

Risk Factors Comparison 2025-02-21 to 2024-02-22 Form: 10-K

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Our operations and financial results are subject to various risks and uncertainties. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report. If any of the following risks or other risks actually occur, our business, financial condition, results of operations, and future prospects could be materially harmed, and the price of our common stock could decline. Risk Factors Summary The following is a summary of the principal risks that could adversely affect our business, financial condition, results of operations, and future prospects.

- Adverse economic conditions, including the impact of macroeconomic ~~deterioration~~ **challenges**, including continued inflation, ~~increased uncertainty~~ **regarding consumer spending, high** interest rates, ~~supply chain disruptions, decreased economic output and~~ fluctuations in currency rates, the impact of the Russia- Ukraine conflict, the impact of ~~the conflict~~ **conflicts in Israel- the Middle East**, and other factors, may continue to harm our business.
- If we are unable to attract new ~~clients~~ **customers** or sell additional services and functionality to our existing ~~clients~~ **customers**, our revenue and revenue growth will be harmed.
- If our existing ~~clients~~ **customers** terminate their subscriptions or reduce their subscriptions and related usage, or fail to grow subscriptions at the rate they have in the past or that we might expect, our revenues and gross margins will be harmed, and we will be required to spend more money to grow our ~~client~~ **customer** base.
- Because a significant percentage of our revenue is derived from existing ~~clients~~ **customers**, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern.
- If we fail to manage our technical operations infrastructure, our existing ~~clients~~ **customers** may experience service outages, our new ~~clients~~ **customers** may experience delays in the deployment of our solution and we could be subject to, among other things, claims for credits or damages.
- ~~We have established,~~ **As AI solutions will likely perform and- an increasing proportion of contact center interactions, if we are continuing- unable to increase, our network- replace decreases in subscription revenue from licenses with revenue from the sale of technology- additional AI solution solutions, distributors and resellers to sell our solution- revenue, results of operations and business will be harmed ; our failure to effectively develop, manage..... sales force will impede our growth.**
- Further development of our AI solutions may not be successful and may result in reputational harm and our future operating results could be materially harmed our failure to effectively develop,manage,and maintain this network could materially harm our revenues.
- Our quarterly and annual results may fluctuate significantly,including as a result of the timing and success of new product and feature introductions by us,may not fully reflect the underlying performance of our business and may result in decreases in the price of our common stock.
- ~~If we are unable to attract and retain highly skilled leaders and other employees,our business and results of operations may be adversely affected.~~
- Our historical growth may not be indicative of our future growth,and even if we continue to **grow rapidly,we may fail to manage our growth effectively.**
- **Failure to adequately retain and expand our sales force will impede our growth.**
- The AI technology and features incorporated into our solution include new and evolving technologies that may present both legal and business risks.
- The use of AI by our workforce may present risks to our business.
- The contact center software solutions market is subject to rapid technological change, and we must develop and sell incremental and new solutions in order to maintain and grow our business.
- Our growth depends in part on the success of our strategic relationships with third parties and our failure to successfully maintain, grow and manage these relationships could harm our business.
- The markets in which we participate involve a high number of competitors that is continuing to increase, and if we do not compete effectively, our operating results could be harmed.
- We continue to expand our international operations, which exposes us to significant macroeconomic and other risks.
- Security breaches, **cybersecurity incidents**, and improper access to, use of, or disclosure of our data or our ~~clients~~ **customers**' data, or other cyber -attacks on our systems, could result in litigation and regulatory risk, harm our reputation, our business or financial results.
- We may acquire other companies, or technologies or be the target of strategic transactions, or be impacted by transactions by other companies, which could divert our management' s attention, result in additional dilution to our stockholders or use a significant amount of our cash resources and otherwise disrupt our operations and harm our operating results.
- We sell our solution to larger organizations that require longer sales and implementation cycles and often demand more configuration and integration services or customized features and functions that we may not offer, any of which could delay or prevent these sales and harm our growth rates, business and operating results.
- We rely on third- party telecommunications and internet service providers to provide our ~~clients~~ **customers** and their customers with telecommunication services and connectivity to our cloud contact center software and any failure by these service providers to provide reliable services could cause us to lose ~~clients~~ **customers** and subject us to claims for credits or damages, among other things.
- We have a history of losses and we may be unable to achieve or sustain profitability.
- Our stock price has been volatile, may continue to be volatile and may decline, including due to factors beyond our control.
- We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.
- Failure to comply with laws and regulations could harm our business and our reputation.
- We may not have sufficient cash to service our convertible senior notes and repay such notes, if required.

Risks Related to Our Financial Results Our quarterly and annual results may fluctuate significantly, may not fully reflect the underlying performance of our business and may result in decreases in the price of our common stock. Our quarterly and annual results of operations, including our revenues, profitability and cash flow have varied, and may vary significantly in the future, and period- to- period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter or period, or series of quarters or periods, should not be relied upon as an indication of future performance. Our quarterly and annual financial results may fluctuate as a result of a variety of factors, many of which are outside our control and, as a result, may not fully reflect the underlying performance of our business. Fluctuation in quarterly and annual results may harm the value

of our common stock. Factors that may cause fluctuations in our quarterly and annual results include, without limitation:

- market acceptance of our solution, including new features and AI-components that are added to our solution;
- if our existing **clients-customer**s terminate their subscriptions or reduce their subscriptions and related usage, or fail to grow subscriptions at the rate they have in the past or that we expect;
- **adverse economic conditions, including the impact of macroeconomic deterioration, including continued inflation, increased interest rates, supply chain disruptions, decreased economic output and fluctuations in currency rates, the impact of the Russia-Ukraine conflict, the impact of the conflict in Israel, or other factors;**
- our ability to attract new **clients-customer**s and grow our business with existing **clients-customer**s;
- **client-customer** renewal rates;
- **client-customer** attrition rates;
- **network outages or security incidents, which may result in additional expenses or losses, legal or regulatory actions, the loss of clients-key customers, including through acquisitions the provision of client credits, and harm to our or reputation-consolidations;**
- our ability to make technological advancements, add more features to our solution, and integrate those features within our **client-customer**'s technology infrastructure;
- our ability to **capitalize on adequately expand our sales and service team;**
- our ability to **acquire and maintain strategic and client relationships;**
- **the transition** timing and success of new product and feature introductions by us or **our customers to AI solutions** our competitors or any other change in the competitive dynamics of our industry, including consolidation, partnership or collaboration among competitors, clients or strategic partners;
- our ability to successfully integrate companies, businesses and technology that we acquire and achieve a positive return on our investment;
- **adverse economic conditions, including the impact of macroeconomic challenges, including continued inflation, uncertainty regarding consumer spending, high interest rates, fluctuations in currency rates, the impact of the Russia-Ukraine conflict, the impact of conflicts in the Middle East, or other factors;**
- **network outages or security incidents, which may result in additional expenses or losses, legal or regulatory actions, the loss of customers, the provision of customer credits, and harm to our reputation;**
- **our ability to adequately expand our sales and service team;**
- **our ability to acquire and maintain strategic and customer relationships;**
- **the timing and success of new product and feature introductions by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation, partnership or collaboration among competitors, customers or strategic partners;**
- the amount and timing of costs and expenses related to the maintenance and expansion of our business, operations and infrastructure;
- seasonal factors that tend to cause our revenues in the first half of a year to be relatively lower than our revenues in the second half of a year;
- inaccessibility or failure of our cloud contact center software due to failures in the products or services provided by third parties;
- the amount and timing of costs and expenses related to our research and development efforts or in the acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies;
- our ability to expand, and effectively utilize, our network of technology solution distributors, resellers and systems integrators;
- the timing of recognition of revenues under current and future GAAP;
- changes in our pricing policies or those of our competitors;
- increases or decreases in the costs to provide our solution or pricing changes upon any renewals of **client-customer** agreements;
- the level of professional services and support we provide our **clients-customer**s;
- **the ability to expand internationally** addition or loss of key clients, including through acquisitions or consolidations **and to do so profitability;**
- compliance with, or changes in, the current and future domestic and international regulatory environment;
- the hiring, training and retention of key employees;
- the outcome of litigation or other claims against us;
- **the ability to expand internationally, and to do so profitability;**
- our ability to obtain additional financing on acceptable terms if and when needed;
- the timing of expenses related to any future acquisition transactions; and
- advances and trends in new technologies and industry standards.

Because a significant percentage of our revenue is derived from existing customers, downturns or upturns in new sales will not be immediately reflected in our operating results and may be difficult to discern, but may be material over time. We generally recognize subscription revenue from **clients-customer**s monthly as services are delivered. As a result, the vast majority of the subscription revenue we report in each quarter is derived from existing **clients-customer**s. Consequently, a decline in new subscriptions in any single quarter will likely have only a small impact on our revenue results for that quarter. However, the cumulative impact of such declines could negatively impact our business and results of operations in future quarters, **and may be material over time.** Accordingly, the effect of potential changes in our pricing policies or renewal rates, and significant downturns in sales, **number of agent seats,** market acceptance and implementation of our solution, within our installed base or from new **clients-customer**s, including as a result of the impact of macroeconomic **deterioration-challenges,** continued inflation, **increased-uncertainty regarding consumer spending, high** interest rates, **decreased economic output** and fluctuations in currency exchange rates, will typically not be reflected in our results of operations until future periods. For example, our installed base business, which typically contributes approximately **half a significant portion** of our annual revenue growth, continues to experience macroeconomic **headwinds-challenges.** We also may be unable to adjust our cost structure to reflect the changes in revenue, resulting in lower margins and earnings. In addition, our subscription model makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new **clients-customer**s will be recognized over time as services are delivered. Moreover, many of our **clients-customer**s initially deploy our solution to support only a portion of their contact center agents and, therefore, we may not generate significant revenue from these new **clients-customer**s at the outset of our relationship, if at all. Any increase to our revenue and the value of these existing **client-customer** relationships will only be reflected in our results of operations as subscription revenue is recognized, and if and when these **clients-customer**s increase the number of **licenses agent seats** and the **number level** of components **consumption or capacity** of our solution. **As AI solutions will likely perform an increasing proportion of contact center interactions, if we are unable to replace decreases in subscription revenue from licenses with revenue from they- the deploy sale of additional AI solutions, our revenue, results of operations and business will be harmed. AI solutions will likely perform an increasing proportion of contact center interactions, particularly for customer self-service, slowing the growth of interactions handled by live agents. This will result in a decrease in our license revenues from our installed base, as well as a decrease in license revenue opportunities from new customers, that**

may not be offset by additional revenue from our AI solutions. Some customers may also use AI solutions offered by other companies, which would harm our ability to replace lost license revenue, and would harm our business, revenue and results of operations. The contact center industry is in the early stages of this transition to AI, making it ~~over-~~ very time-difficult to forecast customer behavior or the impact on our revenue or results of operations in the near- and longer-term. If we are unable to replace decreases in license revenue with revenue from the sale of additional AI solutions, our revenue, results of operations and business will be harmed. Shifts over time or from quarter- to- quarter in the mix of sizes or types of organizations that purchase our solution could affect our gross margins and operating results. Our strategy is to sell our solution to both smaller and larger organizations. Our gross margins can vary depending on numerous factors related to the implementation and use of our solution, including the features and number of licenses agent-seats-purchased by our clients customers, the increasing reliance on public cloud providers, and the level of usage and professional services and support required by our clients-customers. For example, our larger clients-customers typically require more professional services, and because our professional services offerings typically have lower margins, any increase in sales of professional services could harm our gross margins and operating results. We also have lower margins on our usage revenues. Sales to larger organizations may also entail longer sales cycles and more significant selling efforts and expense. Selling to smaller clients-customers may involve smaller contract sizes, fewer opportunities to sell additional services, a higher likelihood of contract terminations, lower returns on sales and marketing expense, fewer potential agent-agents seats-and greater credit risk and uncertainty. If the mix of organizations that purchase our solution changes, our revenues and gross margins could decrease, and our operating results could be harmed. We have incurred losses in each annual period since our inception in 2001. We incurred net losses of \$ 81-12.8 million, \$ 81.8 million and \$ 94.7 million and \$ 53.0 million for the years ended December 31, 2024, 2023, and 2022 and 2021, respectively. As of December 31, 2023-2024, we had an accumulated deficit of \$ 404-417.96 million. These losses and our accumulated deficit reflect the substantial investments we have made, and continue to make, to develop our solution and acquire new clients-customers, among other expenses. We expect the dollar amount of our costs and expenses to increase in the future as revenue increases, although at a slower rate than the expected growth in revenue. We expect our annual losses to continue for the foreseeable future as we continue to invest in sales and marketing and research and development and expand our business. In addition, as a public company, we incur significant legal, accounting and other expenses. Our historical or recent growth in revenues is not necessarily indicative of our future performance. Accordingly, there is no assurance that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability. Risks Related to Our Growth Our historical growth may not be indicative of our future growth, and if we continue to grow rapidly, we may fail to manage our growth effectively. For the years ended December 31, 2024, 2023, and 2022 and 2021, our revenues were \$ 1,041.9 million, \$ 910.5 million, and \$ 778.8 million and \$ 609.6 million, respectively, representing year-over-year growth of 14% and 17% and 28%, respectively. In the future, as our revenue increases, our annual revenue growth rate may continue to decline. We believe our revenue growth will depend on a number of factors, including our ability to: • compete with other vendors of cloud-based enterprise contact center systems, including recent market entrants and AI solutions, and with providers of legacy on-premise-premises systems; • increase our existing clients-customers' use of our solution, including additional and new features of our solution; • increase the functionality of our solution through the implementation and enhancement of AI capabilities; • maintain our existing clients-customers and their level of subscriptions and related usage, and grow subscriptions within our existing client-customer base; • respond to adverse economic conditions, including the impact of macroeconomic deterioration-challenges, including continued inflation, increased-uncertainty regarding consumer spending, high interest rates, supply chain disruptions, decreased economic output and fluctuations in currency rates, the impact of the Russia- Ukraine conflict, the impact of the conflict-conflicts in Israel-the Middle East, or other factors; • respond to general macro-economic macroeconomic factors and industry and market conditions; • further develop our partner ecosystem; • strengthen and improve our solution through significant investments in research and development and the introduction of new and enhanced features and functionality, such as our AI enabled automation features; • introduce and increase the penetration of our solution in to new markets outside the United States and increase global awareness of our brand; and • selectively pursue acquisitions that enhance our solution offerings. If we are not successful in achieving these objectives, our ability to grow our revenue may be harmed. In addition, we plan to continue to invest in future growth, including expending substantial financial and other resources on: • our sales and marketing, including a significant expansion of our sales and professional services organization-organizations; • our technology infrastructure, including systems architecture, management tools, scalability, availability, performance and security, as well as disaster recovery measures; • solution development, including investments in our solution development team, the development of new solutions and in the acquisition of companies and technologies to enhance our solution, as well as new applications and features for our existing solution; • international expansion; • selective acquisitions that enhance our solution offerings; and • general administration, including legal, regulatory compliance and accounting expenses. Moreover, we continue to expand our headcount and operations. We grew from 1,549 employees as of December 31, 2020, to 2,138 employees as of December 31, 2021, to 2,380 employees as of December 31, 2022, and to 2,684 employees as of December 31, 2023. We anticipate that we will continue to expand our operations over and headcount in the near-longer term and beyond in accordance with our overall strategy and taking into consideration macroeconomic conditions. Our This growth has placed, and future growth will place, a significant strain on our management, administrative, operational and financial resources, company culture and infrastructure. For example, we have continued to expand our international operations, including the acquisition of companies with operations outside the U. S. (such as our acquisition of Acqueon in 2024) and formation of new legal entities, which will increase the complexity of our operations, administration and infrastructure. Our success will depend in part on our ability to manage this growth effectively while retaining personnel. To manage the expected growth of our operations and personnel over the longer term, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. Failure to effectively manage growth could result in difficulties or delays in adding

new ~~clients~~ **customers**, declines in quality or ~~client~~ **customer** satisfaction, increases in costs, system failures, difficulties in introducing new features or solutions, the need for more capital than we anticipate or other operational difficulties, and any of these difficulties could harm our business performance and results of operations. The **expansion** ~~expected addition of our operations over~~ new employees, particularly outside the **longer term** United States, and the capital investments that we anticipate will be necessary to help us grow and to manage that growth will make it more difficult for us to generate earnings or offset any future revenue shortfalls by **quickly** reducing costs and expenses ~~in the short term~~. If we fail to manage our ~~anticipated~~ growth, we will be unable to execute our business plan successfully. We leverage strategic relationships with third parties, such as CRM providers, WEM providers, systems integrators, telephony and other technology providers. ~~For example, our relationship with CRM providers and systems integrators provide significant lead generation for new client opportunities.~~ These relationships are typically not exclusive and our partners often also offer products of our competitors. As we grow our business, we will continue to depend on both existing and new strategic relationships. Our competitors may be more successful than we are in establishing or expanding relationships with third parties or may provide incentives to third parties to favor their products over our solution. Our competitors may also have deeper or broader relationships with third parties, including a broader suite of products that are outside our core markets, that could give these competitors an advantage in establishing and maintaining relationships with these third parties. These strategic partners may cease to recommend our solution to prospective ~~clients~~ **customers** due to actual or perceived lack of features, technological or security issues or failures, reputational concerns, economic incentives, or other factors, which would harm our business, financial condition and operations. Furthermore, there has and continues to be a significant amount of consolidation in our industry and adjacent industries, and if our partners are acquired, fail to work effectively with us or go out of business, they may no longer support or promote our solution, or may be less effective in doing so, which could harm our business, financial condition and operations. If we are unsuccessful in establishing or maintaining our strategic relationships with third parties, or these partners fail to recommend our solution, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results may suffer. Even if we are successful, we cannot assure you that these relationships will result in increased ~~client~~ **customer** usage of our solution or increased revenue. In addition, identifying new partners, and negotiating and documenting relationships with them, requires significant time and resources. As the complexity of our solution and our third- party relationships increases, the management of those relationships and the negotiation of contractual terms sufficient to protect our rights and promote our interests and limit our potential liabilities will become more complicated. We also license technology from certain third parties, including through OEM relationships. Certain of these agreements permit either party to terminate all or a portion of the relationship without cause at any time and for any reason. If one of these agreements is terminated by the other party, we would have to find an alternative source or develop new technology ourselves, which preclude, limit or delay our ability to offer our solution or certain product features to our ~~clients~~ **customers**, result in increased expense and harm our business. Our inability to successfully manage and maintain these complex relationships or negotiate sufficient and favorable contractual terms could harm our business. Our historical growth and recent adverse economic conditions make it difficult to evaluate and predict our current business and future prospects. While we have been in existence since 2001, much of our employee, revenue and operations growth has occurred in recent years. Our historical growth may make it difficult for investors to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increasing and unforeseen expenses as we continue to grow our business. Our ability to forecast our future operating results is limited and subject to a number of uncertainties, including our ability to predict revenue and expense levels, and plan for and model future growth. These uncertainties are exacerbated by the effects of recent adverse economic conditions, including macroeconomic ~~deterioration~~ **challenges**, including continued inflation, ~~increased uncertainty regarding consumer spending, high~~ interest rates, ~~supply chain disruptions, decreased economic output and~~ fluctuations in currency rates, the Russia- Ukraine conflict, the impact of ~~the conflict~~ **conflicts** in Israel- ~~the Middle East~~, or other factors. We have encountered and will continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described in this annual report. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change due to adjustments in our markets or our competitors and their product offerings, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations and our business could suffer. Risks Related to Our **Clients Customers** If we are unable to attract new ~~customers~~ **clients** or sell additional seats, functionality and services to our ~~or existing clients~~ **continue to expand within our installed customer base**, our revenue and revenue growth will be harmed. To increase our revenue, we must add new ~~customers~~ **clients**, add additional agent seats and **continue** sell additional seats, functionality and services to **expand within our installed customer base** existing clients, and successfully get existing clients to renew their subscriptions on terms favorable to us. As our industry matures, as our ~~clients~~ **customers** experience macroeconomic issues or seasonal trends in their business, or as competitors introduce lower cost or differentiated products or services that are perceived to compete favorably with ours, our ability to add new ~~clients~~ **customers** and renew, maintain or sell additional services to existing ~~clients~~ **customers** could be harmed. As a result, our existing ~~clients~~ **customers** may not renew our agreements or may decrease their number of agent seats **licenses or their consumption of our AI solutions**, and we may be unable to attract new ~~clients~~ **customers** or grow or maintain our business with existing ~~clients~~ **customers**, which could harm our revenue and growth. For example, our installed base business, which typically contributes approximately half a **significant portion** of our annual revenue growth, continues to experience macroeconomic ~~macroeconomic~~ **headwinds challenges**. To grow our business **in the longer term**, we plan to add new ~~clients~~ **customers** that are government entities. We have made, and plan to continue to make, investments to support future ~~client~~ **customer** opportunities in the government sector. Some U. S. government customers require that we be authorized under the FedRAMP to help satisfy their own legal and regulatory compliance requirements, which ~~may require~~ **requires** us to undertake additional actions and expense to ensure compliance. We

are currently undergoing processes and procedures to obtain FedRAMP authorization, which processes and procedures are costly and time consuming. There are no assurances that we will be able to obtain such authorizations or that if obtained, this authorization will result in increased revenue or a sufficient return on our investment. Furthermore, a portion of our revenue is generated by acquiring domestic and international telecommunications minutes from wholesale telecommunication service providers and reselling those minutes to our ~~clients~~-~~customers~~. **As We have experienced, and expect to continue to experience, lower sales of minutes to our customers as many of our larger customers are using their own minutes. In addition, as** telecommunications rates continue to decrease, we may not be able to resell more minutes to maintain our level of usage revenue. If our existing ~~clients~~-~~customers~~ terminate their subscriptions or reduce their subscriptions and related usage, our revenues and gross margins will be harmed and we will be required to spend more money to grow our ~~client~~-~~customer~~ base. We expect to continue to derive a significant portion of our revenues from existing ~~clients~~-~~customers~~. As a result, retaining our existing ~~clients~~-~~customers~~ is critical to our future operating results. We offer monthly, annual and multiple- year contracts to our ~~clients~~-~~customers~~, generally with 30 days' notice required for **limited** reductions in the number of ~~agent seats~~ **licenses or the level of consumption or capacity**. Increases in the number of ~~agent seats~~ **licenses or the level of consumption or capacity** can be provisioned almost immediately. Our ~~clients~~-~~customers~~, therefore, are able to adjust the number of ~~agent seats used~~ **licenses or level of consumption or capacity** to meet their changing contact center volume needs. Subscriptions and related usage by our existing ~~clients~~-~~customers~~ may decrease if: • our ~~clients~~-~~customers~~' business or demand for our services slows or declines due to industry cycles, seasonality, business difficulties or other reasons, including the impact of macroeconomic **deterioration challenges**, including continued inflation, **increased uncertainty regarding consumer spending, high** interest rates, **supply chain disruptions, decreased economic output and** fluctuations in currency rates, the Russia- Ukraine conflict, the impact of **the conflict** **conflicts** in Israel- **the Middle East**, or other factors; • ~~clients~~-~~our customers~~ are not satisfied with our services, prices or the functionality of our solution; • the stability, performance or security of our solution are not satisfactory; • the U. S. or global economy declines; • ~~clients~~-~~customers~~ favor products offered by other contact center providers, particularly as competition continues to increase; • fewer ~~clients~~-~~customers~~ purchase usage from us; • alternative technologies, products or features emerge or gain popularity that we do not provide; or • our ~~clients~~-~~customers~~ or potential ~~clients~~-~~customers~~ experience financial difficulties, including as a result of macroeconomic **deterioration challenges**. If our existing ~~clients~~-~~customers~~' subscriptions and related usage decrease or are terminated, we will need to spend more money to acquire new ~~clients~~-~~customers~~ and still may not be able to maintain, or increase, our existing level of revenues. We incur significant costs and expenses, including sales and marketing expenses, to acquire new ~~clients~~-~~customers~~, and those costs and expenses are an important factor in determining our profitability. There can be no assurance that our efforts to acquire new ~~clients~~-~~customers~~ will be successful. The loss of one or more of our key ~~clients~~-~~customers~~, or a failure to renew our subscription agreements with one or more of our key ~~clients~~-~~customers~~, could harm our ability to market our solution. We rely on our reputation and recommendations from key ~~clients~~-~~customers~~ in order to market and sell our solution. The loss of any of our key ~~clients~~-~~customers~~, or a failure of some of them to renew or to continue to recommend our solution, could have a significant impact on our revenues, reputation and our ability to obtain new ~~clients~~-~~customers~~. In addition, acquisitions of our ~~clients~~-~~customers~~ could lead to cancellation of our contracts with those ~~clients~~-~~customers~~, thereby reducing the number of our existing and potential ~~clients~~-~~customers~~ and key reference ~~clients~~-~~customers~~. Our ~~clients~~-~~customers~~ may fail to comply with the terms of their agreements, necessitating action by us to collect payment, or may terminate their subscriptions for our solution. If ~~clients~~-~~customers~~ fail to pay us under the terms of our agreements or fail to comply with the terms of our agreements, including compliance with regulatory requirements and intellectual property terms, we may terminate ~~clients~~-~~customers~~, lose revenue, be unable to collect amounts due to us, be subject to legal or regulatory action and incur costs in enforcing the terms of our contracts, including litigation. Some of our ~~clients~~-~~customers~~ may seek bankruptcy protection or other similar relief and fail to pay amounts due to us, seek reimbursement for amounts already paid, or pay those amounts more slowly, all of which risks may be exacerbated by the effects of macroeconomic **deterioration challenges**, including **increased continued** inflation, **increased uncertainty regarding consumer spending, high** interest rates, **supply chain disruptions, decreased economic output and** fluctuations in currency rates, the Russia- Ukraine conflict, the impact of **the conflict** **conflicts** in Israel- **the Middle East**, or other factors, any of which could harm our operating results, financial position and cash flow. Our business could be harmed if our ~~clients~~-~~customers~~ are not satisfied with the professional services and technical support provided by us or our partners. Our business depends on our ability to satisfy our ~~clients~~-~~customers~~, not only with respect to our solution, but also with the professional services and technical support that are required for our ~~clients~~-~~customers~~ to implement and use our solution to address their business needs. Professional services and technical support may be performed by our own staff or, in **some** a select subset of cases, by third parties. Our professional services offerings currently have negative margins. Accordingly, any increase in sales of professional services could harm our gross margins and operating results. We will need to continue to considerably expand our professional services and technical support in order to implement and support new and larger global ~~client~~-~~customer~~ installations. Identifying and recruiting qualified service personnel and training them in our solution is difficult and competitive and requires significant time, expense and attention. We may be unable to respond quickly enough to accommodate short- term increases in ~~client~~-~~customer~~ demand for support services. We also may be unable to modify the format of our support services or change our pricing to compete with changes in support services provided by our competitors. **To the extent we experience increased increased** ~~client~~-~~customer~~ demand for these services, **without** **and are unable to increase** corresponding revenues- **revenue**, **our costs** would increase **our costs** and **harm** our operating results **could be harmed**. If a ~~client~~-~~customer~~ is not satisfied with the deployment and ongoing services performed by us or a third party, we could lose ~~clients~~-~~customers~~, miss opportunities to expand our business with these ~~clients~~-~~customers~~, incur additional costs, or suffer reduced (including negative) margins on our service revenue, any of which could damage our ability to grow our business. In addition, negative publicity related to our professional services and technical support, regardless of its accuracy, may damage our business by affecting our ability to

compete for new business with current and prospective **clients customers**. Risks Related to the Sale of our Solution Failure to adequately retain and expand our direct sales force will impede our growth. Key to our **future** success is the continuity and growth of our direct sales force. We need to continue to retain key members of our direct sales force while expanding and optimizing our sales infrastructure and headcount in order to grow our **client customer** base and business. We plan to continue to expand our direct sales force, both domestically and internationally **over time**. Identifying and recruiting qualified personnel and training them in the use and sale of our solution requires significant time, expense and attention. It can take several months before our sales representatives are fully trained and productive. Our business may be harmed if we fail to retain key members of our direct sales force or if our efforts, and the expense incurred, to expand and train our direct sales force do not generate a corresponding increase in revenues. In particular, if we are unable to hire, develop and retain talented sales personnel or if new sales personnel, including those joining our company as a result of an acquisition, are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to realize the expected benefits of this investment or increase our revenues. We have established, and are continuing to increase, our network of technology solution distributors, which provide sales leads, and resellers. This network has helped us attract additional **clients customers**. Our resellers have assisted us in expanding in both domestic and international markets. These technology solution distributors and resellers sell, or may in the future decide to sell, solutions for our competitors. Our competitors may be able to cause our current or potential technology solution distributors or resellers to favor their services over ours, either through financial incentives, technological innovation, solution features or performance, by offering a broader array of products to these service providers or otherwise, which could reduce the effectiveness of our use of these third parties. If we fail to maintain relationships with current technology solution distributors and resellers, fail to develop relationships with new technology solution distributors and resellers in new and existing markets, if we fail to manage, train, enable, or provide appropriate incentives to our existing technology solution distributors and resellers, or if our technology solution distributors and resellers are not successful in their sales efforts, sales of our subscriptions may decrease or not grow at an appropriate rate and our operating results could be harmed. Additionally, in order to effectively utilize our resellers, we must enhance our systems, develop specialized marketing materials and invest in educating resellers regarding our systems, product offerings and services. Our failure to accomplish these objectives could limit our success in marketing and selling our solution. In addition, identifying new resellers, and negotiating and documenting relationships with them, requires significant time and resources. As the complexity of our solution and our reseller relationships increases, the management of those relationships and the negotiation of contractual terms sufficient to protect our rights and limit our potential liabilities will become more complicated. Our inability to successfully manage these complex relationships or negotiate sufficient contractual terms could harm our business. As we continue to target our sales efforts at larger organizations, we face greater costs, longer sales and implementation cycles and less predictability in closing sales. These larger organizations typically require more configuration and integration services, which increases our upfront investment in sales and deployment efforts, with no guarantee that these **clients customers** will subscribe to our solution or increase the scope of their subscription. Furthermore, with larger organizations, we must provide greater levels of education regarding the use and benefits of our solution to a broader group of people in order to generate a sale. As a result of these factors, we must devote a significant amount of sales support and professional services resources to individual **clients customers** and prospective **clients customers**, thereby increasing the cost and time required to complete sales. Our typical sales cycle for larger organizations is four to six months, but can be significantly longer, and we expect that our average sales cycle may increase as sales to larger organizations continue to grow as a percentage of our business. Longer sales cycles could cause our operating and financial results to be less predictable and to fluctuate from period to period. In addition, many of our **clients customers** that are larger organizations initially deploy our solution to support only a portion of their contact center agents. Our success depends on our ability to increase the number of **licenses agent seats** and the **number level** of **applications consumption or capacity** utilized by these larger organizations over time and requires the expenditure of additional sales and marketing expenses in these efforts. There is no guarantee that these **clients customers** will increase their subscriptions for our solution. If we do not expand our initial relationships with larger organizations, the return on our investments in sales and deployment efforts for these **clients customers** will decrease and our business may suffer. Furthermore, we may not be able to provide the configuration and integration services that larger organizations typically require. For example, our solution does not ~~currently~~ permit **clients customers** to modify our software code, but instead requires them to use our set of APIs. If prospective **clients customers** require customized features or functions that we do not offer, and that would be difficult for them to deploy themselves, they will need to use our professional services or third- party service providers, or we may lose sales opportunities with larger organizations and our business could suffer. The market for contact center solutions is highly competitive. Generally, we ~~do not~~ have long- term contracts with our **clients and customers, however, our customers are generally able to reduce the number of licenses our- or clients can terminate the level of consumption our- or service and capacity with 30 days' notice. Accordingly, our customers may switch to one of our competitors' offerings on short notice, either at the end of term or after they have significantly reduced their use of our solution.** We currently compete with large legacy technology vendors that offer on-~~premise~~ **premises** contact center systems, such as Avaya and Cisco. These legacy technology and software companies are increasingly supplementing their traditional on- ~~premise~~ **premises** contact center systems with competing cloud offerings, through a combination of acquisitions, partnerships and in- house development. Additionally, we compete with vendors that historically provided other contact center services and technologies and expanded to offer cloud contact center software such as Genesys and NICE. We also face competition from many smaller contact center service providers such as Content Guru and Talkdesk, as well as vendors offering unified communications and contact center solutions such as **RingCentral and Zoom**. In addition, Amazon, Twilio and, most recently, Microsoft, have introduced solutions aimed at companies who wish to build their own contact centers and / or contact center components with developers. In addition, CRM vendors are increasingly offering features and functionality, **including AI contact center solutions,** that **compete with** ~~were traditionally provided by~~ contact

center providers, **including us**. CRM vendors also continue to partner with contact center service providers to provide integrated solutions and may, in the future, acquire competitive contact center service providers. These factors could cause CRM vendors to reduce or terminate their partnerships with us, and could result in increased competition. Because CRM integration and partnerships are critical to the success of our solution, these factors could harm our revenue and results of operations. **We also see competition from new market entrants in AI that offer Generative AI solutions that compete as point products in the market**. Some of our competitors can devote significantly greater resources than we can to the development, promotion and sale of their products and services and many have the ability to initiate or withstand substantial price competition. Current or potential competitors may also be acquired by third parties with significantly greater resources. Many of our competitors have stronger name recognition, longer operating histories, larger marketing budgets, greater financial or technical resources, **including AI technologies or relationships**, better established relationships with ~~clients~~ **customers**, more comprehensive product offerings, larger installed bases and major distribution agreements with consultants, system integrators and resellers. Our competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their product offerings or resources and ability to compete. With the introduction of new technologies and market entrants, we expect competition to continue to intensify in the future. **Additionally, we may need to decrease the prices of our solution due to competitive pressures, including adoption of different approaches to pricing or different pricing models, which may be necessary in light of the potential of AI-based solutions to shift the market from agent-based pricing to interaction-based pricing, or alternatively during times of economic difficulty. This could harm our gross profit and results of operations.** Our recent, and any future, acquisitions will subject us to new competitors and cause us to face additional and different competition in the markets served by these businesses. If our competitors' products, services or technologies become more accepted than our solution, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are less expensive or more technologically capable than ours, our revenues could be harmed. Pricing pressures and increased competition could result in reduced sales and revenues, reduced margins and loss of, or a failure to maintain or improve, our competitive market position, any of which could harm our business. If we fail to grow our marketing capabilities and develop widespread brand awareness cost effectively, our business may suffer. Our ability to increase our ~~client~~ **customer** base and achieve broader market acceptance of our cloud contact center software solution will depend to a significant extent on our ability to expand our marketing operations. We plan to continue to dedicate significant resources to our marketing programs, including internet advertising, digital marketing campaigns, social media, **presence at** trade shows, **and** industry events, co-marketing with strategic partners, telemarketing and out of home campaigns. The effectiveness of our internet advertising and the overall cost of internet advertising has varied over time and may vary in the future due to competition for key search terms, changes in search engine use, changes in the manner in which the leading internet advertising companies approach internet advertising, including through their policies, and changes in the search algorithms used by major search engines, any of which could result in an increase in the time spent and other financial expenditures associated with our internet advertising and a decrease in the effectiveness of our internet advertising. All of these efforts will continue to require us to invest significant financial and other resources in our marketing efforts. Our business will be seriously harmed if our efforts and expenditures do not generate a proportionate increase in revenue. In addition, we believe that developing and maintaining widespread awareness of our brand in a cost-effective manner, both in the United States and internationally, is critical to achieving widespread acceptance of our solution, expanding our business with existing ~~clients~~ **customers** and attracting new ~~clients~~ **customers**. Brand promotion activities may not generate ~~client~~ **customer** awareness or increase revenues, and even if they do, any increase in revenues typically occurs after the expense has been incurred, and may not offset the costs and expenses of building our brand. If we fail to successfully promote, maintain and protect our brand, or incur substantial costs and expenses, we may fail to attract or retain ~~clients~~ **customers** necessary to realize a sufficient return on our brand- building efforts, or to achieve the widespread brand awareness that is critical to increasing ~~client~~ **customer** adoption of our solution. Risks Related to Our Solution If we fail to manage our technical operations infrastructure, our existing ~~clients~~ **customers** may experience service outages, our new ~~clients~~ **customers** may delay or decide against deployment of our solution, existing ~~clients~~ **customers** may decide to move to another vendor, and we could be subject to claims for credits, damages or other actions. Our success depends in large part upon the capacity, stability, security and performance of our technical operations infrastructure, which currently relies upon a mix of external data centers and, increasingly, public cloud providers. From time- to- time, we have experienced interruptions in service, and may experience such interruptions in the future. These service interruptions may be caused by a variety of factors, including infrastructure changes, human or software errors, telecom network outages, viruses, security attacks, fraud, spikes in ~~client~~ **customer** usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems, or remediate them within an acceptable period of time. Our failure to achieve or maintain expected performance levels, stability and security, particularly as we increase our number of larger ~~clients~~ **customers** and attract increasingly larger ~~clients~~ **customers** than in the past, the number of users of our service and the product applications that run on our system, could harm our relationships with our ~~clients~~ **customers**, result in claims for credits or damages or other actions, damage our reputation, significantly reduce ~~client~~ **customer** demand for our solution, cause us to incur significant expense and personnel time replacing and upgrading our infrastructure, cause customer attrition, and harm our business. We have experienced significant growth in the number of our larger ~~clients~~ **customers**, as well as the number of ~~licenses agent seats~~ and interactions that our infrastructure supports. As the number of ~~licenses agent seats~~ within our ~~client~~ **customer** base grows and our ~~clients~~ **customers**' use of our service increases, we need to continue to make additional investments in our capacity to maintain adequate and reliable availability, stability and performance, the availability of which may be limited or the cost of which may be prohibitive, and any failure may cause interruptions in service that may harm our business. In addition, we need to properly manage our operations infrastructure in order to support version control, changes in hardware and software parameters and the evolution of our solution. If we do not accurately predict our infrastructure

requirements or efficiently improve our infrastructure, our business could be harmed. We host our solution at ~~geographically redundant third-party~~ data centers ~~in the United States, the United Kingdom, Europe and Australia and from~~ public cloud locations ~~in Canada, the United Kingdom and Europe~~. Any failure or downtime in one of our data center facilities could affect a significant percentage of our ~~clients~~ **customers**. While we control and have access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities. The owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, closes, suffers financial difficulty or is unable to meet our growing capacity needs, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and service interruptions in connection with doing so. While our data centers have redundant power, cooling and infrastructure, they are subject to various points of failure. Problems with cooling equipment, generators, uninterruptible power supply, routers, switches, or other equipment, most of which is under the control of our data center operators, could result in service interruptions for our ~~clients~~ **customers** as well as equipment damage. Our data centers are subject to disasters such as earthquakes, floods, fires, hurricanes, cyber ~~attacks~~, acts of terrorism, sabotage, break-ins, acts of vandalism and other events, which could cause service interruptions or the operators of these data centers to close their facilities for an extended period of time or permanently. The destruction or impairment of any of our data center facilities could result in significant downtime for our solution and the loss of ~~client~~ **customer** data. Because our ability to attract and retain ~~clients~~ **customers** depends on our providing ~~clients~~ **customers** with highly reliable service, even minor interruptions in our service could harm our business, revenues and reputation. Additionally, in connection with the continuing expansion of our existing data center facilities, there is a risk that service interruptions may occur as a result of server addition, relocation or other issues. ~~We also host some of our voice services on the public cloud in Europe, Asia, South America and Australia as well as additional core services in Europe. We are also establishing new public cloud deployments of our platform in certain additional international markets.~~ Our public cloud-based platform offering is critical to developing and providing our solution to our ~~clients~~ **customers**, scaling our business for future growth, accurately maintaining data and otherwise operating our business. We have little or no control over public cloud providers. Any disruption of the public cloud, deficiencies in the design, implementation, maintenance, or migration from one public cloud provider to another, or any failure of our public cloud providers to effectively design and implement sufficient security systems or plan for increases in capacity could, in turn, cause delays or disruptions in our services. In addition, using the public cloud presents a variety of additional risks, including risks related to sharing the same computing resources with others, reliance on public cloud providers' authentication, security, authorization and access control mechanisms, a lack of control over the public cloud's redundancy and security systems and fault tolerances, a reduced ability to control data security and privacy, and future unpredictable costs of these services. We plan to continue to further develop and enhance our AI-powered features, including integration of Generative AI technologies. While we aim for our AI-powered features to make agents more efficient and improve customer experience, our AI features may not achieve sufficient levels of accuracy or may not otherwise meet the needs of our ~~clients~~ **customers**. In addition, we may not be able to incorporate sufficient customer data and such data may contain biased or otherwise inaccurate information, resulting in unacceptable user experiences. Furthermore, our competitors or other organizations may incorporate AI features into their products more quickly or more successfully, **and current and new competitors will continue to offer fully AI-based solutions**, and their AI features may achieve higher market acceptance than ours, which may result in us failing to recoup our investments in developing AI-powered features and result in lost business. Should any of these factors or others occur, our ability to compete, our reputation and operating results may be materially and adversely affected. We have incorporated a number of AI-powered features into our solution, and are making investments in expanding our AI capabilities with Generative AI. Generative AI technologies are complex and rapidly evolving, and we face significant competition from other companies as well as an evolving legal and regulatory landscape. The incorporation of Generative AI-powered features into our solution may subject us to new or enhanced governmental or regulatory scrutiny, litigation, confidentiality or security risks, ethical concerns, or other complications that could harm our business, reputation, financial condition or results of operations. Intellectual property ownership and license rights, including copyright, surrounding AI and Generative AI technologies has not been fully addressed by federal or state laws or by U. S. courts, and the manner in which we configure and use these technologies may expose us to claims of copyright infringement or other intellectual property misappropriation. New laws have been adopted in the EU, and it is possible that new laws and regulations will be adopted in the United States and in other countries, or that existing laws and regulations will be interpreted in ways that would affect the operation of our solution and the way in which we use AI. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could harm our business, reputation, financial condition and results of operations. Uncertainty around and rapid evolution of Generative AI technologies may require additional investment, including research and development of new approaches and processes, which will be costly and increase our expenses. AI can generate written content which contains bias, factual errors, misrepresentations, offensive language, or inappropriate statements. While we seek to use Generative AI in a way that is designed to minimize these risks, there are still risks of such events occurring. Our failure to address these risks could harm our business, reputation, financial condition and results of operations. In addition, the use of AI, including Generative AI, involves significant technical complexity and requires specialized expertise, and competition for specialized personnel in the AI industry is intense. Any disruption or failure in our AI systems or infrastructure could result in delays or errors in our operations, which could harm our business, reputation, financial condition and results of operations. Our workforce is exposed to and uses AI technologies for certain tasks related to our business. We have guidelines specifically directed at the use of AI tools in the workplace, including our code of conduct, confidentiality obligations, IT internal use policies and other corporate policies. Nevertheless, our workforce may use these authorized or unauthorized tools, which poses potential risks relating to the protection of data, including cybersecurity risk, exposure of our proprietary confidential

information to unauthorized recipients and the misuse of our or third- party intellectual property. Use of AI technology by our workforce even when used consistent with our guidelines, may result in allegations or claims against us related to violation of third- party intellectual property rights, unauthorized access to or use of proprietary information and failure to comply with open source software requirements. AI technology may also produce inaccurate responses that could lead to errors in our decision-making, solution development, **operations** or other business activities, which could have a negative impact on our business, operating results and financial condition. Our ability to mitigate these risks will depend on our continued effective training, monitoring and enforcement of appropriate policies, guidelines and procedures governing the use of AI technology, and compliance by our workforce. If our solution fails, or is perceived to fail, to perform properly or if it contains technical defects, our reputation could be harmed, our market share may decline, and we could be subject to product liability claims. Our solution may contain undetected errors or defects that may result in failures or otherwise cause our solution to fail to perform in accordance with ~~client-customer~~ expectations and contractual obligations. Moreover, our ~~clients-customers~~ could incorrectly implement or inadvertently misuse our solution, which could result in ~~client-customer~~ dissatisfaction and harm the perceived utility of our solution and our brand. Because our ~~clients-customers~~ use our solution for critical aspects of their business, any real or perceived errors or defects in, or other performance problems with, our solution may damage our ~~clients-customers~~ businesses and could significantly harm our reputation. If that occurs, we could lose future sales, or our existing ~~clients-customers~~ could cancel or reduce the use of our solution, seek payment credits or damages against us, or delay or withhold payment to us, which could result in reduced revenues, an increase in our provision for uncollectible accounts and service credits, an increase in collection cycles for accounts receivable, and harm our financial results. In addition, since telecommunications billing and associated telecom taxes and the related calculations and billing of telecom taxes are inherently complex and require highly sophisticated information systems to administer, our billing system may experience errors or we may improperly operate the system, which could result in the system incorrectly calculating the fees owed by our ~~clients-customers~~ or related taxes and administrative fees. ~~Clients-Customers~~ also may make indemnification or warranty claims against us, which could result in significant expense and risk of litigation. Product performance problems could result in loss of market share, reputational harm, failure to achieve market acceptance and the diversion of development resources. Any product liability, intellectual property, warranty or other claims against us could damage our reputation and relationships with our ~~clients-customers~~, and could require us to spend significant time and money in litigation or pay significant settlements or damages. Although we maintain general liability insurance, including coverage for errors and omissions, this coverage may not be available or sufficient to cover liabilities resulting from such claims. Also, our insurers may disclaim coverage. Our liability insurance also may not continue to be available to us on reasonable terms, in sufficient amounts, or at all. Any contract or product liability claims successfully brought against us would harm our business. The contact center software solutions market is subject to rapid technological change, and we must develop and sell incremental and new features and components of our solution in order to maintain and grow our business. The contact center software solutions market is characterized by rapid changes in ~~client-customer~~ requirements, frequent introductions of new and enhanced products and features and continuing and rapid technological advancement. To compete successfully, we must continue to devote significant resources to design, develop, deploy and sell new and enhanced contact center solutions, applications and features that provide increasingly higher capabilities, performance and stability at lower cost. **In addition, we have, and will continue to, make significant investments in AI- based capabilities to enhance our solution.** If we are unable to develop or acquire new features for our existing solution or new applications that achieve market acceptance or that keep pace with technological developments, our business would be harmed. We are focused on enhancing the reliability, features and functionality of our contact center solution to enhance its utility to our ~~clients-customers~~, particularly larger ~~clients-customers~~, with complex, dynamic and global operations. In addition, cloud- based technology advancements in areas such as AI are designed to enable improved customer experience, significant operational efficiencies and business insights. The success of these enhancements depends on many factors, including timely development, introduction and market acceptance, as well as our ability to transition our existing ~~clients-customers~~ to these new solutions, applications and features. To the extent that these enhancements are made as a result of acquisitions, our success also depends on our ability to integrate the acquired technology with our existing solution. Any failure may significantly impair our revenue growth. In addition, because our solution is designed to operate on a variety of systems, we need to continuously modify and enhance our solution to keep pace with changes in hardware, operating systems, the increasing trend toward multi- channel communications and other changes to software technologies. We may not be successful in developing, acquiring or integrating these modifications and enhancements or bringing them to market in a timely fashion. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could delay introduction of changes and updates to our solution and increase our research and development expenses. Any failure of our solution to operate effectively, including with future network platforms and technologies, could reduce the demand for our solution, result in ~~client-customer~~ dissatisfaction and harm our business. Our ability to continue to enhance our solution is dependent on adequate research and development resources. If we are not able to adequately fund our research and development efforts, we may not be able to compete effectively, and our business and operating results may be harmed. In order to remain competitive, we must devote significant and increasing resources to develop new solution offerings, features and enhancements to our existing cloud contact center software, which will increase our research and development and operating expenses, **and potentially divert resources from other areas of our operations.** Our research and development expenses totaled \$ **166.2 million**, \$ 156.6 million, ~~and~~ \$ 141.8 million and \$ 106.9 million for the years ended December 31, **2024**, 2023, ~~and~~ 2022 and 2021, respectively. Maintaining adequate research and development personnel and resources to meet the demands of the market is essential. If we are unable to develop products, applications or features internally due to constraints, such as high employee turnover, insufficient cash, other cash needs of our business, inability to hire sufficient research and development personnel or a lack of other research and development resources, we may

miss market opportunities. Furthermore, many of our competitors have greater financial resources and expend greater amounts on their research and development programs than we do, and those that do not may be acquired by larger companies that would allocate greater resources to our competitors' research and development programs. **Our failure to devote adequate research and development resources, funding or may result in an inability to** compete effectively with the research and development programs of our competitors, **either of which** could harm our business. If we are unable to maintain the compatibility of our software with other solutions and technologies, our business could be harmed. Our **clients-customers** often integrate our solution with their business applications, particularly third- party CRM solutions. These third- party providers or their partners could alter their products so that our solution no longer integrates well with them, or they could delay or deny our access to technology releases that allow us to adapt our solution to integrate with their products in a timely fashion. In addition, to the extent that third- party providers are adversely impacted by macroeconomic **deterioration challenges**, their development of software that is integrated with our solution may be delayed, which could have an adverse impact on the implementation of, or demand for, our solution by our **clients-customers**. Such third- party providers could also **develop competing solutions, including AI solutions, or** favor integration of our competitors' products over our solution, making our solution less attractive to our **clients-customers**. If we cannot adapt our solution to changes in complementary technology deployed by our **clients-customers**, it may significantly impair our ability to compete effectively. We are subject to many hazards and operational risks that can disrupt our business, some of which may not be insured or fully covered by insurance. Our operations are subject to many hazards inherent in the cloud contact center software business, including: • damage to third- party and our infrastructure and data centers, related equipment and surrounding properties caused by earthquakes, hurricanes, tornadoes, floods, fires and other natural disasters, explosions, cyber -attacks and acts of terrorism; • security breaches resulting in loss or disclosure of confidential **client-customer** and customer data and potential liability to **clients-customers** and non- **client-customer** third parties for such losses on disclosures; and • other hazards that could also result in suspension of operations, personal injury and even loss of life. These risks could result in substantial losses and the curtailment or suspension of our operations. For example, in the event of a major earthquake, **fire** or flooding on the West Coast of the United States (where our corporate headquarters and one of our data centers are located), hurricane, tropical storm, flooding or severe weather in the southeastern United States (where our other U. S. data center is located) or catastrophic events such as fire, power loss, telecommunications failure, cyber- attack, global pandemic, war or terrorist attack, we may be unable to continue our operations and may endure system and service interruptions, reputational harm, delays in product development, breaches of data security and loss of critical data, any of which could harm our business and operating results. We are not insured against all claims, events or accidents that might occur. If a significant accident or event occurs that is not fully insured, if we fail to recover all anticipated insurance proceeds for significant accidents or events for which we are insured, or if we or our data center providers fail to reopen facilities damaged by such accidents or events, our operations and financial condition could be harmed. We may also incur significant expense in enforcing our rights against our insurance providers, whether or not successful. In addition to being denied coverage under existing insurance policies, we may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates.

Risks Related to Third- Party Technology Providers We rely on third- party telecommunication service providers to provide our **clients-customers** and their **customers-consumers** with telecommunication services. These telephony services include the public switched telephone network, or PSTN, telephone numbers, call termination and origination services, and local number portability for our **clients-customers**. In addition, we depend on our internet bandwidth suppliers to provide uninterrupted and error- free service through their telecommunications networks. Some of our services may require that users of our service obtain their own internet bandwidth. We exercise little control over these third- party providers, which increases our vulnerability to problems with the services they provide. When problems occur, it may be difficult to identify the source of the problem. Service disruption or outages, whether caused by our service, the products or services of our third -party service providers, or our **clients-customers** ' or their customers' equipment and systems, may result in loss of market acceptance of our solution and harm to our reputation and any necessary repairs or other remedial actions may force us to incur significant costs and expenses. If any of these service providers fail to provide reliable services, suffer outages, degrade, disrupt, increase the cost of or terminate the services that we and our **clients-customers** depend on, we may be required to switch to another service provider. Delays caused by switching our technology to another service provider, if available, and qualifying this new service provider could materially increase our costs, as well as harm our **client-customer** relationships, business, financial condition and operating results. Further, any failure on the part of third -party service providers to achieve or maintain expected performance levels, stability and security could harm our relationships with our **clients-customers**, cause us to lose **clients-customers**, result in claims for credits or damages, increase our costs or the costs incurred by our customers, damage our reputation, significantly reduce **client-customer** demand for our solution and seriously harm our financial condition and operating results. Our **clients-customers** and their customers rely on internet service providers to provide them with access and connectivity to our cloud contact center software and changes in how internet service providers handle and charge for access to the internet could materially harm our **client-customer** relationships, business, financial condition and operations results. In 2015, the FCC released an order, commonly referred to as network neutrality, that, among other things, prohibited (i) the impairment or degradation of lawful internet traffic on the basis of content, application or service and (ii) the practice of favoring some internet traffic over other internet traffic based on the payment of higher fees. In June 2018, the FCC repealed the network neutrality regulations imposed by the 2015 order. **In April 2024, the FCC adopted its Safeguarding and Securing the Open Internet Order (“ SSOIO ”) restoring the 2015 Net Neutrality obligations and standards. However, a federal court has stayed the FCC’ s SSOIO and rules adopted therein. If the FCC’ s April 2024 SSOIO and rules do not become effective,** Internet service providers in the U. S. may ~~now~~ be able to impair or degrade the use of, or increase the cost of using, our solution. **Notwithstanding,** The FCC’ s 2018 repeal was largely upheld by the D. C. Circuit Court of Appeals in a decision issued in October 2019. That same court rejected the FCC’ s

~~attempt to preempt states from and other countries may adopting~~ **adopt** their own ~~network neutrality requirements~~ **forms of customer service standards for Internet access**. As a result, network neutrality regulations vary widely among both the domestic and international jurisdictions in which we operate. While certain jurisdictions have strong protections for services such as ours, others either lack a network neutrality framework or otherwise do not enforce network neutrality regulations. The impairment, degradation or prioritization of lawful internet traffic by internet service providers could materially harm the performance of our solution, our ~~client~~ **customer** relationships, business, financial condition and operating results.

Risks Related to Our International Operations We continue to expand our international operations, which exposes us to significant risks. To date, we have not generated significant revenues outside of the U. S., Canada, the U. K., Latin America and Australia. However, we already have significant operations outside these countries and regions, and we expect to grow our international presence in the future. **For instance, in 2024 we completed our acquisition of Acqueon, a real-time revenue execution platform, with operations in India.** Our international employees are primarily located in the Philippines, where technical support, training and other professional services are performed, Portugal, where we continue to increase our engineering and operations previously performed in Russia, and **India and** Australia, where additional portions of engineering and operations are now performed. ~~In March 2022, we made a decision to close our Russia office and to establish a new European development center in Portugal. While approximately half of our Russian citizen employees have received visas and have moved to Portugal, it was not feasible to move and retain all of the Russian citizen employees in connection with growing our overall operations presence in Portugal, we have expanded recruiting and employment-related efforts in Portugal to further enhance our operations. We have and will continue to incur costs in connection with this transition, and during the transition we have and may continue to experience operational disruptions. There can be no assurance that our new Portuguese operations will be as effective or as efficient as our prior Russian operations, which could harm our business and results of operations. The future success of our business will depend, in part, on our ability to expand our operations and customer base to other countries, including our new location in Portugal.~~ Operating in international markets requires significant resources and management attention and will subject us to regulatory, **tax**, economic, and political risks that are different from those in the U. S. In addition, in order to effectively market and sell our solution in international markets, we often must localize our solution, including the language in which our solution is offered, which increases our costs, could result in delays in offering our solution in these markets and may decrease the effectiveness of our sales efforts. Due to our limited experience with international operations and developing and managing sales and distribution channels in international markets, our international expansion efforts may not be successful. We also will continue to incur additional compliance costs associated with our international operations, including costs associated with expanding and rapidly changing sanctions and other trade controls. In addition, we may be unaware or unable to keep current with changes in foreign government requirements and laws as they change from time to time, which often occurs with minimal or no advance notice. Failure to comply with these regulations could harm our business. In many countries outside the United States, it is common for others to engage in business practices that are prohibited by our internal policies and procedures or United States or international laws and regulations applicable to us. Although we have implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors, strategic partners and agents will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, strategic partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, delays in filing financial reports required as a public company, penalties, prohibitions on selling our solution or harm to our reputation, any of which could harm our business. While we have worked to avoid and mitigate any effects of the Russia- Ukraine conflict on our business, employees and ~~clients~~ **customers**, the conflict is ongoing, and its ultimate scope and broader impacts cannot be predicted with certainty. While the conflict has not yet had a negative impact on our employees, business, or operations outside of Russia, it could, and if the conflict or related geopolitical tensions extend to other countries, negative impacts could also expand. Our business and operations could be harmed and our costs could increase if our or our ~~clients~~ **customers**' or other partners' manufacturing, logistics or other operations, costs or financial performance are disrupted or adversely affected. The Russia- Ukraine conflict has also had an adverse impact on the global economy, including on the inflation rate, and has contributed to significant fluctuation in global stock markets, including The NASDAQ Stock Market, on which our common stock is listed. All of these risks and conditions could harm our future sales, business and operating results. Sales to ~~clients~~ **customers** outside the United States or with international operations and our international sales efforts and operations support expose us to risks inherent in international sales and operations. A key element of our growth strategy is to expand our international sales efforts and develop a worldwide ~~client~~ **customer** base. Because of our limited experience with international sales, our international expansion may not be successful and may not produce the return on investment we expect. To date, we have realized only a small portion of our revenues from ~~clients~~ **customers** outside the United States, with approximately 89 % of our revenue for the year ended December 31, ~~2023~~ **2024** derived from ~~clients~~ **customers** with billing addresses in the United States. We have increased and are continuing to increase our sales, marketing and support personnel in both the U. K. and the European Union. We have enlarged our data centers in the U. K. and Amsterdam and are increasing our use of public cloud solutions in the European Union as well. Operating in international markets requires significant resources and management attention and subjects us to intellectual property, regulatory, **tax**, economic and political risks that are different from those in the United States. As we increase our international sales efforts and continue and increase our other international operations, we will face increased risks in doing business internationally that could harm our business, including: • the need to establish and protect our brand in international markets; • the need to localize and adapt our solution for specific countries, including translation into foreign languages and associated costs and expenses; • difficulties in staffing and managing foreign operations, particularly hiring and training qualified sales and service personnel; • the need to implement and offer customer care, in various languages; • different pricing environments, longer sales and accounts receivable payment cycles and collections issues; • weaker protection for intellectual property and other legal rights than in the U. S. and practical

difficulties in enforcing intellectual property and other rights outside of the U. S.; • privacy and data protection laws and regulations that are complex, expensive to comply with and may require that **client-customer** data be stored and processed in a designated territory; • increased risk of piracy, counterfeiting and other misappropriation of our intellectual property in our locations outside the U. S.; • new and different sources of competition; • general economic conditions in international markets; • fluctuations in the value of the U. S. dollar and foreign currencies, which may make our solution more expensive in other countries or may increase our costs, impacting our operating results when translated into U. S. dollars; • compliance challenges related to the complexity of multiple, conflicting and changing governmental laws and regulations, including employment, tax, telecommunications and telemarketing laws and regulations; • increased risk of international telecom fraud; • laws and business practices favoring local competitors; • compliance with laws and regulations applicable to foreign operations and cross border transactions, including the Foreign Corrupt Practices Act, the U. K. Bribery Act and other anti- corruption laws, supply chain restrictions, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our solution in certain foreign markets, and the risks and costs of non- compliance; • increased financial accounting and reporting burdens and complexities; • restrictions or taxes on the transfer of funds; • adverse tax consequences; and • unstable economic and political conditions and potential accompanying shifts in laws and regulations. These risks could harm our international operations, increase our operating costs and hinder our ability to grow our international business and, consequently, our overall business and results of operations. Other Operational Risks Adverse economic conditions may harm our business. Our business depends on the overall demand for cloud contact center software solutions, the economic health of our current and prospective **clients-customers** and worldwide economic conditions. In addition to the United States, Canada, Europe, Latin America and Australia, we plan in the future to market and sell our solution in Asia and other international markets. Adverse economic conditions in these markets, including the impact of macroeconomic **deterioration challenges, including** continued inflation, **increased-uncertainty regarding consumer spending, high** interest rates, **supply chain disruptions, decreased economic output and** fluctuations in currency exchange rates, the impact of the Russia- Ukraine conflict, the impact of **the conflict** in Israel- **the Middle East**, has and will likely continue to reduce overall demand for our solution, particularly in our installed base. These factors could also delay our **clients-customers'** implementation of our solution, delay or lengthen sales cycles, delay international expansion, lower prices for our solution, and may also lead to longer collection cycles for payments due from our **clients-customers**, as well as result in an increase in **client-customer** bad debt. While the implications of macroeconomic events on our business, results of operations and overall financial position remain uncertain over the long term, we expect that adverse economic conditions will continue to have an adverse impact on our revenue in future periods. For example, our installed base business, which **typically** contributes **approximately half a significant portion** of our annual revenue growth, continues to experience **macroeconomic- macroeconomic headwinds-challenges**. All of these potential circumstances could lead to slower growth, or even a decline in, our revenues, operating results and cash flows. Security breaches, **cybersecurity incidents**, and improper access to, use of, or disclosure of our data or our **clients-customers'** data, or other cyber -attacks on our systems, or those of third parties on which we rely, could result in litigation and regulatory risk, harm our reputation and our business. Our solution involves the storage and transmission of our **clients-customers'** information, including information about our **clients-customers'** customers or other information treated by our **clients-customers** as confidential. Unauthorized access, unauthorized use of our systems or those of third parties on which we rely or the data stored within those systems, **cybersecurity incidents**, security breaches or other cyber -attacks could result in the loss of confidentiality, integrity and availability of such information or systems, leading to litigation, governmental investigations and enforcements actions, indemnity obligations, increased expense, and other liability. Such incidents could also cause interruptions to the solutions we provide, degrade the user experience, harm our reputation or cause **clients-customers** to lose confidence in our solution. We are required to comply with laws and regulations that require us to protect personal data and we may have contractual and other legal obligations to notify customers or other relevant stakeholders of security breaches or other security events. While we have implemented security measures to protect **client-customer** and other confidential information and minimize the risk of security breaches and other cyber -attacks, if these measures fail as a result of a **cybersecurity incident, cyber- attack, ransomware, denial of service attacks**, software vulnerability, other third- party action, employee error, malfeasance or otherwise, and someone unlawfully or without authorization obtains access to our **clients-customers'** information, including personal data, our reputation could be damaged, our business may suffer and we could incur significant liability. **Cybersecurity threat actors also may attempt to exploit vulnerabilities through software, including software commonly used by companies in cloud- based services and bundled software**. Because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we or our third -party service providers **or business partners** may be unable to anticipate these techniques or implement adequate preventative measures. In addition, third parties may attempt to fraudulently induce employees or users to disclose information, **including using AI or social engineering**, in order to gain access to our data or our users' data or the systems on which our data is stored or hosted. Such security breaches **or cybersecurity incidents** could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures and require us to respond to and / or mitigate the security breach. Accordingly, if our cybersecurity measures fail to protect against unauthorized access, **cybersecurity incidents**, attacks, compromise or the mishandling of data by our employees, then our reputation, business, results of operations and financial condition could be adversely affected. Moreover, any failure **or cybersecurity incidents or similar issues** on the part of third parties, including our **clients-customers** or other hosting or service providers, to maintain appropriate security measures for their own systems could harm our relationships with our **clients-customers**, result in claims against us for credits or damages, damage our reputation and significantly reduce **client-customer** demand for our solution. Any or all of these issues could harm our ability to attract new **clients-customers**, cause existing **clients-customers** to cancel, reduce or not renew their subscriptions, result in reputational damage or subject us to third- party lawsuits (including class actions),

governmental investigations and enforcement actions, regulatory fines or other action or liability, including orders or consent decrees forcing us to modify our business practices, all of which could materially harm our business, reputation or financial results. ~~If we are unable to attract and retain highly skilled leaders and other employees, our business and results of operations may be adversely affected.~~ To execute our growth plan, we must attract and retain highly qualified personnel, including key executives, senior management or other key employees, and we may incur significant costs, including stock-based compensation expense, to do so. Competition for these personnel is intense, especially for senior executives, engineers highly experienced in designing and developing cloud software and **AI and** for senior sales personnel. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications, and this difficulty could be further exacerbated by any senior leadership or other key employee transitions we experience. We invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them and increases our costs. We believe that our corporate culture is a critical component to our ability to attract and retain employees. As we grow, we will need to continually enhance our efforts to maintain our corporate culture, which is more difficult due to our policies that continue to allow limited work from home flexibility stemming from the COVID-19 pandemic. We may experience increased attrition of employees to other opportunities, as certain employees may seek more flexible work alternatives than we offer, may seek positions with companies outside of the geographic area in which they live that offer remote work opportunities, or may decide to scale back their work life for personal reasons. Many of the companies with which we compete for experienced personnel have greater resources than we have and may offer more flexible work alternatives such as permanent remote work or work from home. If we fail to attract new personnel or fail to retain and motivate our current personnel, particularly our senior leadership team and our other key employees, our business and future growth prospects would be harmed. In addition, if we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached legal obligations, resulting in a diversion of our time and resources and, potentially, damages. Volatility or lack of performance in the trading price of our common stock, including the declines in our trading price over the recent past, may also affect our ability to attract and retain qualified personnel because job candidates and existing employees often emphasize the value of stock awards when considering whether to accept or continue employment. If the perceived value of our stock awards is low or declines, it may harm our ability to recruit and retain highly skilled employees. We may acquire other companies, or technologies or be the target of strategic transactions, or be impacted by transactions by other companies, which could divert our management's attention, result in additional dilution to our stockholders or use a significant amount of our cash resources, and otherwise disrupt our operations and harm our operating results. We may acquire or invest in businesses, applications or technologies that we believe could complement or expand our solution, enhance our technical capabilities or otherwise offer growth opportunities. For instance, in 2019, we acquired substantially all of the assets of Whendu LLC, or Whendu, including its iPaaS platform, in 2020, we acquired both Virtual Observer and Inference, ~~and in 2023, we acquired Aceyus, Inc. and in 2024, or Aceyus we acquired Acqueon.~~ The pursuit of potential acquisitions may divert the attention of management, and cause us to incur various costs and expenses in identifying, investigating and pursuing acquisitions, whether or not they are consummated. We may not be able to identify desirable acquisition targets or be successful in entering into an agreement with any particular target. In addition, there has been a number of recent transactions in our industry and adjacent industries, which could have a negative impact on us. To date, the growth in our business has been primarily organic, and we have limited experience in acquiring other businesses. With respect to our recent acquisitions and any future acquisitions, we may not be able to successfully integrate acquired personnel, operations, product features and technologies, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from these or any future acquisitions due to a number of factors, including: • inability to integrate or benefit from acquisitions in a profitable manner; • ~~unanticipated~~ costs or liabilities associated with the acquisition, including **tax obligations or legal claims arising from the activities of the companies or businesses we acquire, or expenses incurred** to enforce our **rights obligations** under the acquisition agreements or arising from the activities of the companies or businesses we acquire; • acquisition-related costs; • difficulty converting the **clients customers** of the acquired business to our solution and contract terms, including due to disparities in the revenue, licensing, support or professional services model of the acquired company; • difficulty **and time delays** integrating the accounting systems, operations, **internal controls** and personnel of the acquired business, **particularly of acquired companies with significant international operations**; • difficulties and additional costs and expenses associated with supporting legacy products and the hosting infrastructure of the acquired business; • diversion of management's attention from other business concerns; • harm to our existing relationships with our partners and **clients customers** as a result of the acquisition; • the loss of our or the acquired business's key employees; • diversion of resources that could have been more effectively deployed in other parts of our business; and • use of substantial portions of our available cash to consummate the acquisition. In addition, a significant portion of the purchase price of companies and businesses we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. If our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could harm our results of operations. Acquisitions could also result in dilutive issuances of equity securities, the use of our available cash, or the incurrence of additional debt to fund such acquisitions, which could harm our operating results. To the extent that we intend to issue stock in any acquisitions, volatility in our stock price could make it more difficult or dilutive to make these acquisitions. If an acquired business fails to meet our expectations, our operating results, business and financial condition could suffer. In addition, third parties may be interested in acquiring us. We will continue to consider, evaluate and negotiate any such transactions as we deem appropriate. Such potential transactions may divert the attention of management, and cause us to incur various costs and expenses in investigating, evaluating and negotiating such transactions, whether or not they are consummated. To date, we have financed our operations, primarily through sales of our solution, lease facilities and the net proceeds from our equity and debt financings,

including the sale of our convertible senior notes. We do not know when or if our operations will generate sufficient cash to fund our ongoing operations. We may require additional capital to respond to business opportunities, challenges, acquisitions, a decline in sales, increased regulatory obligations or unforeseen circumstances and may engage in equity or debt financings or enter into credit facilities. We have a substantial amount of debt. As of December 31, ~~2023~~ **2024**, we had approximately \$ ~~747.434~~ **5.4** million in principal outstanding under our convertible senior notes issued in May and June 2020 that mature on June 1, 2025, **and approximately \$ 747.5 million in principal outstanding under our convertible senior notes issued in March 2024 that mature on March 15, 2029. We currently plan to use cash to settle amounts due under our convertible senior notes that mature on June 1, 2025, which will decrease our cash and cash equivalents, could preclude us from making other investments in our business and operations, and could necessitate or accelerate additional fundraising by us.** See Note 6 to the consolidated financial statements. Any debt financing obtained by us in the future would cause us to incur additional debt service expenses and could include restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and pursue business opportunities and future debt could be secured by all of our assets. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow and support our business and to respond to business challenges could be significantly harmed. If we are unable to maintain and further develop effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decrease. As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes- Oxley Act of 2002, or Section 404, requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report and attestation from our independent registered public accountant on our internal control over financial reporting. This attestation has and will continue to increase our independent public accountant costs and expenses. If we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective, which could cause our stock price to decline. A “ material weakness ” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If we have material weaknesses in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to attest that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could decrease. We could also become subject to stockholder or other third- party litigation as well as investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources and could result in fines, penalties, trading suspensions or other remedies. Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported operating results. U. S. GAAP is subject to interpretation by the FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our financial statements issued before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and will occur in the future. Changes to existing rules or the questioning of current practices may harm our reported financial results, result in restatements of prior periods, or the way we account for or conduct our business. The application of any new accounting guidance is, and will be, based on all information available to us as of the date of adoption and up through subsequent interim reporting, including transition guidance published by the standard setters. However, the interpretation of these new standards may continue to evolve as other public companies adopt the new guidance and the standard setters issue new interpretative guidance related to these rules. As a result, changes in the interpretation of these rules could result in material adjustments to our application of the new guidance, which could have a material effect on our results of operations and financial condition. Additionally, any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline, cessation or disruption of trading in our common stock and harm investors’ confidence in us. In addition, certain factors have in the past and may in the future cause us to defer recognition of revenues. For example, the inclusion in our ~~client~~ **customer** contracts of non- standard terms, such as acceptance criteria, could require the deferral of revenue. To the extent that such contracts become more prevalent in the future our revenue may be harmed. Because of these factors and other specific requirements under U. S. GAAP for revenue recognition, we must have precise terms and conditions in our arrangements in order to recognize revenue when we deliver our solution or perform our professional services. Negotiation of mutually acceptable terms and conditions can extend our sales cycle, and we may accept terms and conditions that do not permit revenue recognition at the time of delivery. Risks Related to Our Intellectual Property Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand. Our success and ability to compete depend in part upon our intellectual property. As of December 31, ~~2023~~ **2024**, our intellectual property portfolio included ~~three~~ **nine** registered U. S. trademarks, ~~two~~ **three** pending U. S. trademark applications, ~~16~~ **23** issued U. S. patents, ~~one~~ **seven** pending U. S. patent ~~application~~ **applications** and one registered U. S. copyright. As of December 31, ~~2023~~ **2024**, outside the U. S. we also had ~~10~~ **27** trademark registrations, **two pending trademark applications**, five issued patents, and three pending international **national phase patent applications. There are no** PCT patent applications. The expiration dates of our issued

patents range from 2025 to 2030– 2043 to 2041. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, clients-customers, partners and others to protect our intellectual property rights. However, the steps we take to secure, protect and enforce our intellectual property rights may be inadequate. We may not be able to obtain any further patents or trademarks, our current patents could be invalidated or our competitors could design their products around our patented technology, and our pending applications may not result in the issuance of patents or trademarks. We have pending patent applications and trademark registrations outside the U. S., and we may have to expend significant additional resources to obtain additional protection and maintain current registrations as we expand our international operations. Furthermore, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights in other countries are uncertain and may afford little or no effective protection of our proprietary technology, and the risk of intellectual property misappropriation may be higher in these countries. As we expand into additional countries, these risks will be further enhanced. Consequently, we may be unable to prevent our proprietary technology from being infringed or exploited abroad, which could affect our ability to expand into international markets or require costly efforts to protect our technology. In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights will be costly, time consuming and distracting to our management and could result in the impairment or loss of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights, which could weaken our intellectual property protection. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could substantially harm the value of our technology, solutions, brand and business. We will likely continue to be subject to third- party intellectual property infringement claims. There is considerable patent and other intellectual property development activity and litigation in our industry. Our success depends upon our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our industry. From time - to -time, third parties have claimed that we are infringing upon their intellectual property rights. Certain technology necessary for us to provide our solution may be patented, copyrighted or otherwise protected by other parties either now or in the future. In such case, we would have to negotiate a license for the use of that technology. We may not be able to negotiate such a license at a price that is acceptable, or at all. The existence of such a patent, copyright or other protections, or our inability to negotiate a license for any such technology on acceptable terms, could force us to cease using such technology and offering solutions incorporating such technology. Others have claimed, or in the future may claim, that our solution and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all of our technology or solution. Any claims or litigation could cause us to incur significant costs and expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, require that we refrain from using, manufacturing or selling certain offerings or features or using certain processes, prevent us from offering our solution or certain features thereof, or require that we comply with other unfavorable terms, any of which could harm our business and operating results. We may also be obligated to indemnify our clients-customers or business partners and pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, which could be costly. Even if we were to prevail in any such dispute, any litigation regarding our intellectual property could be costly and time consuming and divert the attention of our management and key personnel from our business operations. Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses. In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify clients-customers, vendors, lessors, business partners and other parties for third -party claims with respect to certain matters, including ,but not limited to, losses arising out of breach of such agreements, certain claims related to third- party privacy or cyber security breaches or from intellectual property infringement claims made by third parties. **We have received, and will likely continue to receive, indemnification demands from customers regarding our intellectual property indemnification obligations under these contracts.** In addition, we have entered into indemnification agreements with our directors, officers and certain employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees. Large indemnity payments or damage claims from contractual breach could harm our business, results of operations and financial condition. Although we typically contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them. Any dispute with a client-customer with respect to such obligations could be expensive, even if we ultimately prevail, and could harm our relationship with that client-customer and other current and prospective clients-customers, reduce demand for our solution and harm our business, results of operations and financial condition. We employ third- party licensed software , **including AI solutions,** for use in or with our solution, and the inability to maintain these licenses or errors in the software we license could result in increased costs, or reduced service levels, which could harm our business. Our solution incorporates certain third- party software obtained under licenses from other companies , **including AI- based offerings** . We anticipate that we will continue to rely on current and new software from third parties in the future. Although we believe that there are commercially reasonable alternatives to the third- party software we currently license, this may not be the case, or may not be the case for new software that we license, or it may be difficult or costly to transition to other providers. In addition, integration of the software used in our solution with new third- party software-offerings may require significant work and require substantial investment of our time and resources. To the extent that our solution depends upon the successful operation of third-party software in conjunction with our software-solutions , any undetected errors or defects in this third- party software could prevent the deployment or impair the functionality of our solution, delay new product or solution introductions, result in increased costs, or a failure of our solution and injure our reputation. Our use of additional or alternative third- party software

would require us to enter into license agreements with third parties and to integrate such software to our solution. There can be no assurance that the technology licensed by us will continue to provide competitive features and functionality or that licenses for technology currently utilized by us or other technology that we may seek to license in the future, including to replace current third- party software, will be available to us at a reasonable cost or on commercially reasonable terms, or at all. Third- party licensors may also be acquired or go out of business, which could preclude us from continuing to use such technology. The loss of, or inability to maintain, existing licenses could result in lost product features and litigation. The loss of existing licenses could also result in implementation delays or reductions until equivalent technology or suitable alternative solutions could be developed or identified, and licensed and these replacements integrated, and could increase our costs and harm our business. Our solution utilizes open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business. Our solution includes software covered by open source licenses, which may include, for example, free general public use licenses, open source front- end libraries and open source applications. The terms of various open source licenses have not been interpreted by United States 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 our solution. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re- engineer all or a portion of our technologies, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our intellectual property, technologies and solutions. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third- party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Given the nature of open source software, there is also a risk that third parties may assert copyright and other intellectual property infringement claims against us based on our use of certain open source software. Many of the risks associated with the usage of open source software cannot be eliminated and could harm our business.

Risks Related to Regulatory and Tax Matters Our business is subject to regulation by various federal, state, local and foreign governmental agencies, including agencies responsible for monitoring and enforcing laws and regulations related to employment and labor laws, workplace safety, environmental protection, privacy or data security, consumer protection, telecommunications services, anti- bribery, import / export controls, federal securities and taxes. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States and in other circumstances these requirements may be more stringent in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory recalls, notification obligations, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions. If any governmental sanctions, fines or penalties are imposed, or if we do not prevail in any civil or criminal litigation, our business, operating results, financial condition and reputation could be harmed. In addition, responding to any action will likely result in a significant diversion of management' s attention and resources and an increase in professional fees. Enforcement actions and sanctions could further harm our business, operating results, financial condition and reputation.

Alleged or actual failure to comply with the constantly evolving legal and contractual environment surrounding calling consumers and wireless phone numbers by other companies or our competitors or governmental or private enforcement actions related thereto, could harm our business, financial condition, results of operations and cash flows. The legal and contractual environment surrounding contacting consumers using voice calls or text messages to their wireless phones is constantly evolving. In the United States, two federal agencies, the Federal Trade Commission, or the FTC, and the FCC, and various states have laws including, at the federal level, the TCPA that restrict the placing of certain telephone calls and texts to residential and wireless telephone subscribers by means of automatic telephone dialing systems, prerecorded or artificial voice messages and fax machines, or placing non- autodialed telemarketing calls to individuals who do not wish to receive such calls. These laws require companies to institute processes and safeguards to comply with these restrictions. The legal interpretation of certain of the requirements of these laws ~~continue~~ **continues** to be in dispute before the courts and federal agencies, and it is possible that legal decisions and agency actions may further alter the legal requirements involved. Some of these laws, where a violation is established, can be enforced by the FTC, FCC, State Attorneys General, or private party litigants. In these types of actions, the plaintiff may seek damages, statutory penalties, costs and / or attorneys' fees. We have designed our solution to comply with these laws. To the extent that our solution is viewed by ~~clients~~ **customers** or potential ~~clients~~ **customers** as less functional, or more difficult to deploy or use, because of our solution' s compliance features, we may lose market share to competitors that do not include similar compliance safeguards. Our contractual arrangements with our ~~clients~~ **customers** who use our solution to place calls also expressly require them to comply with all such laws and to indemnify us for any failure to do so. We take numerous steps to reasonably confirm that the use of our services complies with applicable laws. Even with these efforts, it is possible that the FTC, FCC, private litigants or others may attempt to hold our ~~clients~~ **customers**, or us as a software solution provider, responsible for alleged violations of these laws. To the extent any court finds that the software solution violated a controlling legal standard, we could face indemnification demands from our ~~clients~~ **customers** for costs, fees and damages with respect to calls placed using that solution. It also is possible that we may not successfully enforce or collect upon our contractual indemnities from our ~~clients~~ **customers**. Defending such suits can be costly and time- consuming and could result in fines, damages, expenses and losses. Additionally, these laws, and any changes to them or the interpretation thereof, that further restrict calling consumers, including to wireless phone numbers, adverse publicity regarding the alleged or actual failure by companies, including our ~~clients~~ **customers** and competitors, to comply with such laws or governmental or private enforcement actions related thereto, could result in a reduction in the use of our solution by our ~~clients~~ **customers** and potential ~~clients~~ **customers**, which could harm our business, financial condition, results of operations and cash flows. On December 12, 2018, the FCC issued an order concluding that the Short Message Service, or SMS, or text messages, is an

information service under federal law and not a telecommunications service. The regulatory significance to us is that the FCC's decision gives wireless carriers the flexibility to block SMS messages if the carriers identify the messages as unwanted by their wireless customers. More recent FCC decisions also require wireless carriers to block certain calls and text messages. Such blocking efforts by carriers may make it more difficult for our ~~clients~~ **customers** to use SMS messages that are provided by us as a part of our overall communications and outreach solution for our ~~clients~~ **customers**. Further, on December 18, 2023, the FCC revised its mandate that a consumer's prior written consent must be secured prior to initiating SMS messages to them that are telemarketing in nature. The revised rules require that such consent cannot be shared between multiple sellers or between different product and service lines. Thus, although SMS comprises only a very small portion of our revenue base, its future availability as an effective tool for communication and outreach for our ~~clients~~ **customers** and their customers is uncertain and could cause our solution to be less valuable to ~~clients~~ **customers** and potential ~~clients~~ **customers**. Increased taxes on our service may increase our ~~clients~~ **customers**' cost of using our service and / or increase our costs and reduce our profit margins to the extent the costs are not passed through to our ~~clients~~ **customers**, and we may be subject to liabilities for past sales and other taxes, surcharges and fees. Based on analysis of our activities, we have determined that we are obligated to collect and remit U. S. state or local sales, use, gross receipts, excise and utility user taxes, as well as fees or surcharges as a communications service provider in certain U. S. states, municipalities or local tax jurisdictions. We are registered for collecting and remitting applicable taxes where such a determination has been made. Prior to our making such determination **with respect to a particular state, municipality, or local tax jurisdiction**, we neither collected nor remitted these taxes, fees or surcharges ~~to applicable local, municipal or for state such jurisdictions~~ **jurisdiction**. We continue to analyze our activities to determine if we are subject to these taxes in additional jurisdictions and based on our ongoing assessment of our U. S. state and local tax collection and remittance obligations, we register for tax and regulatory purposes in such jurisdictions and commence collecting and remitting applicable state and local taxes and surcharges to these jurisdictions. We have accrued a contingent liability of \$ 1. ~~7~~ **1** million for our best estimate of the probable amount of taxes and surcharges that may be imposed by various states and municipalities on our activities, including our usage- based and subscription services, **for periods** prior to **our** registration **and collection in such jurisdictions**. This contingent liability is based on our analysis of a number of factors, including the source location of our usage- based fees, the taxability of our subscription services and the rules and regulations in each state. The actual amount of state and local taxes and surcharges paid may differ from our estimates. See Note 10 to the consolidated financial statements. While we have accrued for these potential liabilities in each period, such accruals are based on analyses of our business activities, the operation of our solution, applicable statutes, regulations and rules in each state and locality and estimates of sales subject to sales tax or other charges. State and local taxing and regulatory authorities may challenge our position and may decide to audit our business and operations with respect to state or local sales, use, gross receipts, excise and utility user taxes, fees or surcharges, which could result in our being liable for taxes, fees, or surcharges, as well as related penalties and interest, above our recorded accrued liability or additional liability for taxes, fees, or surcharges, as well as penalties and interest for our ~~clients~~ **customers**, which could harm our results of operations and our relationships with our ~~clients~~ **customers**. In addition, if our international sales grow, additional foreign countries may seek to impose sales or other tax collection obligations on us, which would increase our exposure to liability. The applicability of state or local taxes, fees or surcharges relative to services such as ours is complex, ambiguous and subject to interpretation and change. If states enact new legislation or if taxing and regulatory authorities promulgate new rules or regulations or expand or otherwise alter their interpretations of existing rules and regulations, we could incur additional liabilities **or collection obligations**. The amount that we are required to pay under certain of these tax and regulatory structures also continues to increase as a percentage of our telecommunications revenues. The collection of additional taxes, fees or surcharges in the future could increase our prices or reduce our profit margins. Compliance with new or existing legislation, rules or regulations may also make us less competitive with those competitors who are not subject to, or choose not to comply with, such legislation, rules or regulations. We have incurred, and will continue to incur, substantial ongoing costs associated with complying with state or local tax, fee or surcharge requirements in the numerous markets in which we conduct or will conduct business. Our ability to maintain compliance with complex rules and technological requirements intended to prevent robocalls and caller ID spoofing poses a significant business risk due to possible blocking of ~~client~~ **customer** voice traffic. The FCC has adopted rules based on federal statute that require all providers of voice communications services, with limited exceptions, to implement the STIR / SHAKEN caller identification authentication framework designed to reduce fraudulent robocalls and illegal phone number identification, or ID, spoofing. STIR stands for Secure Telephony Identity Revisited. SHAKEN stands for Secure Handling of Asserted information using toKENs. We have completed our implementation of STIR / SHAKEN technology, but the implementation process was complex and involved compliance with a number of related regulatory regimes. STIR / SHAKEN is a series of protocols and a governance framework in which the originating voice service provider attests to the calling party's identity and is intended to ensure the caller's ID has not been spoofed in order to reduce the number of illegal robocalls. The STIR / SHAKEN regulatory framework creates a significant business risk for companies such as ours that include ~~clients~~ **customers** that originate large volumes of telephone calls to consumers because, if an intermediate or terminating carrier is unable to verify the authenticity of an incoming call from one of our ~~clients~~ **customers**, they may, or may be required to block the call, preventing it from reaching the intended party, which would damage our relationship with our ~~clients~~ **customers**, and make our solution less attractive to our ~~clients~~ **customers** and potential ~~clients~~ **customers**. In addition, the FCC required voice service providers to implement other robocall prevention measures, including registering with the FCC's Robocall Mitigation Database and maintaining a robocall mitigation plan that includes conducting due diligence on customers to ensure they do not engage, or appear to engage, in robocalling or caller ID spoofing. Third - party complaints and unusual calling patterns on end user bills must be investigated and the services of non-compliant ~~clients~~ **customers** terminated. Voice service providers must also participate in an Industry Traceback Group program to further demonstrate their commitment to preventing robocalls and caller ID spoofing. We have implemented these remedial

measures to ensure that other carriers do not misidentify or block voice traffic originated by our ~~clients~~ **customers**. Although we believe we have achieved full compliance, the regulatory measures to prevent robocalling and caller ID spoofing are relatively new, complex and continue to change and therefore pose a risk to all voice service providers with respect to the possible misidentification and blocking of voice calls originated by their ~~clients~~ **customers**. These new compliance measures have and will increase our regulatory compliance and other costs, could make our solution less attractive to our ~~clients~~ **customers**, and any non-compliance could subject us to fines, damages and penalties, or injunctions precluding the use of our solutions or certain features thereof. Our ability to offer services outside the United States is subject to different regulatory and taxation requirements, which may be complicated and uncertain. As we continue to expand the sale and implementation of our solution internationally, we will be subject to additional regulations, taxes, surcharges and fees. Compliance with these new complex regulatory requirements differ from country to country, and are frequently changing and may impose substantial compliance burdens on our business. At times, it may be difficult to determine which laws and regulations apply and we may discover that we are required to comply with certain laws and regulations after having provided services for some time in that jurisdiction, which could subject us to retroactive taxes, fees and penalties, and we may be subject to conflicting requirements. Additionally, as we expand internationally, the risk that governments will regulate or impose new or increased taxes or fees on our services increases. Any such additional regulation or taxes could increase our costs and our tax payments, decrease the value of our international expansion, or impede our ability to expand internationally, and therefore harm our results of operations. The Organization for Economic Co-operation and Development (“ OECD ”) Pillar 2 guidelines address the increasing digitalization of the global economy, re-allocating taxing rights among countries. The European Union and many other member states have committed to adopting Pillar 2, which calls for a global minimum tax of 15 % ~~to be~~ effective for tax years beginning in 2024. The OECD guidelines published to date include transition and safe harbor rules around the implementation of the Pillar 2 global minimum tax. We are monitoring developments and evaluating the impacts these new rules will have on our tax rate, including eligibility to qualify for these safe harbor rules. We are subject to assessments for unpaid USF contributions, as well as interest thereon and civil penalties, due to our prior position that we were not subject to regulation as a USF contributor and as an international carrier. We are classified as a telecommunications service provider for regulatory purposes, and we are required to make direct contributions to the USF based on revenue we receive from the resale of interstate and certain international telecommunications services. In order to comply with the obligation to make direct contributions, we are registered with the Universal Service Administrative Company, or USAC, which is charged by the FCC with administering the USF, and have been remitting the required contributions to USAC since our registration with USAC in April 2013. We also made retroactive USF contributions based on our revenues for the period from 2008 to 2012. We have an unresolved and arguably dormant dispute with the FCC, however, regarding whether we are liable for USF contributions related to the period from 2003 through 2007. As of December 31, ~~2023~~ **2024**, we had accrued \$ 0. 1 million in interest related to the disputed assessments for the period of 2003 through 2007. See Note 10 to the consolidated financial statements. Our ongoing obligations to pay federal, state and local telecommunications contributions and taxes may decrease our price advantage over, and ability to compete with our competitors who are not subject to, or choose not to comply with, those requirements. In addition, if we are unable to continue to pass some or all of the cost of these contributions and taxes to our ~~clients~~ **customers**, our profit margins on the telecommunication service minutes we resell will decrease. Our federal contributions and tax obligations may significantly increase in the future, due to new interpretations by governing authorities, governmental budget pressures, changes in our business model or solutions or other factors. If we do not comply with FCC rules and regulations, we could be subject to further FCC enforcement actions, fines, loss of licenses and possibly restrictions on our ability to operate or offer certain of our services. Since our business is regulated by the FCC, we are subject to existing or potential FCC regulations relating to privacy, disability access, access to and porting of numbers, USF contributions and other requirements. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of licenses and possibly restrictions on our ability to operate or offer certain of our services. Any enforcement action by the FCC, which may be a public process, would hurt our reputation in the industry, could impair our ability to sell our services to ~~clients~~ **customers** and could harm our business and results of operations. The regulations to which we are subject (in whole or in part) include: • the TRACED Act and corresponding regulations from the FCC, which requires carriers to authenticate incoming calls using the STIR / SHAKEN caller ID framework and correspondingly compels providers of telecommunications services to implement capabilities to certify as authentic the traffic they provide to those carriers, and to block transmission of certain calls; • the Communications Assistance for Law Enforcement Act, or CALEA, which requires covered entities to assist law enforcement in undertaking electronic surveillance; • enhanced 911 rules, KARI’ s Law and RAY BAUM’ s Act, which, in some circumstances, require telecommunications service providers to ensure their users can directly dial 911 emergency services and, if technically feasible, automatically convey dispatchable location information with the call; • contributions to the USF which requires that we pay a percentage of our revenues resulting from the provision of interstate and some international telecommunications services to support certain federal programs; • payment of annual FCC regulatory fees based on our interstate and international revenues; • **The Communications and Video Accessibility Act and** rules pertaining to access to our services by people with disabilities and contributions to the Telecommunications Relay Services fund; and • FCC rules regarding CPNI which requires that we limit disclosure of certain information received from customers without ~~client~~ **customer** approval, subject to certain exceptions. If we do not comply with any current or future rules or regulations that apply to our business, we could be subject to additional and substantial fines and penalties, we may have to restructure our solution, exit certain markets, accept lower margins or raise the price of our solution, any of which could harm our business and results of operations. We may not be able to utilize a significant portion of our net operating loss or research tax credit carryforwards, which could harm our profitability and financial condition. As of December 31, ~~2023~~ **2024**, we had federal, state and foreign net operating loss carryforwards due to prior period losses of \$ ~~403~~ **310**. ~~4~~ **1** million, \$ ~~298~~ **254**. ~~6~~ **3** million and \$ ~~14~~ **7**. ~~0~~ **3** million, respectively, available to reduce future income subject to income taxes.

If not utilized, \$ 69.5 million of federal and various amounts of significant state net operating loss carryforwards will begin to expire in 2027 and 2028, respectively, while the \$ 339.310.91 million of federal net operating losses, as well as the foreign net operating losses, do not expire. As of December 31, 2023-2024, we also had gross research credit carryforwards for federal and California state tax purposes of \$ 12.14.91 million and \$ 7.8.5.6 million, respectively, available to reduce future income subject to income taxes. The federal research credit carryforwards will expire between 2024-2025 and 2043-2044. The California research credit carryforwards do not expire. If we are unable to generate sufficient taxable income to utilize our net operating loss and research tax credit carryforwards, these carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could harm our profitability and financial condition in future periods. In addition, under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, or IRC Section 382 (the "Code"), our ability to utilize net operating loss carryforwards or other tax attributes, such as research tax credits, in any taxable year may be limited if we experience an "ownership change." The events that may cause an ownership changes—change include, but are not limited to, a cumulative an aggregate increase in the percentage of our stock ownership change owned by 5- percent stockholders of greater more than 50 percentage points over the lowest percentage of our stock owned by such stockholders at any time during a three-3- year testing period, determined immediately after any "owner shift" involving a 5- percent stockholder or any "equity structure shift." Similar rules may apply under state tax laws. We experienced ownership changes prior to 2015 and the disclosed amounts of our net operating losses and research credit carryforwards have been reduced for the resulting effect of the IRC Code Section Sections 382 and 383 limitations, as necessary. Subsequent or future issuances or sales of our stock (including certain transactions involving our stock that are outside of our control) could cause an "ownership change" again, which would could impose an additional annual limit on the amount of pre- ownership change net operating loss carryforwards and other tax attributes we can use to reduce our taxable income. This could potentially cause those tax attributes to expire unused or to be reduced, which would increase and accelerate our liability for income taxes, including by potentially causing those tax attributes to expire unused. It is possible that such an ownership change could materially reduce our ability to use our net operating loss carryforwards or other tax attributes to offset taxable income, which could require us to pay more income taxes than if we were able to fully utilize our net operating loss carryforwards and harm other tax attributes, such that our profitability could be harmed. Privacy concerns and domestic or foreign laws and regulations may reduce the demand for our solution, increase our costs and harm our business. Our clients—customers use our solution to collect, transfer, use, and otherwise process, collectively, Process or Processing, personal data regarding their customers and potential customers. The Processing—processing of personal data and other types of protected data subjects us and our customers to a number of domestic and international laws that govern and regulate the Processing—processing of personal data and other types of protected data. These laws regulate and address a range of issues including data privacy (e. g., restrictions or technological or process requirements regarding the Processing—processing of data), cybersecurity (e. g., requirements for the protection of personal data against compromise of the confidentiality, integrity, or availability of personal data), breach notification, data governance, and risk management and reporting including as relevant to use of certain AI- based systems and solutions. These laws can vary substantially from jurisdiction to jurisdiction, and are rapidly evolving. Domestic and international government authorities are considering adopting, or may adopt, laws and regulations in the future, regarding the Processing—processing of personal data obtained from consumers and individuals. Government authorities and, in some cases, private party litigants could pursue claims against us or our customers. In these types of actions, the plaintiff may seek damages, statutory penalties, costs and / or attorneys' fees. In the U. S., there are numerous federal and state laws governing the privacy and security of personal data, and the use of personal data to train artificial intelligence. For instance, we may be subject to FTC enforcement actions if the FTC has reason to believe we have engaged in unfair or deceptive privacy or data security practices in violation of the FTC Act. There are also state privacy laws, including the California Consumer Privacy Act, or CCPA, the California Privacy Rights Act, or CPRA, among several the other state laws Colorado Privacy Act, or CPA, the Connecticut Data Privacy Act, or CDPA, the Utah Consumer Privacy Act, or UCPA, and the Virginia Consumer Data Protection Act, or VCDPA, that set forth comprehensive privacy obligations regarding the Processing—processing of personal data, which relevant State Attorney General or other state regulatory bodies can enforce. Other We expect additional states to have recently enacted-- enact their own versions of data privacy laws, and we expect this trend to continue. Some states also have enacted privacy laws focusing on particular types of information, such as health or biometric information, including Connecticut, Illinois, Nevada, and Washington, and private party litigants are exploring whether state wiretap laws such as the California Invasion of Privacy Act, statutory invasion of privacy, and common law claims may be used to pursue privacy causes of action. Moreover, data protection laws and regulations outside the United States, including Brazil, Canada, China, Japan, Russia, Singapore, the United Kingdom and particularly in the EU, often are on certain issues can be more restrictive than those in the United States. Such laws and regulations may have more stringent compliance obligations in regards to data protection, including. While some aspects of these the extent laws are similar to which the new U. S. state privacy laws in terms of providing for data subject privacy rights of access, deletion, correction, and portability, the EU laws often require affirmative consent for some types of data processing is required, and broader requirements for when a company must inform-- inform data protection authorities and individuals of security breaches that affect their personal data. We also may be bound by additional, more stringent contractual obligations relating to our collection, use, disclosure and data transfers of personal, financial, and other data outside the EU. It is possible that a governmental authority may implement a new law or interpret an existing law in a manner that limits our customers' ability to use our solution or that requires us to make costly or detrimental changes in our solution and services, whether on a one- time basis or as an ongoing increase in our operating costs and expenses. Further, some laws might require us to disclose proprietary or confidential aspects of our solution in a manner that compromises the effectiveness of our solution or that enables our competitors or bad actors to gain insight into the operation of our technology, enabling them to copy or circumvent our solution and thereby reducing the value of our technology. The costs of compliance with, and other burdens

imposed by, such laws and regulations that are applicable to us and the businesses of our ~~clients~~ **customers** may limit the use and adoption of our solution and reduce overall demand for our solution. Also, failure to comply with such laws may lead to significant fines, penalties or other regulatory liabilities, such as orders or consent decrees forcing us or our ~~clients~~ **customers** to modify business practices, and reputational damage or third-party lawsuits for any noncompliance with such laws. Our business could be harmed if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent from country to country and inconsistent with our current policies and practices, or those of our ~~clients~~ **customers**. Furthermore, data privacy and protection concerns may cause consumers to resist providing personal data or other types of protected data that may be subject to laws and regulations that is necessary to allow our ~~clients~~ **customers** to use our solution effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our solution in certain industries or countries. The European Union's GDPR may continue to increase our costs and the costs of our ~~clients~~ **customers** to operate, limit the use of our solution or change the way we operate, exposes us to substantial fines and penalties if we fail to comply, and has led to similar laws being enacted in other jurisdictions. We and many of our customers are subject to the GDPR based upon our processing of personal data collected from EU data subjects, such as our processing of personal data of our customers in the EU and our processing of our EU employees' personal data. The GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and onerous new obligations on services providers. Non-compliance with the GDPR can trigger steep fines of up to € 20 million or 4 % of total worldwide annual turnover, whichever is higher. The member states of the EU were tasked under the GDPR to enact certain implementing legislation that would add to or further interpret the GDPR requirements, and this additional implementing legislation potentially extends our obligations and potential liability for failing to meet such obligations. Given the breadth and depth of changes in data protection obligations, our compliance with the GDPR's requirements will continue to require time, resources and review of the technology and systems we use to satisfy the GDPR's requirements. We have ongoing procedures to maintain GDPR compliance. We continue to deliver product features that enhance our data management and security in support of GDPR compliance. Among the compliance obligations the GDPR raises for us and our customers are requirements regarding the transfer of personal data from the EU to other jurisdictions, including the United States. We continue to rely on Standard Contractual Clauses, or SCCs, and have updated our ~~use of~~ use of SCCs to the EU's latest versions, as well as separate U. S. versions of the SCCs. Even still, there continue to be EU legal decisions and certain regulatory guidance that cast doubt on the legality of EU- U. S. data flows in general. Any inability to transfer personal data from the EU to the U. S. in compliance with data protection laws may impede our ability to attract and retain customers and adversely affect our business and financial position. As a result, it may be necessary to establish additional systems and business operations in the EU to avoid the transfer of personal data out of the EU. Should a change in the conduct of our business be required, it may involve substantial expense and the diversion of resources from other aspects of our business, all of which may harm our business and results of operations. Jurisdictions outside of the EU are also considering and / or enacting comprehensive data protection legislation. For example, ~~on July 8, 2019, Brazil enacted~~ the General Data Protection Law **in Brazil**, or the LGPD, and ~~the on June 5, 2020, Japan~~ **Japanese** ~~passed amendments to its~~ Act on the Protection of Personal Information, or the APPI, ~~Both laws~~ broadly regulate the processing of personal information in a manner comparable to the GDPR, and violators of the LGPD and APPI face substantial penalties. Most recently, India enacted the Digital Personal Data Protection Act, 2023, which establishes a legal framework regulating the processing of personal data in India and processing outside of India if it is related to offering goods or services to individuals in India. The law is comparable to GDPR in many ways, but also has some distinct elements, which forthcoming regulations may further clarify. ~~We also continue to see jurisdictions, such as Russia, imposing data localization laws, which under Russian laws require personal information of Russian citizens to be, among other data processing operations, initially collected, stored, and modified in Russia.~~ Similarly, ~~on November 1, 2021,~~ China's Personal Information Protection Law ~~came into effect, which~~ places restrictions on the transfer of personal information to third parties within China or overseas. These regulations may deter customers from using services such as ours, and may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant financial burden. The GDPR and other laws or regulations associated with the enhanced protection of certain types of personal data ~~could~~ greatly increase our cost of providing our solutions and services, require significant changes to our operations or even prevent us from offering certain services in jurisdictions in which we operate. Failure to comply with data protection regulations may result in data protection authorities and other privacy regimes imposing additional obligations to obtain consent from data subjects by or on behalf of our customers. Additionally, the inability to guarantee compliance or otherwise provide acceptable privacy assurances may inhibit the sale and use of our software in the EU and certain other markets, which could, were it to occur, harm our business and operating results. Because the interpretation and application of many privacy and data protection laws (including the GDPR), commercial frameworks, and standards are uncertain, it is possible that these laws, frameworks, and standards may be interpreted and applied in a manner that is inconsistent with our existing data protection practices. If so, we and our customers are at risk of enforcement actions taken by data protection authorities or litigation from consumer advocacy groups acting on behalf of data subjects. In addition to the possibility of fines, lawsuits, breach of contract claims, and other claims and penalties, we could be required to fundamentally change our business activities and practices or modify our solutions, which could have an adverse effect on our business. Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable privacy and security or data security laws, regulations, and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business. U. S. state privacy laws, ~~including the CCPA, CPA, CTDPA, UCPA and VCDPA~~ could increase our costs and the costs of our ~~clients~~ **customers** to operate, limit the use of our solution or change the way we operate, and expose us to substantial fines and class action risk if we fail to comply, and lead to similar laws being enacted in other states. **State** ~~The CCPA, CPA, CTDPA, UCPA, VCDPA, and other~~ privacy laws in the

United States apply to certain entities doing business in ~~such their~~ states, and we and our qualifying customers were required to comply with applicable requirements as of the effective dates of the applicable state laws or corresponding regulations. The U. S. state privacy laws establish a privacy framework for covered businesses by creating an expanded definition of personal data and creating new data privacy rights for eligible residents in those states, including the right to the right to access, delete or correct such data, the right to opt out of sales or use of their personal data for targeted advertising or profiling purposes, **the right to request a list of third parties to whom the company sells personal data**, the right to limit the use and disclosure of their sensitive personal data and the right to be free from discrimination for exercising their rights. Eligible residents of those states may also appeal any decision or indecision related to the exercise of any of their data privacy rights. As required by the statutes, covered entities also have disclosure obligations to consumers for whom they collect or process personal data. Complying with these obligations involves continued expenditures that could increase as more consumers exercise their privacy law rights, **and as more laws are enacted that vary from each other in material ways**. The U. S. state privacy laws create new and potentially severe statutory damages frameworks for violations of their provisions. Additionally, the CCPA creates a private right of action for consumers whose personal data is subject to a data breach. This private right of action has the potential to create significant class action liability for businesses, like ours, that operate in California. To protect against these new risks, it may be necessary to change our insurance programs **and there is no guarantee that such coverage will be sufficient to address costs, liabilities and damages we may incur in connection with a such liability or that such coverage will continue to be available on commercially reasonable terms or at all**. The effects of the U. S. state privacy laws are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and / or litigation. We anticipate that more states may enact their own comprehensive or subject matter specific privacy **and AI- focused** legislation and provide consumers with new privacy rights and increases the privacy and security obligations of entities handling certain personal data of such consumers. These laws have prompted a number of proposals for new federal and state- level privacy legislation, and related legislation affecting the use of certain types of AI- based systems and services. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs and / or changes in business practices and policies. Risks Related to Ownership of Our Convertible Senior Notes Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness, and we may not have the ability to raise the funds necessary to settle conversions of the convertible senior notes in cash or to repurchase the convertible senior notes for cash upon a fundamental change, which could adversely affect our business and results of operations. In May and June 2020, we issued \$ 747. 5 million in aggregate principal amount of the 2025 convertible senior notes in a private offering, ~~all \$ 434. 4 million~~ of which ~~were was~~ outstanding as of December 31, ~~2023~~ **2024**. The 2025 convertible senior notes mature on June 1, 2025, and the interest rate of the 2025 convertible senior notes is fixed at 0. 500 % per annum, payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2020. **We currently plan to use cash to settle amounts due under our convertible senior notes that mature on June 1, 2025. In March 2024, we issued \$ 747. 5 million in aggregate principal amount of the 2029 senior notes in a private offering, all of which were outstanding as of December 31, 2024. The 2029 convertible senior notes mature on March 15, 2029, and the interest rate of the 2029 convertible senior notes is fixed at 1. 000 % per annum, payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2024.** Our ability to make scheduled payments of principal and interest, ~~under or our~~ **to refinance our indebtedness, including the 2025 convertible senior notes and our 2029 convertible senior notes, or to refinance such indebtedness**, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control, including those described in this report. Our business may not generate cash flows from operations in the future that are sufficient to service our ~~debt indebtedness~~ and make necessary capital expenditures. If we are unable to generate sufficient cash flows, we may be required to pursue one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive to existing holders of our common stock. Our ability to obtain additional financing or refinance the 2025 convertible senior notes, **the 2029 convertible senior notes** or any future indebtedness, will depend on conditions in the capital markets and our financial condition at such time, among other factors. We may not be able to engage in any of these activities on favorable terms or at all, which could result in a default on our debt obligations or other material adverse effects on our business and financial condition. Subject to certain conditions, holders of the ~~2025~~ convertible senior notes have the right to require us to repurchase for cash all or any portion of their ~~2025~~ convertible senior notes upon the occurrence of a fundamental change (as defined in the ~~indenture~~ **indentures** governing the 2025 **convertible senior notes and the 2029** convertible senior notes) at a fundamental change repurchase price equal to 100 % of the principal amount of the ~~2025~~ convertible senior notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable fundamental change repurchase date. Upon conversion of the ~~2025~~ convertible senior notes in accordance with their terms, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to settle a portion or all of our conversion obligation through the payment of cash. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases in connection with such conversion and our ability to pay may be further limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase any ~~2025~~ convertible senior notes at a time when the repurchase is required by the **applicable** indenture or to pay any cash payable on any future conversions as required by ~~the such~~ indenture would constitute a default under ~~the such~~ indenture. A default under the **applicable** indenture would lead to, and the occurrence of the fundamental change itself may also lead to, a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods,

we may not have sufficient funds to repay the indebtedness or repurchase the 2025-convertible senior notes when required, or to make cash payments upon conversions thereof. If triggered, the conditional conversion ~~feature~~ **features** of the 2025-convertible senior notes may adversely affect our financial condition and operating results. If and to the extent the conditional conversion ~~feature~~ **features** of ~~either our~~ **or 2025-both series of our** convertible senior notes ~~is~~ **are** triggered, holders of ~~such the~~ **2025** convertible senior notes will be entitled to convert their 2025-convertible senior notes at any time during specified periods at their option. During the three months ended December 31, ~~2023-2024~~, the conversion features of the 2025 convertible senior notes were not triggered. Accordingly, holders of the 2025 convertible senior notes are not entitled to convert their convertible senior notes from January 1, ~~2024-2025~~ to March 31, ~~2025~~ **under this conditional conversion feature. However, on or after March 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2025 convertible senior notes, in multiples of \$ 1,000 principal amount, at the option of the holder regardless of the foregoing circumstances. During the three months ended December 31, 2024, the conversion features of the 2029 convertible senior notes were not triggered. Accordingly, holders of the 2029 convertible senior notes are not entitled to convert their convertible senior notes from January 1, 2025 to March 31, 2025**.

. Whether the ~~2025-2029~~ convertible senior notes will be convertible after March 31, ~~2024-2025~~ will depend on the satisfaction of the **applicable** conversion conditions. To the extent that the conditional conversion features of ~~the 2025-~~ **either or both series of our** convertible senior notes are triggered in the future, holders of ~~such the~~ **2025-**convertible senior notes will be entitled to convert their 2025-convertible senior notes at any time during the specified periods at their option. If one or more holders elect to convert their 2025-convertible senior notes during any such specified period, we have the option to pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. Any election to settle conversions of 2025-convertible senior notes with cash could adversely affect our liquidity. Transactions relating to the 2025-convertible senior notes may dilute the ownership interests of our existing stockholders or adversely affect the market price of our common stock; the trading price of our 2025-convertible senior notes may be affected by volatility in the price of our common stock. The conversion of some or all of the 2025-convertible senior notes would dilute the ownership interests of our existing stockholders to the extent we satisfy our conversion obligation by delivering shares of our common stock. In this regard, if holders of the 2025-convertible senior notes elect to convert their notes, we may settle our conversion obligations by delivering to them cash, shares of our common stock or a combination thereof. In addition, we may issue shares of our common stock in connection with repurchases, exchanges or other transactions involving the convertible senior notes. Historically, we have elected to satisfy our convertible senior note conversion obligations through the payment of cash in certain circumstances, the issuance of shares of common stock in other circumstances, or a combination thereof, to such convertible senior note holders. See **Part II, Item 7-2**, Management's Discussion and Analysis of Financial Condition and Results of Operation — **Liquidity and Capital Resources**, for further discussion of our elections to satisfy our conversion obligations. ~~In addition, in connection with the issuance of the 2025 convertible senior notes, we entered into capped call transactions with certain financial institutions, or the Option Counterparties. The capped call transactions are expected generally to reduce the potential dilution to holders of our common stock upon any conversion or settlement of the 2025 convertible notes and / or offset any cash payments we are required to make in excess of the principal amount of such 2025 convertible senior notes, as the case may be, with such reduction and / or offset subject to a cap under the terms of the capped call transactions. We expect that the Option Counterparties or their respective affiliates may from time to time purchase shares of our common stock and / or enter into various derivative transactions with respect to our common stock in connection with their hedging activities relating to the capped call transactions. The Option Counterparties or their respective affiliates also may modify their hedge positions by entering into or unwinding such derivative transactions and / or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the applicable maturity of the 2025 convertible senior notes. These activities could negatively affect the market price of our common stock. Volatility and declines in the trading price of our common stock may result in decreases in the trading prices of our 2025 convertible senior notes. Our 2025 convertible senior notes do not trade in a liquid market and are thus subject to increased volatility, particularly when our common stock price is volatile.~~ **General Risk Factors** The market price of our common stock has been volatile in the past and may fluctuate significantly in the future in response to numerous factors, many of which are beyond our control. During the twelve months ended December 31, 2023, the sale price per share of our common stock ranged from a low of \$ 51.50 to a high of \$ 87.94. Factors that may contribute to continuing volatility in the price of our common stock include: • actual or anticipated fluctuations or declines in our operating results; • the impact of adverse economic conditions, including the impact of macroeconomic deterioration, including continued inflation, increased interest rates, supply chain disruptions, decreased economic output and fluctuations in currency rates, the impact of the Russia-Ukraine conflict, the impact of the conflict in Israel, or other factors; • loss of clients or a reduction, or slower growth, in subscriptions or features subscribed to by our existing clients; • any major change in our board of directors or management; • the financial projections we provide to the public, any changes in these projections, our failure to meet these projections, or our failure to exceed these projections by amounts or percentages expected by our investors and analysts; • failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors; • ratings changes by any securities analysts who follow our company; • sales of our common stock (or securities that convert into our common stock) by us or sales by our significant stockholders, or the public announcement of same; • the assessment of our business or position in our market published in research and other reports; • announcements by us or our competitors of significant product or technical innovations, financings, acquisitions, strategic partnerships, joint ventures or capital commitments; • entry into the market by new competitors, or the introduction of new products or the generation of new sales by us or our competitors; • changes in operating performance and stock market valuations of other technology companies generally, or those in the software as a service industry in particular; • price and volume fluctuations in the overall stock market, including as a result of trends in the U-

S. or global economy; • lawsuits threatened or filed against us; • security breaches or incidents impacting our clients or their customers and security breaches of companies that provide solutions similar to our solution, which could negatively impact our industry as a whole; • legislation or regulation of our business, the business of our clients, the internet and/or contact centers; • new entrants into and consolidations of the contact center market, including the transition by providers of legacy on-premise contact center systems to cloud solutions; • acquisitions by us or our competitors, and our ability to effectively integrate and achieve the desired benefits from acquisitions by us; • the perceived or real impact of events that harm our competitors; • loss of key personnel; • developments with respect to patents or proprietary rights; and • other events or factors, including those resulting from war, incidents of terrorism or responses to these events, which would be unrelated to our business and industry, and outside of our control. In addition, stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies, particularly in connection with the continued macroeconomic deterioration, including continued inflation, increased interest rates, supply chain disruptions, decreased economic output and fluctuations in currency rates, the Russia-Ukraine conflict and the conflict in Israel. Stock prices of many technology companies have recently declined, including in some cases in a manner unrelated or disproportionate to the operating performance of those companies. These and other factors may disproportionately impact the trading price of our common stock. In the past, stockholders have instituted securities class action litigation following periods of volatility. If we were to become involved in such securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and harm our business, results of operations, financial condition, reputation and cash flows. If securities or industry analysts discontinue publishing research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline. The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business, our industry, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares or our business, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in financial markets or our industry market, which could cause our share price or trading volume to decline. Substantial future sales of shares of our common stock could cause the market price of our common stock and our convertible senior notes to decline. The market price of shares of our common stock and our convertible senior notes could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders or the perception in the market that holders of a large number of shares intend to sell their shares. The future registration of shares of our common stock may cause our stock price and the price of our convertible senior notes to decline, even before such shares are actually sold in the market. We have registered shares of common stock that we may issue under our employee equity incentive plans. These shares can be sold freely in the public market upon issuance. We are unable to predict the effect that sales, or the perception that our shares may be available for sale, will have on the prevailing market price of our common stock. Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock. Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws: • provide that our board of directors is classified into three classes of directors; • provide that stockholders may remove directors only for cause; • provide that the authorized number of directors may be changed only by resolution of the board of directors; • provide that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum; • provide that our stockholders may not take action by written consent, and may only take action at annual or special meetings of our stockholders; • provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a stockholder's notice; • restrict the forum for certain litigation against us to Delaware; • restrict the forum for complaints asserting a cause of action under the Securities Act to the federal district courts; • do not provide for cumulative voting rights (therefore allowing the holders of a majority of the shares of common stock entitled to vote in any election of directors to elect all of the directors standing for election); • provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer or the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors; and • provide that stockholders will be permitted to amend our amended and restated bylaws and certain parts of our amended and restated certificate of incorporation only upon receiving at least 66 2/3 % of the votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for you to realize value in a corporate transaction. Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for certain disputes between us and our stockholders, and our Bylaws provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action under the Securities Act, each of which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents. Our amended and restated certificate of incorporation provides that, unless we consent to the selection of an alternative

forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (3) any action asserting a claim arising pursuant to the Delaware General Corporation Law or (4) any action asserting a claim governed by the internal affairs doctrine. Furthermore, our Bylaws provide that, unless we consent in writing to an alternative forum, the federal district courts of the United States are the sole and exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act. These choice of forum provisions 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, employees, or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. Stockholders who do bring a claim in the Court of Chancery could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near the State of Delaware. The Court of Chancery or federal district courts may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find either of these choice of forum provisions to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition. We have never paid cash dividends and do not intend to pay dividends for the foreseeable future. We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, including under any future loan facilities, general business conditions and other factors that our board of directors may deem relevant. While our convertible senior notes do not prohibit payment of dividends, any dividends declared and paid by our board of directors would result in an adjustment to the conversion rate of such notes such that additional shares would be issuable upon conversion. Accordingly, holders of our common stock must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.