorder by the World Health Organization; • the relative availability and popularity of other forms of entertainment; and • changes in consumer demographics, tastes and preferences. We generate a significant portion of our net revenue from gaming- related ~~gear~~ **products** . As a result, any decline or slowdown in the growth of the gaming industry or the declining popularity of the gaming industry could materially and adversely affect our business. We have no specific plans to attract gamers who use only mobile devices or tablets and we have no plans to develop ~~gear~~ **products** specifically designed for gamers who use mobile devices or tablets. As a result, if gamers migrate to mobile devices or tablets and away from PCs and consoles, our business may be seriously harmed. In addition, there can be no assurance that the active demographics in gaming will continue to buy into and drive the growth in gamer culture and the games industry overall nor can there be any assurance that gaming will expand into new demographics that will drive growth. Further, if gamers' interest in video games is diminished, this may seriously harm our business. Our growth prospects are, to a certain extent, connected with the ongoing growth of live game streaming and esports and any reduction in the growth or popularity of live game streaming or esports may seriously harm our business. The success of our business depends on live game streaming and esports driving significant growth in the high- performance gaming and content streaming market, which could prompt strong growth in the sales of our ~~gear~~ **products** . However, there are a number of factors which could result in the esports or live game streaming markets having limited or negative impact on our sales and overall growth. These factors include: • our competitors marketing products that gain broader acceptance among game streamers, esports participants and content creators; • esports amateurs and / or spectators not purchasing our ~~gear~~ **products** that is utilized by esports athletes and teams or streamers and content creators, including the esports athletes and teams, and streamers we sponsor; • the popularity of esports games that do not utilize any of our ~~gear~~ **products** , for example games that run on mobile devices or tablets that replace more traditional esports; and • our research and development and the ~~gear~~ **products** we sell failing to satisfy the increasing high- performance requirements of competitive gamers or streamers. Further, there are a number of factors which could result in the growth in live game streaming or the esports markets stagnating, or even decreasing. These factors include: • consumer interest in watching either live or streamed broadcasts of competitors playing video games diminishing or even disappearing; • regulations limiting the broadcast of live streaming or esports; • reduced accessibility of streaming and other gaming video content, whether due to platform fragmentation, the erection of paywalls, or otherwise; and • economics or monetization of esports performing below expectations, ultimately causing a decrease in outside investments in esports. If one or more of the above factors are realized, our business may be seriously harmed. Our performance depends to a significant degree upon...... activities to companies in Ukraine. Our international sales and our operations in foreign countries subject us to risks associated with fluctuating currency exchange rates. Because ~~sales~~ **the pricing** of our ~~gear~~ **products** is denominated primarily in U. S. dollars, an increase in the value of the U. S. dollar relative to the currency used in the countries where our ~~gear is~~ **products are** sold has and may continue to result in an increase in the price of our ~~gear~~ **products** in those countries, which has and may continue to lead to a reduction in sales in such countries. Likewise, because we pay our suppliers and third- party manufacturers, most of which are located outside of the United States, primarily in U. S. dollars, any decline in the value of the U. S. dollar relative to the applicable local currency, such as the Chinese Yuan or the New Taiwan dollar, may cause our suppliers and manufacturers to raise the prices they charge us. In addition, we generally pay our employees located outside the United States in the local currency and, as a result of our foreign sales and operations, we have other expenses, assets and liabilities that are denominated in foreign currencies and changes in the value of the U. S. dollar could result in significant increases in our expenses that may seriously harm our business. Supply chain issues, including scarcity of raw materials or other components to produce our products and limited ability to control or influence our procurement process, could increase costs or cause a delay in our ability to produce our products, and could adversely affect our future results of operations and our overall financial performance. We and our manufacturers rely on an extended third- party supply chain and the availability of raw materials to produce a significant amount of our ~~gear~~ **products** . From time to time we have experienced product shortages due to both disruptions in supply from the third parties that manufacture or supply our ~~gear~~ **products** and our inability or the inability of these third- party manufacturers to obtain necessary components, and we may experience similar shortages in the future. A reduction or interruption in supply, including interruptions due to the ~~ongoing~~ COVID- 19 pandemic or geopolitical unrest beyond our control, an inability to procure quality raw materials in a cost **-** effective manner and constrain volatile materials costs, a failure to monitor contract compliance to ensure and sustain sourcing savings, a failure to procure adequate inventory or raw materials from our suppliers or regulatory changes may lead to delays in manufacturing and increases in costs. Moreover, procurement of many components used in our ~~gear~~ **products** is generally the responsibility of the third parties that manufacture our ~~gear~~ **products** , and we therefore have limited or no ability to control or influence the procurement process or to monitor the quality of components. Our manufacturers or suppliers may provide us with products or components that do not perform reliably or do not meet our quality standards or performance specifications, are susceptible to early failure or contain other defects. This may seriously harm our reputation, increase our warranty and other costs or lead to product returns or recalls, any of which may seriously harm our business. Many components, including those that are available from multiple sources, are at times subject to industry- wide shortages that could materially adversely affect our financial condition and operating results. While we have entered into agreements for the supply of many components, there can be no assurance that we will be able to extend or renew these agreements on similar terms, or at all. Component suppliers may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting our ability to obtain sufficient quantities of components on commercially reasonable terms. Health crises, like the ~~ongoing~~ COVID- 19 pandemic, have led, and could lead, to quarantines or labor shortages, which may impact the output of key suppliers because of longer production and shipping times, and increased supply, shipping and logistics costs, each of which have historically negatively impacted our gross margins, as well as the need to purchase long- lead time items ahead of demand due to supply constraints. Any disruption in or termination of our relationships with any of our manufacturers or suppliers or our inability to develop relationships with new manufacturers or suppliers as and when required would cause delays, disruptions or reductions in product shipment and may require product redesigns, all of which could damage relationships with our customers, seriously harm our brand, increase our costs and otherwise seriously harm our business. Likewise, shortages or interruptions in the supply of products or components, **including disruptions of shipping lanes or divergence from shipping lanes due to geopolitical events, including recent attacks in the Red Sea,** or any inability to procure these products or components from alternate sources at acceptable prices in a timely manner, could delay shipments to our customers and increase our costs, any of which may seriously harm our business. If our customers experience delays or unavailability of our products due to our inability to obtain certain components, this may negatively impact our customers’ ordering patterns. Accordingly, if our supply of components for a new or existing product were delayed or constrained, or if an outsourcing partner delayed shipments of completed products to us, our financial condition and operating results could be materially adversely affected. ~~Total unit~~

~~shipments of our gear have historically been higher during the third and fourth quarters of the year. As a result, our sales may be subject to seasonal fluctuations, which may seriously harm our business.~~ We have experienced and expect to continue to experience seasonal fluctuations in sales due to the spending patterns of gamers who purchase our ~~gear~~ **products** . Our total unit shipments have generally been lowest in the first and second calendar quarters due to lower sales following the fourth quarter holiday season and because of the decline in sales that typically occurs in anticipation of the introduction of new or enhanced GPUs, CPUs and other computer hardware products, which usually takes place in the second calendar quarter, and which tends to drive sales in the following two quarters. As a consequence of seasonality, our total unit shipments for the second calendar quarter are generally the lowest of the year, followed by total unit shipments for the first calendar quarter. **Our** ~~As a result, our~~ total unit shipments are **thus** subject to seasonal fluctuations, which may seriously harm our business. Historical seasonal patterns ~~may not continue in the future and~~ have been impacted ~~, most recently~~ in **the past** ~~2020 and 2021~~ , and may be further impacted in the future, by macroeconomic factors, increasing supply constraints, GPU shortages, **and** shifts in customer behavior and the ~~continuing~~ impacts of the COVID- 19 pandemic. Our results of operations are subject to substantial quarterly and annual fluctuations, which may adversely affect the market price of our common stock. Our results of operations have in the past fluctuated, sometimes substantially, from period to period, and we expect that these fluctuations will continue. A number of factors, many of which are outside our control, may cause or contribute to significant fluctuations in our quarterly and annual net revenue and other operating results. These fluctuations may make financial planning and forecasting more difficult. In addition, these fluctuations may result in unanticipated decreases in our available cash, which could negatively impact our business. These fluctuations also could both increase the volatility and adversely affect the market price of our common stock. There are numerous factors that may cause or contribute to fluctuations in our operating results. As discussed below, these factors may relate directly to our business or may relate to technological developments and economic conditions generally. Factors affecting our business and markets. Our result of operations may be materially adversely affected by factors that directly affect our business and the competitive conditions in our markets, including the following: • changes in demand for our lower margin products relative to demand for our higher margin ~~gear~~ **products** ; • introduction or enhancement of products by us and our competitors, and market acceptance of these new or enhanced products; • loss of significant retail customers, cancellations or reductions of orders and product returns; • fluctuations in average selling prices of and demand for our ~~gear~~ **products** ; • change in demand for our ~~gear~~ **products** due to our ~~gear~~ **products** having higher price- points than products supplied by our competitors; • discounts and price reductions offered by our competitors; • a delay, reduction or cessation of deliveries from one or more of the third parties that manufacture our ~~gear~~ **products** ; • increased costs or shortages of our ~~gear~~ **products** or components used in our ~~gear~~ **products** ; • changes in the frequency with which new high- performance computer hardware, particularly GPUs and CPUs, and sophisticated new computer games that drive demand for additional DRAM modules, higher wattage PSUs, enhanced cooling solutions and peripherals are introduced; • fluctuations in the available supply of high- performance computer hardware resulting in the increased costs to gamers, which could ultimately lead to decreased demand for our gaming ~~gear~~ **products** , due to factors such as component supply shortages or gamers purchasing GPUs for non- gaming purposes such as cryptocurrency mining; • the war between Russia and ~~the~~ Ukraine resulting in shipments of resources from these countries being delayed, or even ceasing, which could cause the GPU shortage to last longer as the production of GPUs requires resources that come from these countries such as highly purified neon gas and palladium, of which Ukraine and Russia, respectively, are the world' s leading exporters; • potential changes in trade relations or the implementation of export sanctions, in particular any sanctions between the United States and China; • unexpected changes in laws, including tax and trade laws, and regulatory requirements; • delays or problems in our introduction of new ~~gear~~ **products** ; • delays or problems in the shipment or delivery of ~~gear~~ **products** to customers; • changes in freight costs; • changes in purchasing patterns by the distributors and retailers to which we sell our ~~gear~~ **products** ; • seasonal electronics product purchasing patterns by our retail and distributor customers, as well as the gamers and ~~streamers~~ **creators** that purchase their ~~gear~~ **products** directly from us; • competitive pressures resulting in, among other things, lower selling prices or loss of market share; and • cost and adverse outcomes of litigation, governmental proceedings or any proceedings to protect our brand or other intellectual property. General economic conditions. Our business may be materially adversely affected by factors relating to global, national and regional economies, including: • uncertainty in economic conditions, either globally or in specific countries or regions; • fluctuations in currency exchange rates; • **global** ~~outbreaks of~~ pandemics, such as the ~~novel coronavirus~~ **COVID- 19, or other public health crises** ; • the impact of political instability, natural disasters, war and / or events of terrorism, such as the war between Russia and Ukraine, and the corresponding tensions created from such conflict between Russia, the United States and countries in Europe as well as other countries such as China; • macro- economic fluctuations in the United States and global economies, including those that impact discretionary consumer spending such as ~~may~~ **fluctuations that** ~~result~~ **resulted** from the COVID- 19 **pandemic** ~~coronavirus outbreak~~ , ~~increased~~ **changes in** interest rates or ~~increased~~ inflation; • changes in business cycles that affect the markets in which we sell our ~~gear~~ **products** ; and ~~• the effect of fluctuations in interest rates on consumer disposable income.~~ Technological factors. In addition to technological developments directly relating to our ~~gear~~ **products** , more generalized changes in technology may have a significant effect on our operating results. For example, our business could be seriously harmed by rapid, wholesale changes in technology in or affecting the markets in which we compete or widespread adoption of cloud computing. One or more of the foregoing or other factors may cause our expenses to be disproportionately higher or lower or may cause our net revenue and other operating results to fluctuate significantly in any particular quarterly or annual period. Our results of operations in one or more future quarters or years may fail to meet the expectations of investment research analysts or investors, which could cause an immediate and significant decline in the market price of our common stock. Cloud computing may seriously harm our business. Cloud computing refers to a computing environment in which software is run on third- party servers and accessed by end- users over the internet. In a cloud computing environment, a user' s computer may be a so- called " dumb terminal " with minimal processing power and limited need for high- performance components.

Through cloud computing, gamers will be able to access and play graphically sophisticated games that they may not be able to otherwise play on a PC that is not fully equipped with the necessary, and often expensive, hardware. If cloud computing is widely accepted, the demand for high- performance computer gaming hardware products such as the PC high- performance memory, prebuilt and custom gaming PCs and laptops, and other PC gaming components we sell, could diminish significantly. As a result, if cloud computing gaming were to become widely adopted, such adoption could seriously harm our business. Conditions in the retail and consumer electronics markets may significantly affect our business and could have an adverse effect on our net revenue. We derive most of our revenue from higher priced ~~gear~~ **products** sold through online and brick- and- mortar retailers to gamers, and we are vulnerable to declines in consumer spending due to, among other things, depressed economic conditions, high inflation **, weak consumer confidence** , reductions in disposable income (as a result of high inflation or otherwise) and other factors that affect the retail and consumer electronics markets generally. In addition, our revenues are attributable to sales of high- performance gamer and creator peripherals and gaming components and systems, all of which are products that are geared to the computer gaming market which, like other consumer electronic markets, is susceptible to the adverse effects of poor economic conditions. Other significant negative effects could include limited growth or reductions in worldwide sales of products that incorporate DRAM modules, such as PCs, smartphones and servers, resulting in excess supply in the worldwide DRAM market and reduced demand for our ~~gear~~ **products** from our customers as they limit or lower their spending and inventory levels. Adverse economic conditions may also reduce our cash flow due to delays in customer payments, increase the risk of customer bankruptcy or business failures and result in increases in bad debt write- offs and receivables reserves. Other negative effects on our business resulting from adverse economic conditions worldwide may include: • higher costs for promotions, customer incentive programs and other initiatives used to stimulate demand; • constraints on consumer spending caused by higher inflation, increased interest rates and exchange rate fluctuations, leading to weaker consumer demand for our products; • increased risk of excess and obsolete inventories, which may require write- downs or impairment charges, such as the $ 22. 5 million inventory impairment and related charges recognized during the second quarter of 2022; • financial distress or bankruptcy of key suppliers or third- party manufacturers, resulting in insufficient product quantities to meet demand or increases in the cost of producing our ~~gear~~ **products** ; and • financial distress or bankruptcy of key distributors, resellers or retailers. Depressed economic conditions, whether in our key regional markets or globally, could result in a decline in both product prices and the demand for our ~~gear~~ **products** , which may seriously harm our business. DRAM integrated circuits account for most of the cost of producing our DRAM modules and fluctuations in the market price of DRAM integrated circuits may have a material impact on our net revenue and gross profit. DRAM integrated circuits, or ICs, account for most of the cost of producing our DRAM modules. The market for these ICs is highly competitive and cyclical. Prices of DRAM ICs have historically been subject to volatility over relatively short periods of time due to a number of factors, including imbalances in supply and demand. We expect these fluctuations will recur in the future, which could seriously harm our business. For example, changes in the selling prices of our DRAM modules can have a substantial impact on our net revenue as our performance memory products represents a significant portion of our overall net revenue. In addition, declines in the market price of ICs enable our competitors to lower prices and we will likely be forced to lower our product prices in order to compete effectively which could have an adverse effect on our net revenue. Further, because we carry inventory of DRAM ICs and DRAM modules at our facility in Taiwan, fluctuations in the market price of these ICs can have an effect on our gross margin. For example, declines in the prices of these ICs and their related products have tended to have a negative short- term impact on gross margin of our DRAM modules. In addition, selling prices of our DRAM modules, on the one hand, and market prices of DRAM ICs, on the other hand, may rise or fall at different rates, which may also affect our gross margin. Any of these circumstances could materially adversely affect our net revenue and gross margins. We use DRAM ICs produced by Samsung, Micron and Hynix in our DRAM modules. We purchase those DRAM ICs, pursuant to purchase orders and not long- term supply contracts, largely from third- party distributors and, to a lesser extent, directly from those manufacturers. According to the most recent external market share data for the trailing twelve months average, ended September 30, ~~2022~~ **2023** , Samsung, a manufacturer of DRAM ICs, had an approximately ~~42~~ **41. 6** % share of the worldwide DRAM IC market, compared to approximately ~~28~~ **29. 4** % for Hynix and approximately 24 **. 7** % for Micron in each case for the same period. However, should supply from any of these vendors be limited, there can be no assurance that we would be able to meet our needs by purchasing DRAM ICs produced by other manufacturers or from agents and distributors. Further, there are a limited number of companies capable of producing the high- speed DRAM ICs required for our high- performance DRAM modules, and any inability to procure the requisite quantities and quality of DRAM ICs could reduce our production of DRAM modules and could seriously harm our business. ~~The COVID- 19 disease has spread globally and has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter- in- place orders and shutdowns. The spread of COVID- 19 has harmed and future outbreaks of COVID- 19 could continue to harm, our business. Current and potential impacts include, but are not limited to, the following: • Strict COVID- 19 pandemic- related safety measures in Asia, for example, where many of our products and the components and subcomponents used in the manufacture of our gear created, have created, and could in the future create, supply chain disruptions for our gear; • extended employee absences could negatively impact our business, including potential reductions in the availability of the sales team to complete sales and delays in deliverables and timelines within our engineering and support functions; • fluctuations in foreign exchange rates could make our products less competitive in a price- sensitive environment for our non- US customers; and • significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity, including our ability to repay the indebtedness outstanding from our credit facilities. Starting in early 2020 in connection with the COVID- 19 pandemic, we experienced an increase in demand for our gear as more people were under shelter- in- place restrictions, which limited people' s access to alternative forms of entertainment and social interaction, and thus increased the demand for home entertainment and connecting with others through content creation at the start of the pandemic. In contrast, as shelter- in- place~~

~~and other similar restrictions were eased beginning in 2021, many consumers returned to other alternative forms of entertainment and interaction. This in turn has resulted in a decline in demand for our products since the second half of 2021. The extent to which the COVID- 19 outbreak, including the spread of more contagious and deadly variants, ultimately impacts our business, results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the continued duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume after healthy and safety restrictions are put in place from time to time. Since the outbreak of the COVID- 19 pandemic, we have experienced, and may continue to experience significant impacts to our business as a result of its continuing global economic impact, including any economic downturn or recession that has occurred or may occur in the future.~~ In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Although the length, impact and outcome of the war is highly unpredictable, this war has contributed to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as an increase in cyberattacks and espionage. Russia' s recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military action against Ukraine have also led to an unprecedented expansion of sanction programs imposed by the United States, the European Union and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so- called Donetsk People' s Republic and the so- called Luhansk People' s Republic. The situation is rapidly evolving as a result of the war in Ukraine, and the United States, the European Union and other countries may implement additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. In response to Russia' s invasion of Ukraine and the aforementioned sanctions, with effect from February 2022, we ceased the sale of all of our ~~gear~~ **products** in Russia. While we do not expect this decision to have a material adverse effect on our business, results of operations or financial condition, such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations. In addition, the war, sanctions against Russia and Russia' s drastic reduction to the supply of natural gas to Europe in response to sanctions ~~has~~ **had in the past,** and could ~~continue to~~ **in the future,** negatively impact the production and sales of consumer electronics due to a variety of factors such as lower consumer confidence, ~~increase the ongoing~~ disruption of supply chains, ~~worsen the current~~ semiconductor chip shortage since Russia and Ukraine are critical suppliers of neon gas and palladium used in chip production, ~~exacerbate~~ energy shortages and high energy prices, and ~~increase~~ cybersecurity threats. These ~~impacts~~ **factors** have **in the past** adversely impacted our operations, sales and profitability, and could ~~continue to~~ do so **in the future. Separately, on October 7, 2023, Hamas, a U. S.- designated terrorist organization, launched a series of coordinated attacks from the Gaza Strip onto Israel. On October 8, 2023, Israel formally declared war on Hamas, and the armed conflict is ongoing as of the date of this filing. Hostilities between Israel and Hamas could escalate and involve surrounding countries in the Middle East. Furthermore, following Hamas' attack on Israel, the Houthi movement, which controls parts of Yemen, launched a number of attacks on marine vessels in the Red Sea. The Red Sea is an important maritime route for international trade. As a result of such disruptions, we may experience in the future extended lead times, delays in supplier deliveries, and increased freight costs. The risk of ongoing supply disruptions may further result in delayed deliveries of our products**. We are actively monitoring the situation in Ukraine and **the ongoing conflict in Gaza and** assessing ~~its~~ **the** ~~impact~~ **impacts** on our business, including our suppliers and customers. We have no way to predict the progress or outcome of the war in Ukraine or its impacts in Ukraine, Russia or Belarus **, or of the conflict in the Israel- Gaza regions and any potential increases in hostilities in the Middle East,** as ~~the~~ **these** ~~war~~ **situations** , and any resulting government reactions, are ~~rapidly developing~~ **constantly evolving** and are beyond our control. The extent and duration of the military action, sanctions and **any** resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Any of the abovementioned factors could affect our business, financial condition and results of operations. Any such disruptions may also magnify the impact of other risks described in this Annual Report on Form 10- K. ~~could suffer.Our~~ performance depends to a significant degree upon the contributions of our management team,particularly Andrew J.Paul,our co- founder,Chief Executive Officer and Director.If we lose the services of one or more of our key executives,we may not be able to successfully manage our business,meet competitive challenges or achieve our growth objectives.To the extent that our business grows,we will need to attract and retain additional qualified management personnel in a timely manner,and we may not be able to do so.We rely on highly skilled personnel and if we are unable to attract,retain or motivate key personnel or hire qualified personnel our business may be seriously harmed.Our performance is largely dependent on the talents and efforts of highly skilled individuals,particularly our marketing personnel,sales force,electrical engineers,mechanical engineers and computer professionals.Our future success depends on our continuing ability to identify,hire,develop,motivate and retain highly skilled personnel and,if we are unable to hire and train a sufficient number of qualified employees for any reason,we may not be able to implement our current initiatives or grow,or our business may contract and we may lose market share.Moreover,certain of our competitors or other technology businesses may seek to hire our employees.There can be no assurance that our stock- based and other compensation will provide adequate incentives to attract,retain and motivate employees in the future,particularly if the market price of our common stock does not increase or declines.If we do not succeed in attracting,retaining and motivating highly qualified personnel,our business may be seriously harmed.Further,we also face significant competition for employees,particularly in the San Francisco Bay Area where our headquarters are located,and as a result,skilled employees in this competitive geographic location can often command higher compensation and may be difficult to hire.In addition,Russia' s invasion of Ukraine,poor relations between the United States and Russia,and sanctions by the United States and the European

Union against Russia could have an adverse impact on our research and development efforts as we outsource significant research and development activities to companies **in Ukraine.Our** A significant portion of our net revenue is generated by sales of DRAM modules and any significant decrease in the average selling prices of our DRAM modules would seriously harm our business. A significant percentage of our net revenue is generated by sales of DRAM modules. In particular, net revenue generated by sales of DRAM modules accounted for a total of **31. 2 % and** 34. 3 % ~~and 28. 5 %~~ of our net revenue ~~in~~ **for the years ended December 31, 2023 and** 2022 ~~and 2021~~, respectively. As a result, any significant decrease in average selling prices of our DRAM modules, whether as a result of declining market prices of DRAM ICs or for any other reason, would seriously harm our business. Selling prices for our DRAM modules tend to increase or decrease with increases or decreases, respectively, in market prices of DRAM ICs. Sales to a limited number of customers represent a significant portion of our net revenue, and the loss of one or more of our key customers may seriously harm our business. In **2023 and** 2022 ~~and 2021~~, sales to Amazon accounted for **30. 7 % and** 26. 0 ~~% and 26. 7~~ % of our net revenue, respectively. Sales to our ten largest customers accounted for **55. 4 % and** 52. 3 % ~~and 51. 7 %~~ of our net revenue in **2023 and** 2022 ~~and 2021~~, respectively. Our customers, including Amazon, typically do not enter into long- term agreements to purchase our ~~gear~~ **products** but instead enter into purchase orders with us from time to time. These purchase orders may generally be cancelled and orders can be reduced or postponed by the customer. In addition, our customers are under no obligation to continue purchasing from us and may purchase similar products from our competitors, and some of our customer agreements contain " most favored nation " clauses. Further, while we maintain accounts receivables insurance for many of our customers, we do not maintain such coverage for Amazon and others. As a result, if either Amazon or others were to default on ~~its~~ **their** payment to us, and if we were to have substantial accounts receivables balances with such customers outstanding, we would not be covered by ~~such~~ insurance, and our business may be seriously harmed. If the financial condition of a key customer weakens, if a key customer stops purchasing our ~~gear~~ **products** , or if uncertainty regarding demand for our ~~gear~~ **products** causes a key customer to reduce their orders and marketing of our ~~gear~~ **products** , our business could be seriously harmed. A decision by one or more of our key customers to reduce, delay or cancel its orders from us, either as a result of industry conditions or specific events relating to a particular customer or failure or inability to pay amounts owed to us in a timely manner, or at all, may seriously harm our business. In addition, because of our reliance on key customers, the loss of one or more key customers as a result of bankruptcy or liquidation or otherwise, and the resulting loss of sales, may seriously harm our business ~~. Additionally, some of our customer agreements contain " most favored nation " clauses~~. We have limited manufacturing facilities that only assemble our DRAM modules, custom built PCs, custom cooling and controllers, we have no guaranteed sources of supply of products or components and we depend upon a small number of manufacturers, some of which are exclusive or single- source suppliers, to supply our ~~gear~~ **products** , each of which may result in product or component shortages, delayed deliveries and quality control problems. We maintain limited manufacturing facilities that only assemble certain products such as our DRAM modules, custom built PCs, custom cooling and performance controllers, and as a result, we depend entirely upon third parties to manufacture and supply the ~~gear~~ **products** we sell and the components used in our ~~gear~~ **products** such as gaming peripherals and gaming components. Our ~~gear~~ **products** that ~~is~~ **are** manufactured by outsourced parties ~~is~~ **are** generally produced by a limited number of manufacturers and in some instances is purchased on a purchase order basis. For example, each model of our gaming keyboards, gaming mice, gaming headsets, computer cases, PSUs and cooling solutions is produced by a single manufacturer. We do not have long- term supply agreements with most of our manufacturers and suppliers. In addition, we carry limited inventory of our ~~gear~~ **products** , and the loss of one or more of these manufacturers or suppliers, or a significant decline in production or deliveries by any of them, could significantly limit our shipments of ~~gear~~ **products** or prevent us from shipping ~~that gear~~ **the products** entirely. If one of our exclusive or single- source manufacturers were to stop production, or experience product quality or shortage issues, we may be unable to locate or engage a suitable replacement on terms we consider acceptable and, in any event, there would likely be significant delays ~~before we were able to~~ **and considerable costs involved in** ~~transition~~ **transitioning** production to a new manufacturer ~~and potentially significant costs associated with that transition~~. If our proprietary iCUE software or Elgato streaming software suite have any " bugs " or glitches, or if we are unable to update the iCUE software or Elgato streaming software suite to incorporate innovations, our business may be seriously harmed. Because most of the ~~gear~~ **products** we sell ~~is~~ **are** linked through either our iCUE software or our Elgato streaming software suite, " bugs " or other glitches in the software may cause it to not perform reliably, meet our quality standards or meet performance specifications. Further, even if we detect any bugs or other glitches in the iCUE software or our Elgato streaming software suite we may be unable to update the affected software effectively to remediate these problems. In addition, in order for us to stay competitive, we need to update the iCUE software, Elgato streaming software suite and any other software utilized by our ~~gear~~ **products** , to incorporate innovations and other changes to address gamers and content creators' changing needs. If we are unable to update the iCUE software or our Elgato streaming software suite to include such updates or address any bugs or glitches, its use to gamers and content creators may be substantially diminished, which could seriously harm our business. The need to continuously develop new ~~gear~~ **products** and product improvements increases the risk that our ~~gear~~ **products** will contain defects or fail to meet specifications, which may increase our warranty costs and product returns, lead to recalls of ~~gear~~ **products** , damage our reputation and seriously harm our business. ~~Gear~~ **Products** that ~~does~~ **do** not meet specifications or that ~~contains -~~ **contain** , or ~~is~~ **are** perceived by our customers or gamers to contain, defects could impose significant costs on us or seriously harm our business. Our ~~gear~~ **products** may suffer from design flaws, quality control problems in the manufacturing process or components that are defective or do not meet our quality standards. Moreover, the markets we serve are characterized by rapidly changing technology and intense competition and the pressure to continuously develop new ~~gear~~ **products** and improvements and bring ~~that gear~~ **such products** and improvements to market quickly heightens the risks that our ~~gear~~ **products** will be subject to both quality control and design problems. Because we largely rely on third parties to manufacture our ~~gear~~ **products** and the components that are used in our ~~gear~~ **products** , our ability to control the quality of the manufacturing process and the components that are used to manufacture our ~~gear~~ **products** is limited. Product quality issues, whether as a result of design or manufacturing flaws or the use of components that are not of the requisite quality or do not meet our specifications, could result in product recalls, product redesign efforts, lost revenue, loss of reputation, and significant warranty and other expenses. In that regard, we have previously voluntarily recalled the SF- series PSUs. Recalls of ~~gear~~ **products** and warranty- related issues can be costly, cause damage to our reputation and result in increased expenses, lost revenue and production delays. We may also be required to compensate customers for costs incurred or damages caused by defective ~~gear~~ **products** . If we incur warranty or product redesign costs, institute recalls of ~~gear~~ **products** or suffer damage to our reputation as a result of defective ~~gear~~ **products** , our business could be seriously harmed. While we operate a facility in Taiwan that assembles, tests and packages all of our DRAM modules and certain other products, we rely upon manufacturers in China and Southeast Asia to produce a significant portion of our other products, which exposes us to risks that may seriously harm our business. We operate a facility in Taiwan that assembles, tests, packages and ultimately supplies all of our DRAM modules and a significant portion of our cooling solutions, prebuilt and custom gaming systems and custom gaming controllers. We also assemble, test, package and ultimately supply our custom- built PCs and our customized gaming controllers in our U. S. facility. All of the other ~~gear~~ **products** we sell, including the components used to assemble our DRAM modules, are produced at factories operated by third parties located in China, Taiwan and countries in Southeast Asia **. Further, a majority of the world' s semiconductors, in particular the advanced ones often used in gaming PCs are manufactured in Taiwan** . The fact that all of these facilities, manufacturers, suppliers and factories are concentrated in China, Taiwan and countries in Southeast Asia exposes us to numerous risks. We believe one of the most significant risks associated with this concentration is that production may be interrupted or limited because of labor shortages in southern China, restrictive health and safety measures in response to ~~ongoing~~ **the** COVID- 19 ~~outbreaks~~ **pandemic** and by strains on the local infrastructure. In addition, production at facilities located in China, Taiwan or Southeast Asia, including our own manufacturing, testing and packaging facility in Taiwan, and deliveries from those facilities, may be adversely affected by tensions, hostilities or trade disputes involving China, Taiwan, the United States or other countries. There is **potential for** considerable ~~potential~~ political instability in Taiwan related to its disputes with China **, including China' s threats to potentially annex Taiwan** . In addition, political instability in countries in Southeast Asia **such as Thailand** where we source certain components ~~, such as Thailand~~ , could result in delays in shipments or our inability to source certain critical components for our products. Although we do not do business in North Korea, any future increase in tensions between South Korea and North Korea, such as an outbreak or escalation of military hostilities, or between Taiwan and China could materially adversely affect our operations in Asia or the global economy, which in turn may seriously harm our business. Other risks resulting from this concentration of our manufacturing facilities and our suppliers in China, Taiwan and Southeast Asia include the following: • the interpretation and enforcement of China' s laws continues to evolve, which may make it more difficult for us to obtain a reliable supply of our ~~gear~~ **products** at predictable costs; • these facilities are located in regions that may be affected by earthquakes, typhoons, other natural disasters, pandemic outbreaks, political instability, military actions, power outages or other conditions that may cause a disruption in supply; • our costs may be increased and deliveries of our ~~gear~~ **products** may be decreased or delayed by trade restrictions; and • our reliance on foreign manufacturers and suppliers exposes us to other risks of doing business internationally, some of which are described below under " We conduct our operations and sell our ~~gear~~ **products** internationally and the effect of business, legal and political risks associated with international operations may seriously harm our business. " In addition, if significant tariffs or other restrictions are placed on Chinese imports or any related counter- measures are taken by China, our business may be seriously harmed if such tariffs or counter- measures affect the manufacturing costs of any of our ~~gear~~ **products** . Further, such tariffs could adversely impact our gross profits if we cannot pass the increased costs incurred as a result of these tariffs through to our consumers, or if the resulting increased prices result in a decrease in consumer demand. The occurrence of any one or more of these risks may seriously harm our business. If we do not successfully coordinate the worldwide manufacturing and distribution of our ~~gear~~ **products** , we could lose sales. Our business requires that we coordinate the manufacturing and distribution of our ~~gear~~ **products** over a significant portion of the world. We rely upon third parties to manufacture our ~~gear~~ **products** and to transport and distribute our ~~gear~~ **products** to our customers. If we do not successfully coordinate the timely and efficient manufacturing and distribution of our ~~gear~~ **products** , our costs may increase, we may experience a build- up in inventory, we may not be able to deliver sufficient quantities to meet customer demand and we could lose sales, each of which could seriously harm our business. Our operating results are particularly sensitive to freight costs, and our costs may increase significantly if we are unable to ship and transport finished products efficiently and economically across long distances and international borders, which may seriously harm our business. The majority of our ~~gear is~~ **products are** manufactured in Asia, and we transport significant volumes of finished products across long distances and international borders. As a result, our operating results can be significantly affected by changes in transportation costs. In that regard, although we ship our DRAM modules, which have selling prices that are relatively high compared to their size and weight, by air, we generally use ocean freight to ship our other products because of their relatively low selling prices compared to their size and weight. If we underestimate the demand for any of the products we ship by ocean freight, or if deliveries of those products to us by our manufacturers are delayed or interrupted, we may be required to ship those products by air in order to ~~fill~~ **fulfill** orders on a timely basis. Shipping larger or heavier items, such as cases or PSUs, by air is significantly more expensive than using ocean freight. As a result, any requirement that we ship these products by air, whether because we underestimate demand or because of an interruption in supply from the manufacturers who produce these products or for any other reason, could materially increase our costs. In addition, freight rates can vary significantly due to large number of factors beyond our control, including changes in fuel prices or general economic conditions or the threat of terrorist activities or acts of piracy. If demand for air or ocean freight should increase substantially, it could make it difficult for us to procure sufficient cargo transportation space at prices we consider acceptable, or at all. Increases in our freight expenses, or any inability to ship our ~~gear~~ **products** as and when required, may seriously harm our business. Because our ~~gear~~ **products** must cross international borders, we are subject to risk of delay if our documentation does not comply with customs rules and regulations or for similar reasons. In addition, any increases in customs duties 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 ~~gear~~ **products** to our retailer customers or gamers or decrease our margins. The laws governing customs and tariffs in many countries are complex, subject to many interpretations and often include substantial penalties for non- compliance. Technological developments or other changes in our industry could render our ~~gear~~ **products** less competitive or obsolete, which may seriously harm our business. Our industry is characterized by rapidly evolving technology and standards. These technological developments require us to integrate new technology and standards into our ~~gear~~ **products** , create new and relevant categories of ~~gear~~ **products** and adapt to changing business models in a timely manner. Our competitors may develop or acquire alternative and competing technologies and standards that could allow them to create new and disruptive products or produce similar competitive products at lower costs of production. Advances in the development of gaming, computing and audiovisual technology could render our ~~gear~~ **products** less competitive or obsolete. For example, the emergence of augmented reality and virtual reality headsets could render certain of our gamer and creator peripherals such as keyboards and mice less relevant, similar to how cloud computing could drastically reduce the need for gaming components and systems. If we are unable to provide new ~~gear~~ **products** for augmented or virtual reality devices or to address other technological trends, our business may be seriously harmed. In addition, government authorities and industry organizations may adopt new standards that apply to our ~~gear~~ **products** . As a result, we may need to invest significant resources in research and development to maintain our market position, keep pace with technological changes and compete effectively. Our product development expenses were $ **65. 3 million and $** 66. 5 million **for the years ended December 31, 2023** and ~~$ 60. 3 million in~~ 2022 ~~and 2021~~ , respectively, representing 4. **5 % and 4.** 8 ~~% and 3. 2~~ % of our net revenue for these periods, respectively. Our failure to improve our ~~gear~~ **products** , create new and relevant categories of ~~gear~~ **products** and adapt to changing business models in a timely manner may seriously harm our business. ~~In addition, Russia' s invasion of Ukraine, poor relations between the United States and Russia, and sanctions by the United States and the European Union against Russia could have an adverse impact on our research and development efforts as we outsource significant research and development activities to companies in Ukraine.~~ We order most of our ~~gear~~ **products** from third- party manufacturers based on our forecasts of future demand and targeted inventory levels, which exposes us to the risk of both product shortages, which may result in lost sales and higher expenses, and excess inventory, which may require us to sell our ~~gear~~ **products** at substantial discounts and lead to write- offs. We depend upon our product forecasts to make decisions regarding investments of our resources and production levels of our ~~gear~~ **products** . Because of the lead time necessary to manufacture our ~~gear~~ **products** and the fact that we usually have little or no advance notice of customer orders, we must order our ~~gear~~ **products** from third- party manufacturers **,** ~~and therefore commit~~ **committing** to substantial purchases prior to obtaining orders for those products from our customers. This makes it difficult for us to adjust our inventory levels if orders fall below our expectations. Our failure to predict low demand for **our** ~~product~~ **products** ~~can~~ **could** result in excess inventory, as well as lower cash flows and lower margins if we were unable to sell a product or if we were required to lower product prices in order to reduce inventories, and may also result in inventory write- downs such as the $ 22. 5 million inventory impairment and related charges recognized during the second quarter of 2022. In addition, the cancellation or reduction of orders by our customers may also result in excess inventory. On the other hand, if actual orders exceed our expectations, we may need to incur additional costs, such as higher shipping costs for air freight or other expedited delivery or higher product costs for expedited manufacturing, in order to deliver sufficient quantities of products to meet customer orders on a timely basis or we may be unable to ~~fill~~ **fulfill** some orders altogether. In addition, many of the types of ~~gear~~ **products** we sell have short product life cycles, so a failure to accurately predict and meet demand for products can result in lost sales that we may be unable to recover in subsequent periods. These short life cycles also make it more likely that slow moving or excess inventory may become obsolete, requiring us to sell our ~~gear~~ **products** at significant discounts or write off entirely excess or obsolete inventory. Any failure to deliver ~~gear~~ **products** in quantities sufficient to satisfy demand can also seriously harm our reputation with both our retailer customers and end- consumers. Over the past few years, we have expanded ~~the number and type of gear we sell, and the geographic markets in which we sell them~~ , and we will ~~endeavor~~ **continue** to ~~further~~ expand our product portfolio and sales reach. The growth of our product portfolio and the markets in which we sell our ~~gear~~ **products** has increased the difficulty of accurately forecasting product demand. We have in the past experienced significant differences between our forecasts and actual demand for our ~~gear~~ **products** and expect similar differences in the future. If we do not accurately predict product demand, our business may be seriously harmed. Our indemnification obligations to our customers and suppliers for intellectual property infringement claims could require us to pay substantial amounts and may seriously harm our business. We indemnify a limited number of retailer customers for damages and costs which may arise if our ~~gear~~ **products** infringe third- party patents or other proprietary rights. We may periodically have to respond to claims and litigate these types of indemnification obligations. Any such indemnification claims could require us to make substantial settlement, damages or royalty payments or result in our incurring substantial legal costs. Our insurance does not cover intellectual property infringement. The potential amount of future payments to defend lawsuits or settle or otherwise satisfy indemnified claims under any of these indemnification provisions may be unlimited. We also have replacement obligations for product warranty claims relating to our ~~gear~~ **products** . Our insurance does not cover such claims. Claims for intellectual property infringement and product warranty claims may seriously harm our business. From time to time, we pay licensing fees in settlement of certain intellectual property infringement claims made by third parties **, which may not be available on commercially acceptable terms** . **Therefore,** ~~There~~ **there** can be no assurance that licensing fees paid under these circumstances will not seriously harm our business. If we are unable to integrate our ~~gear~~ **products** and proprietary software with third- party hardware, operating system software and other products, the functionality of our ~~gear~~ **products** would be adversely affected, which may seriously harm our business. The functionality of some of our ~~gear~~ **products** depends on our ability to integrate ~~that gear~~ **those products** with the hardware, operating system software and related products of providers such as Intel, AMD, NVIDIA, Microsoft, Sony and Asus, among others. We rely to a certain extent on the relationships we have with those companies in developing our ~~gear~~ **products** and resolving issues. There can be no assurance that those relationships will be maintained or that those or other companies will continue to provide the necessary information and support to allow us to develop ~~gear~~ **products** that ~~integrates~~ **integrate** with their products or that third party developers will continue to develop plugins for and integrations with our proprietary software. If integration with the products of those or other companies becomes more difficult, our ~~gear~~ **products** would likely be more difficult to use or may not be compatible with key hardware, operating systems or other products, which would seriously harm our reputation and the utility and desirability of our ~~gear~~ **products** , and, as a result, would seriously harm our business. One of our strategies is to grow through acquisitions, which could result in operating difficulties, dilution to our stockholders and other seriously harmful consequences. One of our strategies is to grow through acquisitions and we may also seek to grow through other strategic transactions such as alliances and joint ventures. In particular, we believe that our future growth depends in part on our ability to enhance our existing product lines and introduce new ~~gear~~ **products** and categories of ~~gear~~ **products** through acquisitions and other strategic transactions. There is substantial competition for attractive acquisitions and other strategic transactions, and we may not be successful in completing any such acquisitions or other strategic transactions in the future. If we are successful in making any acquisition or strategic transaction, we may be unable to integrate the acquired business effectively or may incur unanticipated expenditures, which could seriously harm our business ~~. The COVID- 19 pandemic may make integration of these businesses even more difficult~~ . Acquisitions and strategic transactions can involve a wide variety of risks depending upon, among other things, the specific business or assets being acquired or the specific terms of any transaction. In addition, we may finance acquisitions or investments, strategic partnerships or joint ventures by issuing common stock, which may be dilutive to our stockholders, or by incurring indebtedness, which could increase our interest expense and leverage, perhaps substantially. Acquisitions and other investments may also result in charges for the impairment of goodwill or other acquired assets. Acquisitions of, or alliances with, technology companies are inherently risky, and any acquisitions or investments we make, or alliances we enter into, may not perform in accordance with our expectations. Accordingly, any of these transactions, if completed, may not be successful and may seriously harm our business. In addition, foreign acquisitions or strategic transactions with foreign partners involve additional risks, including those related to integration of operations across different geographies, cultures and languages, as well as risks related to fluctuation in currency exchange rates and risks associated with the particular economic, political and regulatory environment in specific countries. Our sponsorship of individuals, teams and events within the gaming community is subject to numerous risks that may seriously harm our business. We interact with the gaming community in numerous ways, including through the sponsorship of streamers, esports events, tournaments, esports athletes and teams. These sponsored events and individuals are associated with our brand and represent our commitment to the gaming community. There can be no assurance that we will be able to maintain our existing relationships with any of our sponsored individuals or teams in the future or that we will be able to attract new highly visible gamers to endorse our ~~gear~~ **products** . Additionally, certain individuals or teams with greater access to capital may increase the cost of certain sponsorships to levels we may choose not to match. If this were to occur, our sponsored individuals, teams or events may terminate their relationships with us and endorse our competitors' products, and we may be unable to obtain endorsements from other comparable alternatives. In addition, if any of our sponsored individuals or teams become unpopular or engage in activities perceived negatively in the gaming community or more broadly, our sponsorship expenditures could be wasted and our brand reputation could be damaged which, in turn, could seriously harm our business. We need substantial working capital to operate our business, and we rely to a significant degree upon credit extended by our manufacturers and suppliers and borrowings under our revolving credit facility to meet our working capital needs. If we are unable to meet our working capital needs, we may be required to reduce expenses or product purchases, or delay the development, commercialization and marketing of our ~~gear~~ **products** , which would seriously harm our business. We need substantial working capital to operate our business. We rely to a significant degree upon credit extended by many of our manufacturers and suppliers in order to meet our working capital needs. Credit terms vary from vendor to vendor but typically **vendors** allow us zero to 120 days to pay for the products. However, notwithstanding the foregoing, there are instances when we are required to pay for ~~gear~~ **products** in advance of ~~it~~ **them** being manufactured and delivered to us. We may also utilize borrowings under our revolving credit facility to provide working capital, and access to external debt financing has historically been and will likely continue to be very important to us. As a result of any downturn in general economic conditions or conditions in the credit markets or other factors, manufacturers and suppliers may be reluctant to provide us with the same credit that they have in the past, which would require that we increase the level of borrowing under our revolving credit facility or obtain other external financing to provide for our substantial working capital needs. Additional financing may not be available on terms acceptable to us or at all. In particular, our access to other debt financing is limited by the negative covenant in our credit agreement restricting our ability to incur other indebtedness, as well as the financial covenants therein prohibiting our Consolidated Total Net Leverage Ratio from exceeding 3. ~~75~~ **25** to 1. ~~0~~ **00 for the quarter ended December 31, 2023, and 3. 00 to 1. 00** from the quarter ending ~~December 31, 2022 through and including March 31, 2023, 3. 5 to 1. 0 for the quarter ending June 30, 2023, 3. 25 to 1. 0 from the quarter ending September 30, 2023 through and including December 31, 2023, and not exceeding 3. 0 to 1. 0 from the quarter ended~~ March 31, 2024 and each quarter thereafter or our Consolidated Interest Coverage Ratio being less than **2. 50 to 1. 00 for the quarter ended December 31, 2023, and** 3. ~~0~~ **00** to 1. ~~0 for~~ **00 from** the quarter ending ~~December 31, 2022, 2. 5 to 1. 0 from the quarter ending March 31, 2023 through and including December 31, 2023, and 3. 0 to 1. 0 from the quarter ended~~ March 31, 2024 and each quarter thereafter (both tested quarterly on a trailing four fiscal quarter basis). As a result, such restrictions could limit, perhaps substantially, the amount of indebtedness we are permitted to borrow under other debt arrangements. To the extent we incur additional indebtedness under our revolving credit facility or are required to incur indebtedness from other sources (if available and if permitted by the credit facility) to provide working capital, it could increase our interest expense and expose us to other risks of leverage. Any inability to meet our working capital or other cash needs as and when required would likely seriously harm our business, results of operations and financial condition and adversely affect our growth prospects and stock price and could require, among other things, that we reduce expenses, which might require us to reduce shipments of our ~~gear~~ **products** or our inventory levels substantially or to delay or curtail the development, commercialization and marketing of our ~~gear~~ **products** . Indebtedness and the terms of our credit facilities may impair our ability to respond to changing business and economic conditions and may seriously harm our business. We had $ ~~238~~ **199** . ~~7~~ **0** million of indebtedness as of December 31, ~~2022~~ **2023** . We have incurred significant indebtedness under our credit facilities to fund working capital and other cash needs and we expect to incur additional indebtedness in the future, particularly if we use borrowings or other debt financing to finance all or a portion of any future acquisitions. In addition, the terms of our credit facilities require, and any debt instruments we enter into in the future may require, that we comply with certain restrictions and covenants. These covenants and restrictions, as well as any significant increase in our indebtedness, could adversely impact us for a number of reasons, including the following: Cash flow required to pay debt service. We may be required to dedicate a substantial portion of our available cash flow to debt service. This risk is increased by the fact that borrowings under our credit facilities bear interest at a variable rate. This exposes us to the risk that the amount of cash required to pay interest under our credit facilities will increase to the extent that market interest increases. Our indebtedness and debt service obligations may also increase our vulnerability to economic downturns and adverse competitive and industry conditions. Adverse effect of financial and other covenants. The covenants and other restrictions in our credit facilities and any debt instruments we may enter into in the future may limit our ability to raise funds for working capital, capital expenditures, acquisitions, product development and other general corporate requirements, which may adversely affect our ability to finance our operations, any acquisitions or investments or other capital needs or engage in other business activities that would be in our interests. Restrictive covenants may also limit our ability to plan for or react to market conditions or otherwise limit our activities or business plans and place us at a disadvantage compared to our competitors. Risks of default. If we breach or are unable to comply with a covenant or other agreement contained in a debt instrument, the lender generally has the right to declare all borrowings outstanding under that debt instrument, together with accrued interest, to be immediately due and payable and may have the right to raise the interest rate. Upon an event of default under our credit facilities, the lender may require the immediate repayment of all outstanding loans and accrued interest. In addition, during the continuance of certain events of default under our credit facilities (subject to a cure period for some events of default), interest may accrue at a rate that is 200 basis points above the otherwise applicable rate. As a result, any breach or failure to comply with covenants contained in our debt instruments could seriously harm our business. Moreover, our credit facilities are secured by substantially all of our assets (including capital stock of our subsidiaries), except assets of our foreign subsidiaries and shares of some of our foreign subsidiaries, and if we are unable to pay indebtedness secured by collateral when due, whether at maturity or if declared due and payable by the lender following a default, the lender generally has the right to seize and sell the collateral securing that indebtedness. There can be no assurance that we will not breach the covenants or other terms of our credit facilities or any other debt instruments in the future and, if a breach occurs, there can be no assurance that we will be able to obtain necessary waivers or amendments from the lender or to refinance the related indebtedness on terms we find acceptable, or at all. As a result, any breach or default of this nature may seriously harm our business. Restrictions under our credit facilities. We must comply with covenants under our current credit facilities, which require the maintenance of a maximum Consolidated Total Net Leverage Ratio of 3. ~~75~~ **25** to 1. ~~0~~ **00 for the quarter ended December 31, 2023, and 3. 00 to 1. 00** from the quarter ending ~~December 31, 2022 through and including March 31, 2023, 3. 5 to. 1. 0 for the quarter ending June 30, 2023, 3. 25 to 1. 0 from the quarter ending September 30, 2023 through and including December 31, 2023, and not exceeding 3. 0 to 1. 0 from the quarter ended~~ March 31, 2024 and each quarter thereafter and a minimum Consolidated Interest Coverage Ratio of **2. 50 to 1. 00 for the quarter ended December 31, 2023, and** 3. ~~0~~ **00** to 1. ~~0 for~~ **00 from** the quarter ending ~~December 31, 2022, 2. 5 to 1. 0 from the quarter ending March 31, 2023 through and including December 31, 2023, and not less than 3. 0 to 1. 0 from the quarter ended~~ March 31, 2024 and each quarter thereafter (as defined in our credit facilities). While we were in compliance with all applicable financial covenants under our credit facilities as of December 31, ~~2022~~ **2023** , there can be no assurance that we will not breach these financial covenants in our credit facilities in the future or other covenants in our future credit facilities. Our credit facilities also include covenants that limit or restrict our ability to, among other things, incur liens on our properties, make acquisitions and other investments and sell assets, in each case, subject to specified exceptions. In addition to the covenants described in the preceding ~~sentence~~ **paragraph** , we are also prohibited from incurring indebtedness other than debt owed to the lenders under our credit facilities, debt associated with certain liens permitted by our credit facilities, certain subordinated debt and other specified exceptions. Our credit facilities also contain restrictions on our ability to pay dividends or make distributions in respect of our common stock or redemptions or repurchases of our common stock. **We conduct our operations and sell our products internationally and the effect of business, legal, geopolitical and economic risks associated with international operations may seriously harm our business.** Sales to customers outside the United States accounted for 54. **8 % and 54.** 6 % ~~and 61. 7 %~~ our net revenue in **2023 and** 2022 ~~and 2021~~ , respectively. In addition, substantially all of the ~~gear~~ **products** that we sell ~~is~~ **are** manufactured at facilities in Asia. Our international sales and operations are subject to a wide range of risks, which may vary from country to country or region to region. These risks include the following: • export and import duties, changes to import and export regulations, and restrictions on the transfer of funds; • fluctuating exchange rates; • political and economic instability; • problems with the transportation or delivery of our ~~gear~~ **products** ; • issues arising from cultural or language differences and labor unrest; • longer payment cycles and greater difficulty in collecting accounts receivable; • compliance with trade and technical standards in a variety of jurisdictions; • difficulties in staffing and managing international operations, including the risks associated with fraud, theft and other illegal conduct; • compliance with laws and regulations, including environmental, employment and tax laws, which vary from country to country and over time, increasing the costs of compliance and potential risks of non- compliance; • difficulties enforcing our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as the United States and European countries; • the risk that trade to or from some foreign countries, or companies in foreign countries that manufacture our ~~gear~~ **products** or supply components that are used in our ~~gear~~ **products** , may be affected by political tensions, trade disputes and similar matters, particularly between China and Taiwan, China and the United States, Russia and Ukraine, ~~and~~ the United States and Russia **, and Israel and Hamas** ; • United States and foreign trade restrictions, including those that may limit the importation of technology or components to or from various countries or impose tariffs or quotas; • difficulties or increased costs in establishing sales and distribution channels in unfamiliar markets, with **local** ~~their own~~ market characteristics and competition; and • imposition of currency exchange controls or taxes that make it impracticable or costly to repatriate funds from foreign countries. To the extent we successfully execute our strategy of expanding into new geographic areas, these and similar risks will increase. There can be no assurance that the risks relating to our international operations will not seriously harm our business. We are subject to taxation- related risks in multiple jurisdictions, and the adoption and interpretation of new tax legislation, tax regulations, tax rulings, or exposure to additional tax liabilities could materially affect our business, financial condition and results of operations. We are a U. S.- based multinational company subject to income and other taxes in the United States and other foreign jurisdictions in which we do business. As a result, our provision for income taxes and our effective tax rate may be impacted by changes in or interpretations of tax laws in any given jurisdiction, utilization of or limitations on our ability to utilize any tax credit carryforwards, changes in geographical allocation of revenue and expense and changes in management' s assessment of matters such as our ability to realize the value of deferred tax assets. Tax laws are regularly re - examined and evaluated globally. New laws and interpretations of the law are taken into account for financial statement purposes in the quarter or year that they become applicable. Tax authorities are increasingly scrutinizing the tax positions of multinational companies. If U. S. or other foreign tax authorities change applicable tax laws, or if there is a change in interpretation of existing law, our overall liability could increase, and our business, financial condition and results of operations may be harmed. In particular, the U. S. government may enact significant changes to the taxation of business entities ~~including, among others, an increase in the corporate income tax rate, the imposition of minimum taxes or surtaxes on certain types of income, significant changes to the taxation of income derived from international operations, and an addition of further limitations on the deductibility of business interest~~ . For example, beginning in 2022, the Tax Cuts and Jobs Act of 2017 requires U. S. research and experimental expenditures to be capitalized and amortized ratably over a five- year period. Any such expenditures attributable to research conducted outside the United States must be capitalized and amortized over a 15- year period. In addition, the Inflation Reduction Act of 2022 ~~recently became law and~~ imposes a minimum tax **of 15 %** on certain corporations with book income of at least $ 1 billion, subject to certain adjustments, and a 1 % excise tax on certain stock buybacks and similar corporate actions. **While certain other draft legislation has been proposed in the U. S., the likelihood of any proposed changes to the tax law being enacted or implemented is unclear, and we are currently unable to predict whether such changes will occur. If any such changes are implemented, we are currently unable to predict the ultimate impact on our business and therefore there can be no assurance our business will not be adversely affected.** In addition, the Organization for Economic Co- Operation and Development **(the " OECD ")** has released guidance and blueprints covering various topics, including a global minimum effective tax rate **of 15 %** on certain corporate groups known as " Pillar Two ", and rules governing transfer pricing, country- by- country reporting, and definitional changes to permanent establishment that could ultimately impact our tax liabilities as those guidance and blueprints are potentially implemented in various jurisdictions **. For example, on December 12, 2022, the European Union member states agreed to implement the " Pillar Two " global corporate minimum tax rate as of January 1, 2024. In addition, various other countries where we do business have implemented or plan to implement the " Pillar Two " global corporate minimum tax rate in 2024 and are also actively considering changes to their tax laws to adopt certain parts of the OECD' s proposals. The enactment of this and similar legislation could significantly increase our tax obligations in many countries where we do business** . Our effective tax rate could also increase due to several factors, including: • changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates; • changes in tax rates, tax treaties, and regulations or the interpretation of them; • changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business; • the outcome of current and future tax audits, examinations, or administrative appeals; and • the effects of acquisitions. In the past, we have experienced fluctuations in our effective income tax rate which reflects a variety of factors that may or may not be present in any given year. In light of these factors, there can be no assurance that our effective income tax rate will not change in future periods. Accordingly, if our effective tax rate were to increase, it may have a material adverse effect on our business, financial condition and results of operations. Finally, because we have substantial operations in a number of locations worldwide, tax authorities in various jurisdictions may raise questions concerning matters such as transfer pricing, whether revenues or expenses should be attributed to particular countries, the presence or absence of permanent establishments in particular countries and similar matters. In addition, we have engaged in a number of material restructuring transactions in various jurisdictions, and the tax positions we have adopted in connection with these restructuring transactions may be subject to challenge. Accordingly, a material assessment by a tax authority in any jurisdiction could require that we make significant cash payments without reimbursement. If this were to occur, our business may be seriously harmed. Our ability to utilize our net operating losses, or NOLs, carryforwards and certain other tax attributes may be limited. Our ability to utilize our NOL carryforwards to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income before the expiration dates of the NOL carryforwards, and we cannot predict with certainty when, or whether, we will generate sufficient taxable income to use all of our NOL carryforwards. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an " ownership change, ” generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three- year period, the corporation’ s ability to use its pre- change NOL carryforwards and other pre- change tax attributes (such as research and development tax credits) to offset its post- change income or taxes may be limited. As of December 31, ~~2022~~ **2023**, we had NOL carryforwards for U. S. federal, state and foreign tax purposes of $ **1. 1 million, $ 37. 4 million, and $ 10.** 2 ~~. 3 million, $ 28. 2 million, and $ 33. 0~~ million, respectively. Certain of our tax attributes are subject to an annual limitation as a result of our change in ownership in August 2017, but we do not expect our tax attributes to be materially affected by the annual limitation. In the event that we experience ownership changes due to future transactions in our stocks, the utilization of NOLs to reduce our future taxable income and tax liabilities may be limited, which could affect our profitability. System security and data protection breaches, as well as cyber- attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which may seriously harm our business **. We rely on the reasonably secure processing of personal, confidential and other sensitive information in our computer systems, hardware, software, technology infrastructure and online sites and networks as well as those provided by third parties, collectively IT Systems**. Security breaches, computer malware and cyber- attacks have become more prevalent and sophisticated in recent years **, creating an evolving landscape of cybersecurity risks that threaten the confidentiality, integrity and availability of our IT systems and data that we and our providers process**. These threats are constantly evolving, making it increasingly difficult to successfully defend against them or implement adequate preventative measures. These malicious ~~attempts~~ **attacks** have occurred on our **IT** ~~systems~~ **Systems** in the past and are expected to occur in the future. **Threat actors may include** ~~Experienced~~ **experienced** computer programmers, **opportunistic** hackers and **hacktivists, state- sponsored organizations and** employees **who, due to malfeasance or error,** may penetrate our security controls and misappropriate or compromise our confidential information or that of our employees or third parties, which in turn, may create system disruptions or cause shutdowns. These ~~hackers~~ **threat actors** may also develop and deploy viruses, worms **, bugs, ransomware** and other malicious software programs that attack or otherwise exploit security vulnerabilities in our systems **using increasingly sophisticated techniques and tools – including artificial intelligence – that circumvent security controls, evade detection and remove forensic evidence. Further, we offer the flexibility to work remotely, which introduces heightened cybersecurity risks as remote working environments can be less secure and more susceptible to cyber- attacks due to cybersecurity risks associated with managing remote computing assets and security vulnerabilities that are present in many non- corporate and home networks**. We have taken steps to put in place safeguards designed to protect the security of all the information we process **and that our providers process on our behalf**, but despite these efforts, we cannot guarantee that we **or our providers** will not suffer ~~successful~~ **harmful** security breaches, cyber- attacks, acts of vandalism, computer viruses, malware, ransomware, denial- of- service attacks, human error issues or other similar events that lead to misplaced or lost information, programming and / or other similar issues. ~~For example, in early 2021, we discovered the exploitation by hackers of our subsidiary SCUF’ s servers, which may have enabled such hackers to collect information provided by our customers, including payment card information, which is handled by our third- party ecommerce service provider. Such hackers utilized the credentials we had provided to another third- party to inject a script, which was active for a limited amount of time, that collected this information provided by customers.~~ Additionally, for portions of our **IT** ~~information technology~~ infrastructure, including business management and communication software products, we rely on products and services provided by third parties, a number of which process personal information on our behalf. There can be no assurance that the privacy and security related measures and safeguards we have put in place in relation to these third parties will be effective to protect us and / or the relevant personal information from the risks associated with the third- party storage, transmission and other processing of such information. These providers may also experience breaches and attacks to their products which may impact our systems. Data security breaches may also result from non- technical means, such as actions by an employee with access to our systems. To defend against security threats, both to our internal systems and those of our customers, we must continuously engineer more secure products and enhance security and reliability features, which may result in increased expenses **, and does not guarantee that we will be able to anticipate, detect, investigate, remediate or recover from cybersecurity incidents and attacks or avoid a material adverse impact to our IT Systems, data or business**. Actual or perceived breaches of our security measures, those of third- parties or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary ~~information or~~ **, personal,** sensitive or confidential information about us, our partners, our customers or third parties have exposed, and, in the future, could expose us and other affected parties to a risk of loss or misuse of this information, resulting in litigation **(including class actions)** and potential liability, paying damages, regulatory inquiries, investigations or actions, damage to our brand and reputation or other serious harm to our business. Due to concerns about data security and integrity, a growing number of legislative and regulatory bodies have adopted breach notification and other requirements in the event that information subject to such laws is accessed by unauthorized persons. Complying with the numerous and complex regulations in the event of a data security breach could be expensive and difficult, and failure to comply with these regulations could subject us to regulatory scrutiny and additional liability. We may also be contractually required to notify customers or other counterparties of a security incident, including a data security breach. Our efforts to prevent and overcome these challenges could increase our expenses and may not be successful. We may experience interruptions, delays, cessation of service and loss of existing or potential customers. Such disruptions could adversely impact our ability to fulfill orders and interrupt other critical functions. Delayed sales, lower margins or lost customers as a result of these disruptions may seriously harm our business. We are currently subject to U. S. federal and state and foreign laws, regulations and industry standards relating to data privacy and security, and our failure or perceived failure to comply as well as actions by regulatory authorities or changes in legislation and regulation in the jurisdictions in which we operate could have a material adverse effect on our business. In connection with certain of our ~~gear~~ **products**, we collect information related to our gamers and ~~streamers~~ **creators**. This information is increasingly subject to **an ever- evolving patchwork of** legislation ~~and~~ **,** regulations **and industry standards** in numerous jurisdictions around the world.

Government actions are typically intended to protect the privacy and security of personal information and its collection, storage, transmission, use and distribution in or from the governing jurisdiction and other processing. ~~In addition~~ **The U. S. and foreign governments and agencies may in the future enact new legislation and promulgate new regulations governing collection**, **use, disclosure, storage, transmission, destruction or other processing of personal data and other information. As such, and** because various jurisdictions have different laws and regulations concerning the use, storage, transmission and other processing of such information, we may face requirements that pose compliance challenges in existing markets as well as new international markets that we seek to enter ~~. We are subject to a variety of laws~~ , ~~regulations, and industry standards that relate to the collection, storing, disclosing, using, transfer or other processing and protecting of data about individuals. These laws and regulations constantly evolve and remain subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain. Because we store, process and use data, some of which contain personal data, we are subject to complex and evolving federal, state and local laws and regulations regarding data privacy and data security. The U. S. federal and state governments and agencies may in the future enact new legislation and promulgate new regulations governing collection, use, disclosure, storage, transmission, destruction or other processing of personal data and other information. New privacy laws add additional complexity, requirements, restrictions and potential~~ **potentially** ~~legal risk, require~~ **requiring** additional investment in resources for compliance programs, and ~~could impact~~ **impacting** ~~trading strategies~~ **business operations** and availability of previously useful data. For example, in the United States, the Federal Trade Commission and state regulators enforce a variety of data privacy issues, such as promises made in privacy policies or failures to appropriately protect information about individuals, as unfair or deceptive acts or practices in or affecting commerce in violation of the Federal Trade Commission Act or similar state laws. In addition, the California Consumer Privacy Act, as amended by the California Privacy Rights Act (the " CCPA ") creates individual privacy rights for California consumers and increases the privacy and security obligations of entities handling certain information about individuals. For example, the CCPA gives California residents rights to access, delete or correct their personal information ~~,~~ **and** opt out of certain **processing of** personal information ~~use and disclosure and receive detailed information about how their personal information is used~~ . Failure to comply with the CCPA creates additional risks including enforcement by the California Attorney General or the California Privacy Protection Agency, limited private rights of actions for certain data breaches and damage to reputation. Since the CCPA went into effect, comprehensive privacy statutes that share similarities with the CCPA have been enacted in Virginia, Colorado, Connecticut ~~and~~ **,** Utah **and other states** . Many other states are currently reviewing or proposing the need for greater regulation of the collection, sharing, use and other processing of information related to individuals for marketing purposes or otherwise and there remains increased interest at the federal level as well ~~. In Europe and the U. K.~~ , ~~we~~ **reflecting a trend towards more stringent data privacy legislation. We** are also subject to ~~foreign~~ legislation **in Europe and the U. K.** , such as the European Union General Data Protection Regulation (the " EU GDPR "), and to the United Kingdom General Data Protection Regulation and Data Protection Act 2018 (the " UK GDPR, " and together with the EU GDPR, the " GDPR "). The GDPR imposes comprehensive data privacy compliance obligations in relation to our collection, processing, sharing, disclosure, transfer and other use of personal information, including a principal of accountability and the obligation to demonstrate compliance through policies, procedures, training and audit. The GDPR has also imposed more stringent operational requirements for companies that are subject to the GDPR, including: requiring detailed disclosures about how personal information is to be collected, used and processed; demonstrating that appropriate legal bases are in place to justify data processing activities; complying with rights for data subjects with regard to their personal information (including access, erasure (the right to be " forgotten ") and portability); ~~ensuring appropriate safeguards are in place where personal data is transferred out of the European Economic Area (" EEA ") and the U. K.;~~ limitations on retention of personal information; and ~~introducing~~ mandatory data breach notification requirements to regulators (and in certain cases, individuals). The EU GDPR and UK GDPR also regulate cross- border transfers of personal information out of the EEA and the U. K. ~~Specifically~~ **Recent legal developments in Europe have created uncertainty regarding transfers of data from the EEA and the U. K. to the U. S. and other jurisdictions. For example** , **in** ~~on July 16,~~ 2020, the Court of Justice of the European Union (" CJEU ") invalidated Decision 2016 / 1250 on the adequacy of the protection provided by the EU- U. S. Privacy Shield Framework (the " Privacy Shield "), under which personal information could be transferred from the EEA (and the U. K.) to relevant self- certified U. S. entities. The CJEU further noted that reliance on the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism and potential alternative to the Privacy Shield) alone may not necessarily be sufficient in all circumstances and that transfers must be assessed on a case- by- case basis. ~~However~~ **In 2022** , President Joe Biden ~~, on October 7, 2022,~~ signed an executive order to implement the new EU- US Data Privacy Framework ~~. The new EU~~ **, which have been effective transfer mechanisms to self** - **certified** US ~~Data Privacy~~ **entities under the** ~~Framework~~ **framework (** ~~addresses issues raised in Schrems II, that led the CJEU to invalidate the EU' s adequacy decision for the EU- US Privacy Shield. President Biden' s signed executive order has given impetus to the European Commission to prepare a new draft adequacy decision in relation to the US,~~ and ~~then~~ - **the U** ~~launch its adoption procedure~~ . **K. extension) since July** ~~Once the European Commission has adopted the final adequacy decision, expected in March~~ 2023 **and October 2023** , **respectively** ~~data can flow freely from the EU to US companies that are certified under the new Privacy Shield framework~~ (" EU- US Data Privacy Protection Framework "). **We** ~~Further, the European Commission' s adoption of the final adequacy decision will allow us to~~ rely on the newest standard contractual clauses of June 4, 2021, **for** ~~already implemented in~~ our intragroup, customer and vendor agreements. Notwithstanding the above, ~~as~~ **we expect the existing legal complexity and uncertainty regarding international personal data transfers to continue. As** the enforcement landscape further develops, and supervisory authorities issue further guidance on personal information export mechanisms, we could suffer additional costs, complaints and / or regulatory investigations or fines; we may have to stop using certain tools and vendors and make other operational changes; we may have to implement revised standard contractual clauses for existing intragroup, customer and vendor arrangements within required time frames; and / or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our business, operations or financial results. We are also subject to evolving ~~EU and U. K.~~ privacy laws on cookies, tracking technologies and e- marketing. ~~In~~ **For example, in** the EU and the U. K. under national laws derived from the ePrivacy Directive, informed consent is required for the placement of a cookie or similar technologies on a user' s device and for direct electronic marketing. The GDPR also imposes conditions on obtaining valid consent for cookies, such as a prohibition on pre- checked consents and a requirement to ensure separate consents are sought for each type of cookie or similar technology. Recent **U. S. and** European court and regulator decisions are driving increased attention to cookies and tracking technologies. If the trend of increasing **proceedings by litigants and** enforcement by regulators of the strict approach in recent guidance and decisions continues, this could lead to substantial costs, require significant systems changes, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, increase costs and subject us to additional liabilities. In light of the complex and evolving nature of ~~EU, EU Member State and U. K.~~ privacy laws on cookies and tracking technologies, it may lead to broader restrictions and impairments on our marketing and personalization activities and may negatively impact our efforts to understand users. Compliance with existing and emerging privacy and cybersecurity laws, regulations and industry standards could result in increased compliance costs and / or lead to changes in business practices and policies **. While we have taken various measures to help ensure that our policies** , **processes and systems are in compliance with our obligations, we cannot guarantee that regulators or consumers will agree with our approach to compliance** and any failure to protect the confidentiality of client information could adversely affect our reputation, lead to private litigation against us, and require additional investment in resources, impact strategies and availability of previously useful data, any of which could materially and adversely affect our business, operating results and financial condition. We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm. We may be adversely affected by the financial condition of retailers and distributors to whom we sell our ~~gear~~ **products** and may also be adversely affected by the financial condition of our competitors. Retailers and distributors of consumer electronics products have, from time to time, experienced significant fluctuations in their businesses and some of them have become insolvent. A retailer or distributor experiencing such difficulties will generally not purchase and sell as ~~much~~ **many** of our ~~gear~~ **products** as it would under normal circumstances and may cancel orders. In addition, a retailer or distributor experiencing financial difficulties generally increases our exposure to uncollectible receivables. Moreover, if one of our ~~distributor~~ **distributors** or retailer customers experiences financial distress or bankruptcy, they may be required to liquidate their inventory of our ~~gear~~ **products** , or similar products that compete with our ~~gear~~ **products** , at reduced prices, which can result in substantial over- supply and reduced demand for our ~~gear~~ **products** over the short term. If any of these circumstances were to occur, it could seriously harm our business. Likewise, our competitors may from time to time experience similar financial difficulties or may elect to terminate their sales of certain products. If ~~one~~ **any** of our competitors ~~experiences~~ - **experience** financial distress or bankruptcy and ~~is~~ **are** forced to liquidate inventory or ~~exits~~ - **exit** a product line and disposes of inventory at reduced prices, this may also result in over- supply of and reduced demand for our ~~gear~~ **products** and could have a short- term adverse effect on our results of operations and financial condition. Our online operations are subject to numerous risks that may seriously harm our business. Our online operations, where we sell a number of products through our online stores, subject us to certain risks that could seriously harm our business, financial condition and results of operations. For example, the operation and expansion of our online stores may seriously harm our relationships with our retailers and distributors. Further, existing and future regulations and laws could impede the growth of our online operations. These regulations and laws may involve taxes, tariffs, privacy and data security, anti- spam, content protection, electronic contracts and communications, consumer protection and social media marketing. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business and decrease the use of our sites by gamers ~~, streamers~~ and ~~suppliers~~ **creators** and may result in the imposition of monetary liability. In addition, our online stores are partially handled by a third- party ecommerce service provider. We rely on this service provider to handle, among other things, payment and processing of online sales. If the service provider does not perform these functions satisfactorily, we may find another third- party service provider or undertake such operations ourselves, but we may not be able to successfully do either. In either case, our online sales and our customer service reputation could be adversely affected which, in turn, may seriously harm our business. We may recognize restructuring and impairment charges in future periods, which will adversely affect our operating results and could seriously harm our business. Depending on market and economic conditions in future periods, we may implement restructuring initiatives. As a result of these initiatives, we could incur restructuring charges, lose key personnel and experience disruptions in our operations and difficulties in delivering our ~~gear~~ **products** . We are required to test goodwill, intangible assets and other long- lived assets for recoverability and may be required to record charges if there are indicators of impairment, and we have in the past recognized impairment charges. As of December 31, ~~2022~~ **2023** , we had approximately $ ~~347~~ **354** . 7 million of goodwill, $ ~~216~~ **188** . ~~3~~ **0** million of intangible assets and $ ~~84~~ **74** . ~~2~~ **9** million of other long- lived assets. One of our strategies is to grow through acquisitions of other businesses or technologies and, if we are successful in doing so, these acquisitions may result in goodwill and other long- lived assets. The risk that we will be required to recognize impairment charges is also heightened by the fact that the life cycles of much of the ~~gear~~ **products** we sell are relatively short, which increases the possibility that we may be required to recognize impairment charges for obsolete inventory. Impairment charges will adversely affect our operating results and could seriously harm our business. Our future success depends to a large degree on our ability to defend the Corsair brand and product family brands such as SCUF, ~~Vengeance, K70,~~ Elgato and iCUE from infringement and, if we are unable to protect our brand and other intellectual property, our business may be seriously harmed. We consider the Corsair brand to be one of our most valuable assets. We also consider the Elgato, Origin, ~~and~~ SCUF brands ~~,~~ **and iCUE** proprietary technology brands ~~such as iCUE and Slipstream, and major product family brands such as Corsair ONE, Dark Core, Dominator, Glaive, Harpoon, Ironclaw, K70, K100, Nightsword, Scimitar, Vengeance, Virtuoso and Void to be important to our business~~ . Our future success depends to a large degree upon our ability to defend the Corsair brand, proprietary technology brands and product family brands from infringement and to protect our other intellectual property. We rely on a combination of copyright, trademark, patent and other intellectual property laws and confidentiality procedures and contractual provisions such as nondisclosure terms to protect our intellectual property ~~. Although we hold a trademark registration on the Corsair name in the United States and a number of other countries, the Corsair name does not have trademark protection in other parts of the world, including some major markets, and we may be unable to register the Corsair name as a trademark in some countries. Likewise, we hold a trademark registration on certain brands such as K70 only in the United States, Australia and New Zealand and therefore such brands do not have trademark protection in other parts of the world. If third parties misappropriate or infringe on our brands or we are unable to protect our brands, or if third parties use the Corsair, Corsair ONE, Dark Core, Dominator, Elgato, Glaive, Harpoon, iCUE, Ironclaw, K70, K100, Nightsword, Origin, SCUF, Slipstream, Scimitar, Vengeance, Virtuoso and Void brand names, or other brand names we maintain, to sell their products in countries where we do not have trademark protection, it may seriously harm our business~~ . We hold a limited number of patents and pending patent applications. It is possible that any patent owned by us will be invalidated, deemed unenforceable, circumvented or challenged and that our pending or any future patent applications will not be granted. In addition, other intellectual property laws or our confidentiality procedures and contractual provisions may not adequately protect our intellectual property and others may independently develop similar technology, duplicate our ~~gear~~ **products** , or design around any intellectual property rights we may have. Any of these events may seriously harm our business. Certain of the licenses pursuant to which we are permitted to use the intellectual property of third parties can be terminated at any time by us or the other party. If we are unable to negotiate and maintain licenses on acceptable terms, we will be required to develop alternative technology internally or license it from other third parties, which may be difficult and costly or impossible. The expansion of our business will require us to protect our trademarks, domain names, copyrights, patents and other intellectual property rights in an increasing number of jurisdictions, a process that is expensive and sometimes requires litigation. If we are unable to protect and enforce our trademarks, domain names, copyrights, patents and other intellectual property rights, or prevent third parties from infringing upon them, our business may be seriously harmed. We have taken steps in the past to enforce our intellectual property rights and expect to continue to do so in the future. However, it may not be practical or cost-effective for us to enforce our rights with respect to certain items of intellectual property ~~rights~~ fully, or at all, particularly in developing countries where the enforcement of intellectual property rights may be more difficult than in the United States. It is also possible that, given the costs of obtaining patent protection, we may choose not to seek patent protection for certain items of intellectual property that may later turn out to be important. Some of our products contain open source software, which may pose particular risks to our proprietary software and products. Our products rely on software licensed by third parties under open source licenses, including as incorporated into software we receive from third- party commercial software vendors, and will continue to rely on such open source software in the future. Use of open source software may entail greater risks than use of third- party commercial software, as open source licensors generally do not provide support, updates, warranties or other contractual protections regarding infringement claims or the quality of the code, and the wide availability of source code to components used in our products could expose us to security vulnerabilities. Further, the terms of many open source licenses have not been interpreted by U. S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or commercialize our products. As a result, we may face claims from third parties claiming ownership of what we believe to be open source software. In addition, by the terms of some open source licenses, under certain conditions, we could be required to release our proprietary source code, and to make our proprietary software available under open source licenses, including authorizing further modification and redistribution. These claims or requirements could result in litigation and could require us to purchase a costly license or cease offering the implicated products unless and until we can re- engineer them to avoid infringement or release of our proprietary source code. This re-engineering process could require significant additional research and development resources. In addition, we have intentionally made certain software we have developed available on an open source basis, both by contributing modifications back to existing open source projects, and by making certain internally developed tools available pursuant to open source licenses, and we plan to continue to do so in the future. While we engage in a review process for any such contributions, which is designed to protect any code that may be competitively sensitive, it is still possible that our competitors or others could use this code for competitive purposes, or for commercial or other purposes beyond what we intended. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could seriously harm our business. We are, have in the past been, and may in the future be, subject to intellectual property infringement claims, which are costly to defend, could require us to pay damages or royalties and could limit our ability to use certain technologies in the future. Companies in the technology industry are frequently subject to litigation or disputes based on allegations of infringement or other violations of intellectual property rights. We have faced claims that we have infringed, or that our use of components or products supplied to us by third parties have infringed, patents or other intellectual property rights of others in the past and may in the future face similar claims. Any intellectual property claims, with or without merit, can be time- consuming, expensive to litigate or settle and can divert management resources and attention. For example, in the past we have settled claims relating to infringement allegations and agreed to make royalty or license payments in connection with such settlements. An adverse determination could require that we pay damages, which could be substantial, or stop using technologies found to be in violation of a third- party' s rights and could prevent us from selling some of our ~~gear~~ **products** . In order to avoid these restrictions, we may have to seek a license for the technology. Any such license may not be available on reasonable terms or at all, could require us to pay significant royalties and may significantly increase our operating expenses or otherwise seriously harm our business or operating results. As a result, we may be required to develop alternative non- infringing technologies, which could require significant effort and expense and might not be successful or, if alternative non- infringing technologies already exist, we may be required to license those technologies from third parties, which may be expensive or impossible. If we cannot license or develop technologies for any infringing aspects of our business, we may be forced to halt sales of our ~~gear~~ **products** incorporating the infringing technologies and may be unable to compete effectively. Any of these results may seriously harm our business. We and our contract manufacturers may be adversely affected by seismic activity or other natural disasters, and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster. Our corporate headquarters are located in the San Francisco Bay Area and the testing and packaging of most of our DRAM modules take place in our facility in Taiwan. Both locations are known to experience earthquakes from time to time, some of which have been severe. In addition, typhoons and other severe weather systems frequently affect Taiwan. Most of the third- party facilities where our ~~gear~~ **products** and some of the components used in our ~~gear~~ **products** is manufactured are located in China, Taiwan, Southeast Asia and other areas that are known for seismic activity and other natural disasters. Earthquakes in any of the foregoing areas may also result in tsunamis. We do not carry earthquake insurance. As a result, earthquakes or other natural disasters could severely disrupt our operations, either directly or as a result of their effect on third- party manufacturers and suppliers upon whom we rely and their respective supply chains and may negatively impact the ordering patterns of our customers and may seriously harm our business. We are subject to various environmental laws, conflict mineral- related provisions of the Dodd- Frank Act and other regulations that could impose substantial costs upon us and may seriously harm our business. Our operations, properties and the ~~gear~~ **products** we sell are subject to a variety of U. S. and foreign environmental laws and regulations governing, among other things, air emissions, wastewater discharges, management and disposal of hazardous and non- hazardous materials and waste, and remediation of releases of hazardous materials. Our failure to comply with present and future requirements under these laws and regulations, or environmental contamination or releases of hazardous materials on our leased premises, as well as through disposal of our ~~gear~~ **products** , could cause us to incur substantial costs, including clean- up costs, personal injury and property damage claims, fines and penalties, costs to redesign our ~~gear~~ **products** or upgrade our facilities and legal costs, or require us to curtail our operations. Environmental contamination or releases of hazardous materials may also subject us to claims of property damage or personal injury, which could result in litigation and require us to make substantial payments to satisfy adverse judgments or pay settlements. Liability under environmental laws can be joint and several and without regard to comparative fault. We also expect that our operations will be affected by new environmental laws and regulations on an ongoing basis, which will likely result in additional costs. Environmental laws and regulations could also require that we redesign our ~~gear~~ **products** or change how our ~~gear is~~ **products are** made, any of which could seriously harm our business. The costs of complying with environmental laws and regulations or the effect of any claims or liability concerning or resulting from noncompliance or environmental contamination could also seriously harm our business. Under the Dodd- Frank Act, the SEC adopted disclosure and reporting requirements for companies that use " conflict " minerals originating from the Democratic Republic of Congo or adjoining countries. We continue to incur costs associated with complying with these requirements, such as costs related to developing internal controls for the due diligence process, determining the source of any conflict minerals used in our ~~gear~~ **products** , auditing the process and reporting to our customers and the SEC. In addition to the SEC regulation, the European Union, China and other jurisdictions are developing new policies focused on conflict minerals that may impact and increase the cost of our compliance program. Also, since our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of the subject minerals. Moreover, we are likely to encounter challenges to satisfy those customers who require that all of the components of our ~~gear~~ **products** are certified as " conflict free. " If we cannot satisfy these customers, they may choose a competitor' s products. The U. S. federal government has issued new policies for federal procurement focused on eradicating the practice of forced labor and human trafficking. In addition, the ~~United Kingdom~~ **U. K.** and the State of California have issued laws that require us to disclose our policy and practices for identifying and eliminating forced labor and human trafficking in our supply chain. While we have a policy and management systems to identify and avoid these practices in our supply chain, we cannot guarantee that our suppliers will always be in conformance to these laws and expectations. We may face enforcement liability and reputational challenges if we are unable to sufficiently meet these expectations. Risks Related to Our Common Stock ~~We are controlled by EagleTree, whose interests in our business may be different than yours.~~ As of December 31, ~~2022~~ **2023** , EagleTree beneficially owned approximately ~~55~~ **54** . 5 % of our common stock and is able to control our affairs in all cases. Further, pursuant to the terms of an Investor Rights Agreement between us and EagleTree, EagleTree has the right, among other things, to designate the chairman of our board of directors, as well as the right to nominate up to five out of eight directors to our board of directors as long as affiliates of EagleTree beneficially own at least 50 % of our common stock, four directors as long as affiliates of EagleTree beneficially own at least 40 % and less than 50 % of our common stock, three directors as long as affiliates of EagleTree beneficially own at least 30 % and less than 40 % of our common stock, two directors as long as affiliates of EagleTree beneficially own at least 20 % and less than 30 % of our common stock and one director as long as affiliates of EagleTree beneficially own at least 10 % and less than 20 % of our common stock. As a result of the foregoing, EagleTree or its respective designees to our board of directors will have the ability to control the appointment of our management, the entering into of mergers, sales of substantially all or all of our assets and other extraordinary transactions and influence amendments to our amended and restated certificate of incorporation and bylaws. So long as EagleTree continues to beneficially own a majority of our common stock, they will have the ability to control the vote in any election of directors and will have the ability to prevent any transaction that requires stockholder approval regardless of whether other stockholders believe the transaction is in our best interests. In any of these matters, the interests of EagleTree may differ from or conflict with your interests. Moreover, this concentration of stock ownership may also adversely affect the trading price for our common stock to the extent investors perceive disadvantages in owning stock of a company with a controlling stockholder. In addition, EagleTree is in the business of making investments in companies and may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are our significant existing or potential suppliers or customers. EagleTree may acquire or seek to acquire assets that we seek to acquire and, as a result, those acquisition opportunities may not be available to us or may be more expensive for us to pursue. We are a " controlled company " within the meaning of the Nasdaq **Global Select Market** rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements. EagleTree controls a majority of the voting power of our outstanding common stock. As a result, we are a " controlled company " within the meaning of the corporate governance standards of the Nasdaq Global Select Market, or Nasdaq. Under these rules, a company of which more than 50 % of the voting power is held by an individual, group or another company is a " controlled company " and may elect not to comply with certain corporate governance requirements, including requirements that: • a majority of our board of directors consist of " independent directors " as defined under the rules of Nasdaq; • our board of directors have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee purpose and responsibilities; and • our director nominations be made, or recommended to the full board of directors, by our independent directors or by a nominations committee that is composed entirely of independent directors and that we adopt a written charter or board resolution addressing the nominations process. We currently utilize certain of these exemptions. As a result, pursuant to an agreement with EagleTree, nominations for certain of our directors will be made by EagleTree based on its ownership of our outstanding voting stock. Accordingly, for so long as we are a " controlled company, " you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq. In the event that we cease to be a " controlled company " and our shares continue to be listed on Nasdaq, we will be required to comply with these provisions within the applicable transition periods. The market price of our common stock may be volatile and may decline. The stock market in general, and the market for stocks of technology companies in particular, has been highly volatile. As a result, the market price of our common stock is likely to be volatile, and investors in our common stock may experience a decrease, which could be substantial, in the value of their common stock or the loss of their entire investment for a number of reasons, including reasons unrelated to our operating performance or prospects. The market price of our common stock could be subject to wide fluctuations in response to a broad and diverse range of factors, including those described elsewhere in this " Risk Factors " section and the following: • variations in our operating performance and the performance of our competitors; • actual or anticipated fluctuations in our quarterly or annual operating results; • changes in estimates or recommendations by securities analysts concerning us or our competitors; • publication of research reports by securities analysts about us or our competitors or our industry; • our failure or the failure of our competitors to meet analysts' estimates or guidance that we or our competitors may give to the market; • additions and departures of key personnel; • strategic decisions by us or our competitors, such as acquisitions, divestitures, spin- offs, joint ventures, strategic investments or changes in business strategy; • developments of new technologies or other innovations; • the passage of legislation or other regulatory developments affecting us or our industry; • speculation in the press or investment community; • changes in accounting principles; • the outbreak of epidemics or pandemics, such as the ~~coronavirus~~ **COVID- 19** pandemic; • natural disasters, terrorist acts, acts of war or periods of widespread civil unrest, such as any military actions taken as a result of the war between Russia and Ukraine **and the war between Israel and Hamas** ; and • changes in general market and economic conditions. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management' s attention and resources and could also require us to make substantial payments to satisfy judgments or to settle litigation. An active, liquid and orderly market for our common stock may not be maintained. ~~Our~~ **While our** stock ~~only recently began trading~~ **is available to be traded** on Nasdaq, ~~but~~ we can provide no assurance that we will be able to maintain an active trading market on Nasdaq or any other exchange in the future. If an active market for our common stock is not maintained, it may be difficult for our stockholders to sell shares without depressing the market price for the shares or at all. An inactive market may also impair our ability to raise capital by selling shares and may impair our ability to acquire other businesses, applications, or technologies **and attract and retain employees** using our shares as consideration. Future sales of our common stock in the public market could cause our stock price to fall. If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public **market** , the trading price of our common stock could decline. Based upon the number of shares outstanding as of December 31, ~~2022~~ **2023** , we had outstanding a total of ~~101~~ **103** . ~~4~~ **3** million shares of common stock. Of these shares, all of the shares of our common stock sold in the initial public offering, in the secondary offering in January 2021 and in the primary offering in November 2022, are freely tradable, without restriction, in the public market. In addition, in July 2022, approximately 54. 2 million shares of our common stock that were held by EagleTree were registered pursuant to a Registration Statement on Form S- 3. If we sell shares of our common stock in future financings, stockholders may experience immediate dilution and, as a result, our stock price may decline. We may from time to time issue additional shares of common stock at a discount from the current trading price of our common stock. As a result, our stockholders would experience immediate dilution upon the purchase of any shares of our common stock sold at such discount. In addition, as opportunities present themselves, we may enter into financing or similar arrangements in the future, including the issuance of debt securities, preferred stock or common stock. If we issue common stock or securities convertible into common stock, our common stockholders would experience additional dilution and, as a result, our stock price may decline. Our amended and restated certificate of incorporation and amended and restated bylaws contain antitakeover provisions that could delay, deter or prevent takeover attempts that stockholders may consider favorable or attempts to replace or remove our management that would be beneficial to our stockholders. Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could delay, deter or prevent a change in control or other takeover of our company that our stockholders might consider to be in their best interests, including transactions that might result in a premium being paid over the market price of our common stock and also may limit the price that investors are willing to pay in the future for our common stock. These provisions may also have the effect of preventing changes in our management. For example, our amended and restated certificate of incorporation and amended and restated bylaws include anti- takeover provisions that: • authorize our board of directors, without further action by the stockholders, to issue preferred stock in one or more series and, with respect to each series, to fix the number of shares constituting that series and to establish the rights and other terms of that series, which may include dividend and liquidation rights and preferences, conversion rights and voting rights; • require that actions to be taken by our stockholders may only be taken at an annual or special meeting of our stockholders and not be taken by majority written consent when EagleTree owns less than a majority of our outstanding common stock; • specify that special meetings of our stockholders can be called only by the Secretary at the direction of our board of directors or the Chairman of our board of directors and not by our stockholders or any other persons when EagleTree owns less than a majority of our outstanding common stock; • establish advance notice procedures for stockholders to submit nominations of candidates for election to our board of directors and other proposals to be brought before a stockholders meeting; • provide that directors may be removed only for cause and only by the affirmative vote of at least 66- 2 / 3 % in voting power of the then- outstanding shares of capital stock of our company when EagleTree owns less than 50 % in voting power of our stock entitled to vote at an election of directors; • provide for the sole power of the board of directors, or EagleTree in the case of a vacancy of one of their respective board designees, to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise; • divide our board of directors into three classes, serving staggered terms of three years each; • do not give the holders of our common stock cumulative voting rights with respect to the election of directors, which means that the holders of a majority of our outstanding shares of common stock can elect all directors standing for election; • require the affirmative vote by the holders of at least two- thirds of the combined voting power of all shares of our outstanding capital stock entitled to vote generally in the election of our directors (voting as a single class) in order to amend certain provisions of our certificate of incorporation or bylaws, including those provisions changing the size of the ~~•~~ board of directors, the removal of certain directors, the availability of action by majority written consent of the stockholders or the restriction on business combinations with interested stockholders, among others; and • when EagleTree owns less than a majority of our outstanding common stock, require the affirmative vote by the holders of at least two- thirds of the combined voting power of all shares of our outstanding capital stock entitled to vote generally in the election of our directors (voting as a single class) for any amendment, alteration, change, addition, rescission or repeal of our amended and restated certificate of incorporation. We have opted out of Section 203 of the Delaware General Corporation Law, or DGCL, which prevents stockholders holding more than 15 % of our outstanding common stock from engaging in certain business combinations involving us unless certain conditions are satisfied. However, our amended and restated certificate of incorporation will include similar provisions that we may not engage in certain business combinations with interested stockholders for a period of three years following the time that the stockholder became an interested stockholder, subject to certain conditions. Pursuant to the terms of our amended and restated certificate of incorporation, EagleTree will not be considered an interested stockholder for purposes of this provision. Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third- party claims against us and may reduce the amount of money available to us. Our amended and restated certificate of incorporation and amended and restated bylaws provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. In addition, as permitted by Section 145 of the DGCL, our amended and restated bylaws and our indemnification agreements that we have entered into with our directors and officers provide that: • we will indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person' s conduct was unlawful; • we may, in our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law; • we are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification; • we will not be obligated pursuant to our amended and restated bylaws to indemnify a person with respect to proceedings initiated by that person against us or our other indemnitees, except with respect to proceedings authorized by our board of directors or brought to enforce a right to indemnification; • the rights conferred in our amended and restated bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons; and • we may not retroactively amend our amended and restated bylaw provisions to reduce our indemnification obligations to directors, officers, employees and agents. We do not currently intend to pay dividends on our common stock, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock. We do not currently intend to pay any cash dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future. Since we do not intend to pay dividends, your ability to receive a return on your investment will depend on any future appreciation in the market value of our common stock. There is no guarantee that our common stock will appreciate or even maintain the price at which our holders have purchased it. If securities or industry analysts do not publish or cease publishing research or reports about our business, if they adversely change their recommendations regarding our shares or if our operating results do not meet their expectations, the market price of our common stock could decline. The market price of our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our common stock to decline. Moreover, if one or more of the analysts who cover our company downgrade our common stock or if our operating results or prospects do not meet their expectations, the market price of our common stock could decline. Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders; (c) any action asserting a claim arising pursuant to any provision of the DGCL or of our amended and restated certificate of incorporation or our amended and restated bylaws; or (d) any action asserting a claim related to or involving our company that is governed by the internal affairs doctrine. Our amended and restated certificate of incorporation also provides that the federal district courts of the Unites States will be the exclusive forum for the resolution of any complaint asserting a cause of action against us or any of our directors, officers, employees or agents and arising under the Securities Act. The choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could seriously harm our business. The choice of forum provision requiring that the Court of Chancery of the State of Delaware be the exclusive forum for certain actions would not apply to suits brought to enforce any liability or duty created by the Exchange Act. Our amended and restated certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities. Under our amended and restated certificate of incorporation, none of EagleTree or any of its respective portfolio companies, funds or other affiliates, or any of their officers, directors, agents, stockholders, members or partners will have any duty to refrain from engaging, directly or indirectly, in the same business activities, similar business activities or lines of business in which we operate. In addition, our amended and restated certificate of incorporation provides that, to the fullest extent permitted by law, no officer or director of ours who is also an officer, director, employee, managing director or other affiliate of EagleTree will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual was presented with a corporate opportunity, other than specifically in their capacity as one of our officers or directors, and ultimately directs such corporate opportunity to EagleTree instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director or other affiliate has directed to EagleTree. For instance, a director of our company who also serves as a director, officer or employee of EagleTree, or any of its respective portfolio companies, funds or other affiliates may pursue certain acquisitions or other opportunities that may be complementary to our business and, as a result, such acquisition or other opportunities may not be available to us. As of December 31, ~~2022~~ **2023** , this provision of our amended and restated certificate of incorporation relates only to the EagleTree director designees. These potential conflicts of interest could seriously harm our business if attractive corporate opportunities are allocated by EagleTree to itself or its respective portfolio companies, funds or other affiliates instead of to us. General Risk Factors Failure to comply with other laws and governmental regulations may seriously harm our business. Our business is subject to regulation by various federal and state governmental agencies. Such regulation includes the consumer protection laws of the Federal Trade Commission, the product safety regulatory activities of the Consumer Products Safety Commission, the regulatory activities of the Occupational Safety and Health Administration, the environmental regulatory activities of the Environmental Protection Agency, the labor regulatory activities of the Equal Employment Opportunity Commission and tax and other regulations by a variety of regulatory authorities in each of the areas in which we conduct business. We are also subject to regulation in other countries where we conduct business. In certain jurisdictions, such regulatory requirements may be more stringent than in the United States. We are also subject to a variety of federal, state and foreign employment and labor laws and regulations, including the Americans with Disabilities Act, the Federal Fair Labor Standards Act and other laws and regulations related to working conditions, wage- hour pay, overtime pay, employee benefits, anti- discrimination and termination of employment. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, fines, damages, civil and criminal penalties or injunctions. In certain of these instances the former employee has brought legal proceedings against us, and we expect that we will encounter similar actions against us in the future. An adverse outcome in any such litigation could require us to pay damages, which may include punitive damages, attorneys' fees and costs. As a result, noncompliance or any related enforcement or civil actions could result in governmental sanctions and possible civil or criminal litigation, which could seriously harm our business and result in a significant diversion of management' s attention and resources. Failure to comply with the U. S. Foreign Corrupt Practices Act, other applicable anti- corruption and anti- bribery laws, and applicable trade sanctions and export control laws could subject us to penalties and other adverse consequences that may seriously harm our business. Our ~~gear is~~ **products are** manufactured and / or assembled in China and, Taiwan, where we maintain a manufacturing facility, as well as countries in Southeast Asia, and we sell our ~~gear~~ **products** in many countries outside of the United States. Our operations are subject to the U. S. Foreign Corrupt Practices Act, or the FCPA, as well as the anti- corruption and anti- bribery laws in the countries where we do business. The FCPA prohibits covered parties from offering, promising, authorizing or giving anything of value, directly or indirectly, to a " foreign government official " with the intent of improperly influencing the official' s act or decision, inducing the official to act or refrain from acting in violation of lawful duty, or obtaining or retaining an improper business advantage. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions and to have an adequate system of internal accounting controls. In addition, other applicable anti- corruption laws prohibit bribery of domestic government officials, and some laws that may apply to our operations prohibit commercial bribery, including giving or receiving improper payments to or from non- government parties, as well as so- called “ facilitation ” payments. In addition, our business must be conducted in compliance with applicable trade sanctions and export control laws and regulations, such as those administered and enforced by the U. S. Department of Treasury’ s Office of Foreign Assets Control, or OFAC, the U. S. Department of State, the U. S. Department of Commerce, the United Nations Security Council and other relevant authorities. Such laws and regulations prohibit or restrict certain operations, investment decisions and sales activities, including dealings with certain countries or territories, and with certain governments and designated persons. Our global operations expose us to the risk of violating, or being accused of violating, economic and trade sanctions and export control laws and regulations. While we have implemented policies, internal controls and other measures reasonably designed to promote compliance with applicable anti- corruption and anti- bribery and trade sanctions and export control laws and regulations, our employees, representatives, distributors or agents may engage in improper conduct for which we might be held responsible. Any violations of these anti- corruption and anti- bribery or trade sanctions and export controls laws and regulations, or even allegations of such violations, can lead to an investigation and / or enforcement action, which could disrupt our operations, may expose us to reputational harm, involve significant management distraction and lead to significant costs and expenses, including legal fees. If we, or our employees, representatives, distributors or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, delisting from securities exchanges and other consequences that may seriously harm our business, financial condition and results of operations. In addition, our brand and reputation, our sales activities or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti- corruption, anti- bribery or trade control laws and regulations. As a public reporting company, we are subject to rules and regulations established from time to time by the SEC and Nasdaq regarding our internal controls over financial reporting. We may not complete needed improvements to our internal controls over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock and your investment. We are subject to the rules and regulations established from time to time by the Securities and Exchange Commission, or SEC, and Nasdaq. These rules and regulations require, among other things, that we establish and periodically evaluate procedures with respect to our internal controls over financial reporting. As part of these evaluations, material weaknesses in our internal controls over financial reporting may be identified. A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of a company’ s annual or interim consolidated financial statements will not be prevented or detected on a timely basis. While we were able to remediate previously identified material weaknesses in our internal controls over financial reporting, there can be no guarantee we will not identify similar or other material weaknesses in the future and if such material weaknesses are identified, there can be no guarantee we would be able to remediate such material weaknesses. Any material weaknesses in our internal controls may adversely affect our ability to record, process, summarize and accurately report timely financial information and, as a result, our consolidated financial statements may contain material misstatements or omissions. Reporting obligations as a public company place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. In addition, as a public company we are required to document and test our internal controls over financial reporting pursuant to Section 404 of the Sarbanes- Oxley Act so that our management can certify as to the effectiveness of our internal controls over financial reporting. Likewise, our independent registered public accounting firm is required to provide an attestation report on the effectiveness of our internal controls over financial reporting in our Annual Reports on Form 10- K. If our management is unable to certify the effectiveness of our internal controls or if our independent registered public accounting firm cannot deliver a report attesting to the effectiveness of our internal controls over financial reporting, or if we identify or fail to remediate material weaknesses in our internal controls, we could be subject to regulatory scrutiny and a loss of public confidence, which could seriously harm our reputation and the market price of our common stock. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, which could cause a decline in our common stock price and may seriously harm our business. We have and will continue to incur significant expenses as a result of being a public company, which have and will continue to negatively impact our financial performance. As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. We are subject to the reporting requirements of the U. S. Exchange Act of 1934, as amended, or the Exchange Act, which will require, among other things, that we file with the SEC annual, quarterly and current reports with respect to our business and financial condition. In addition, the Sarbanes- Oxley Act, as well as rules subsequently adopted by the SEC and the stock exchange on which our securities are listed to implement provisions of the Sarbanes- Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, pursuant to the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd- Frank Act, the SEC has adopted additional rules and regulations in these areas, such as mandatory “ say- on- pay ” voting requirements. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. The rules and regulations applicable to public companies have substantially increased our legal and financial compliance costs. If these requirements divert the attention of our management and personnel from other business concerns, they could seriously harm our business, financial condition and results of operations. The increased costs will decrease our net income or increase our net loss , and may require us to reduce costs in other areas of our business or increase the prices of our ~~gear~~ **products** . For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers. Further, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation. Our business could be negatively impacted by corporate citizenship and ESG matters and / or our reporting of such matters. Institutional, individual, and other investors, proxy advisory services, regulatory authorities, consumers and other stakeholders are increasingly focused on environmental, social and governance, or ESG, practices of companies. As we look to respond to evolving standards for identifying, measuring, and reporting ESG metrics, our efforts may result in a significant increase in costs and may nevertheless not meet investor or other stakeholder expectations and evolving standards or regulatory requirements, which may negatively impact our financial results, our reputation, our ability to attract or retain employees, our attractiveness as a service provider, investment, or business partner, or expose us to government enforcement actions, private litigation, and actions by stockholders or stakeholders.