Risk Factors Comparison 2024-02-16 to 2023-02-28 Form: 10-K

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

As of December 31, ~~2022~~ **2023** , we had ~~964~~ **974** employees in our international operations, representing approximately 72 % of our worldwide workforce ~~. In recent years, we have expanded our international operations significantly~~ . Our ability to manage our business effectively in the future, including with respect to any future growth, our operation as both a hardware and increasingly software- and SaaS- centric business, the integration of any acquisition efforts ~~such as our acquisition of TVN~~ , and the breadth of our international operations, will require us to train, motivate and manage our employees successfully, to attract and integrate new employees into our overall operations, to retain key employees and to continue to improve and evolve our operational, financial and management systems. There can be no assurance that we will be successful in any of these efforts, and our failure to effectively manage our operations could have a material and adverse effect on our business, operating results, cash flows and financial condition. We face risks associated with having facilities and employees located in Israel. As of December 31, ~~2022~~ **2023** , we maintained facilities in Israel with a total of ~~251~~ **255** employees, or approximately 19 % of our worldwide workforce. Our employees in Israel engage in a number of activities, for both our **Broadband and** Video ~~and Broadband~~ business segments, including research and development, product development, product management, supply chain management for certain product lines and sales activities. As such, we are directly affected by the political, economic and military conditions affecting Israel **, such as the ongoing Hamas- Israel conflict** . Any significant conflict involving Israel could have a direct effect on our business ~~or that of our Israeli contract manufacturers~~ , in the form of physical damage or injury, restrictions from traveling or reluctance to travel to from or within Israel by our Israeli and other employees or those of our subcontractors, or the loss of Israeli employees to active military duty. Most of our employees in Israel are currently obligated to perform annual reserve duty in the Israel Defense Forces, and approximately ~~8~~ **14** % of those employees were called for active military duty in ~~2022~~ **2023** . ~~In~~ **Approximately 10 % of our employees in Israel have been called for military duty in connection with the Hamas- Israel conflict and in** the event that more of our employees are called to active duty, certain of our research and development **, product development and other** activities may be significantly delayed and adversely affected. Further, the interruption or curtailment of trade between Israel and its trading partners, as a result of terrorist attacks or hostilities, conflicts between Israel and any other Middle Eastern country or organization, or any other cause, could significantly harm our business. Additionally, current or future tensions or conflicts in the Middle East **, such as the ongoing Hamas- Israel conflict,** could materially and adversely affect our business, operating results, financial condition and cash flows. In order to manage our growth, we must be successful in addressing management succession issues and attracting and retaining qualified personnel. Our future success will depend, to a significant extent, on the ability of our management to operate effectively, both individually and as a group. We must successfully manage transition and replacement issues that may result from the departure or retirement of members of our executive management. For example, our **former** Chief Financial Officer ~~recently~~ announced his decision to resign **in** ~~effective as of~~ March ~~3,~~ 2023 and we ~~have~~ appointed ~~an interim~~ **our current** Chief Financial Officer **in May 2023** ~~while we conduct a search for a permanent successor~~ . Any significant leadership change or senior management transition involves inherent risks and any failure to ensure timely and suitable replacements and smooth transition could hinder our strategic planning, business execution, and future performance. We cannot provide assurances that any current or future changes of management personnel in the future will not cause disruption to operations or customer relationships or a decline in our operating results. We are also dependent on our ability to retain and motivate our existing highly qualified personnel, in addition to attracting new highly qualified personnel. Competition for qualified management, technical and other personnel is often intense, particularly in Silicon Valley, Israel and Hong Kong where we have significant research and development activities, and we may not be successful in attracting and retaining such personnel. Competitors and others have in the past attempted, and are likely in the future to attempt, to recruit our employees. While our employees are required to sign standard agreements concerning confidentiality, non- solicitation and ownership of inventions, other than in Israel, we generally do not have non-competition agreements with our personnel. The loss of the services of any of our key personnel, the inability to attract or retain highly qualified personnel in the future or delays in hiring such personnel, particularly senior management and engineers and other technical personnel, could negatively affect our business and operating results ~~. We may need to increase our existing compensation levels in certain markets or for certain roles in response to competition, rising inflation or labor shortages, which may increase our operating costs~~ . Furthermore, a certain portion of our personnel in the United States is comprised of foreign nationals whose ability to work for us depends on obtaining the necessary visas. Our ability to hire and retain foreign nationals in the United States, and their ability to remain and work in the United States, is affected by various laws and regulations, including limitations on the availability of visas. Changes in U. S. laws or regulations affecting the availability of visas have, and may continue to adversely affect, our ability to hire or retain key personnel and as a result may impair our operations. Our products include third- party technology and intellectual property, and our inability to acquire new technologies or use third-party technology in the future could harm our business. In order to successfully develop and market certain of our planned products, we may be required to enter into technology development or licensing agreements with third parties. Although companies with technology useful to us are often willing to enter into technology development or licensing agreements with respect to such technology, we cannot provide assurances that such agreements may be negotiated on commercially reasonable terms, or at all. The failure to enter, or a delay in entering, into such technology development or licensing agreements, when necessary or desirable, could limit our ability to develop and market new products and could materially and adversely affect our business. We incorporate certain third- party technologies, including software programs, into our products, and, as noted, intend to utilize additional third- party technologies in the future. In addition, the technologies that we license may not operate properly or as specified, and we may not be able to secure alternatives in a timely manner, either of which could harm our business. We could face delays in product releases until alternative technology can be identified, licensed or developed, and integrated into our products, if we are able to do so at all. These delays, or a failure to secure or develop adequate technology, could materially and adversely affect our business, operating results, financial condition and cash flows. Cybersecurity incidents, including data security breaches or computer viruses, could harm our business by disrupting our business operations, compromising our products and services, damaging our reputation or exposing us to liability. Cyber criminals and hackers may attempt to penetrate our network security, **or the network security of third parties we work with, including our third- party vendors, service providers, manufacturers, solution providers, partners and consultants,** misappropriate our proprietary information or cause business interruptions **, or access or misappropriate other sensitive data** . Because the techniques used by such computer programmers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In the past, we **and relevant third parties** have faced compromises to our network security, ~~and~~ **though no prior incidents we have identified to date have materially affected our business, results of operations or financial condition.** ~~companies~~ **Companies** are facing additional attacks as workforces have become more distributed as a result of remote and hybrid working arrangements ~~stemming from~~ **. Additionally, geopolitical events such as** the ~~COVID~~ **Hamas** - ~~19 pandemic~~ **Israel and Russia- Ukraine conflicts may increase the cybersecurity risks we and the third parties we work with face. Our business operations utilize and rely upon numerous third- party vendors, service providers, manufacturers, solution providers, partners and consultants, and any failure of such third parties' cybersecurity measures could materially and adversely affect or disrupt our business** . While we have invested in and continue to update our network security and cybersecurity infrastructure and systems, if our cybersecurity systems **, or the cybersecurity systems of relevant third parties,** fail to protect against unauthorized access, sophisticated cyber- attacks, phishing schemes, ransomware **and other malicious code** , data protection breaches, computer viruses, denial- of- service attacks ~~and similar~~ **, or** disruptions from unauthorized tampering or human error, our ability to conduct our business effectively could be damaged in a number of ways, including: • our intellectual property and other proprietary data, or financial assets, could be stolen; • our ability to manage and conduct our business operations could be seriously disrupted; • defects and security vulnerabilities could be introduced into our product, software and SaaS offerings, thereby damaging the reputation and perceived reliability and security of our products; and • **confidential or otherwise sensitive information, including** ~~personally~~ -- **personal** ~~identifiable~~ data of our customers, employees and business partners **,** could be compromised **and lead to unauthorized, unlawful, or accidental access to, or acquisition, use, corruption, loss, destruction, unavailability, alteration or dissemination of, or damage to, such information** . Should any of the above events occur **, or be perceived to have occurred** , our reputation, competitive position and business could be significantly harmed, and we could be subject to claims ~~for liability~~ **, demands and litigation** from customers, third parties **,** and **other individuals and groups, and investigations or other proceedings by** governmental authorities **, and may be subject to fines, penalties, damages, and other liabilities** . Additionally, we could incur significant costs in order to upgrade our cybersecurity systems and remediate damages **and otherwise respond to the incident** . Consequently, our business, operating results, financial condition and cash flows could be materially and adversely affected. **We may not have applicable or otherwise adequate insurance to protect us from, or adequately mitigate, liabilities or damages resulting from security breaches or incidents. The successful assertion of one or more large claims against us that exceeds any available insurance coverage that we might have, or results in changes to insurance policies (including premium increases or the imposition of large deductible or co- insurance requirements), could have an adverse effect on our business.** In addition, **we cannot be sure that insurance coverage will be available on acceptable terms** ~~our~~ - **or that insurers will not deny coverage as to** ~~business operations utilize and rely upon numerous third- party vendors, manufacturers, solution providers, partners and consultants, and~~ any **future claim** ~~failure of such third parties' cybersecurity measures could materially and adversely affect or disrupt our business~~ . Our operating results could be adversely affected by natural disasters affecting us or impacting our third- party manufacturers, suppliers, resellers or customers. Our corporate headquarters is located in California, which is prone to earthquakes. In addition, climate change is contributing to an increase in erratic weather patterns globally and intensifying the impact of certain types of catastrophes, such as floods, wildfires and droughts. We have employees, consultants and contractors located in regions and countries around the world. In the event that any of our business, sales or research and development centers or offices in the United States or internationally are adversely affected by an earthquake, flood, wildfire or by any other natural disaster, we may sustain damage to our operations and properties, which could cause a sustained interruption or loss of affected operations, and cause us to suffer significant financial losses. We rely on third- party contract manufacturers for the production of our products. Any significant disruption in the business or operations of such manufacturers or of their or our suppliers could adversely impact our business. Our principal contract manufacturers and several of their and our suppliers and our resellers have operations in locations that are subject to natural disasters, such as severe weather, tsunamis, floods, fires and earthquakes, which could disrupt their operations and, in turn, our operations. In addition, if there is a natural disaster in any of the locations in which our significant customers are located, we face the risk that our customers may incur losses or sustained business interruption, or both, which may materially impair their ability to continue their purchase of products from us. Accordingly, natural disaster in one of the geographies in which we, or our third- party manufacturers, their or our suppliers or our customers, operate could have a material and adverse effect on our business, operating results, cash flows and financial condition. Financial, Transactional and Tax Risks We may need additional capital in the future and may not be able to secure adequate funds at all or on terms acceptable to us. We engage in the design, development and manufacture and sale of a variety of video and broadband products and system solutions, which has required, and will continue to require, significant research and development expenditures. We are monitoring and managing our cash position in light of ongoing market conditions due to

~~COVID~~ **the volatility and uncertainty in the banking and financial services sector, the Hamas** - **Israel and** ~~19, the~~ Russia-Ukraine ~~conflict~~ **conflicts ,** and related macroeconomic conditions. We believe that our existing cash of approximately $ ~~89~~ **84** . ~~6~~ **3** million at December 31, ~~2022~~ **2023** will satisfy our cash requirements for at least the next 12 months. However, we may need to raise additional funds to take advantage of presently unanticipated strategic opportunities, satisfy our other cash requirements from time to time, or strengthen our financial position. Our ability to raise funds may be adversely affected by a number of factors, including factors beyond our control, such as weakness in the economic conditions in markets in which we sell our products **, bank failures** and continued uncertainty in financial, capital and credit markets. There can be no assurance that equity or debt financing will be available to us on reasonable terms, if at all, when and if it is needed. We may raise additional financing through public or private equity or convertible debt offerings, debt financings, or corporate partnership or licensing arrangements. To the extent we raise additional capital by issuing equity securities or convertible debt, our stockholders may experience dilution, and any new equity or convertible debt securities we issue could have rights, preferences, and privileges superior to holders of our common stock. Further, volatility in equity capital markets may adversely affect market prices of our common stock. This may materially and adversely affect our ability to raise additional capital through public or private equity offerings. To the extent that we raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to our technologies or products, or grant licenses on terms that are not favorable to us. **Our current debt agreements and any** ~~To the extent we raise capital through~~ debt financing **that** ~~arrangements,~~ we **secure in the future require or** may ~~be required~~ - **require us** to pledge assets or enter into covenants that could restrict our operations or our ability to incur further indebtedness and the interest on such debt may adversely affect our operating results. Further, rising interest rates **and tightening credit markets** may reduce our access to debt financing, which may adversely affect our future business plans and expected growth, and would increase the cost of long- term fixed rate and short- term variable rate borrowings, which could reduce our earnings. If adequate capital is not available, or is not available on reasonable terms, when needed, we may not be able to take advantage of ~~acquisition~~ **acquisitions** or other market opportunities, to timely develop new products, or to otherwise respond to competitive pressures **. Our Credit Agreement imposes operating and financial restrictions on us. On December 21, 2023, we entered into a Credit Agreement, among the Company, certain subsidiaries of the Company from time to time party thereto, the lenders party thereto from time to time and Citibank, N. A., as administrative agent (the " Credit Agreement "). The obligations under the Credit Agreement and the other loan documents are required to be guaranteed by certain of our material subsidiaries, and secured by substantially all of the assets of the Company and such subsidiary guarantors. The Credit Agreement provides for a $ 120. 0 million secured revolving loan facility (the " Revolving Facility "), with a $ 10. 0 million sublimit for the issuance of letters of credit, and a $ 40. 0 million secured delayed draw term loan facility (the " Term Facility "). The proceeds of the loans under the Revolving Facility may be used for general corporate purposes. To the extent drawn, the proceeds of the loans under the Term Facility must be used to repurchase, redeem, acquire or otherwise settle our Notes (as defined below). We may borrow term loans in up to three drawings through September 1, 2024, on which date any undrawn commitments under the Term Facility expire. As of December 31, 2023, there were no borrowings and approximately $ 0. 2 million of letters of credit outstanding under the Credit Agreement. Our Credit Agreement contains covenants that limit our ability and the ability of our subsidiaries to, subject to certain limitations and exceptions: • grant liens; • incur debt; • make acquisitions and other investments; • undergo certain fundamental changes; • dispose of assets; • make certain restricted payments; • enter into transactions with affiliates; and • enter into burdensome agreements. Further, the Credit Agreement contains financial covenants that require compliance with a maximum consolidated net leverage ratio and minimum fixed charge coverage ratio, in each case, determined in accordance with the terms of the Credit Agreement. These covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities or react to market conditions, or otherwise restrict our activities or business plans. In addition, our obligations to repay principal and interest on our indebtedness could make us vulnerable to economic or market downturns. A breach of any of these covenants could result in an event of default under the Credit Agreement. As of December 31, 2023, we were in compliance with all covenants under the Credit Agreement; however, if an event of default occurs, the lenders may terminate their commitments and accelerate our obligations under the Credit Agreement. Any such acceleration could result in an event of default under the Notes (as defined below). We might not be able to repay our debt or borrow sufficient funds to refinance it on terms that are acceptable to us** . Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including our 2. 00 % Convertible Senior Notes due in 2024 (the " Notes ") **and any amounts borrowed under our Credit Agreement** , or to make cash payments in connection with any conversion of the Notes or in connection with any repurchase of Notes upon the occurrence of a fundamental change before the maturity date at a repurchase price equal to 100 % of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest thereon, as set forth in the indenture governing the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness, including the Notes **,** will depend on **our ability to borrow under the terms of the Credit Agreement,** the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations, including the Notes **and any outstanding loans under the Credit Agreement** . In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes or at their maturity may be limited by law, regulatory authority, or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the indenture governing the Notes or to pay cash upon conversions of the Notes or at their maturity as required by the indenture governing the Notes would constitute a default under the indenture. A default ~~under the indenture~~, or the **occurrence of a** fundamental change ~~itself~~ **or change of control, as applicable, under the indenture governing the Notes**, could also lead to a **potential** default under agreements governing our future indebtedness. Moreover, the occurrence of a fundamental change **or change of control, as applicable,** under the indenture governing the Notes could **itself** constitute an event of default under any such ~~agreement~~ **indenture**. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods **, or if we are unable to borrow under our Credit Agreement to refinance the Notes**, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof. Despite our current debt levels, we may still incur substantially more debt or take other actions which would intensify the risks discussed above. Despite our current consolidated debt levels, we and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the Notes that could have the effect of diminishing our ability to make payments on our debt (including the Notes) when due. In addition, ~~the~~ **our** Credit Agreement ~~we entered into with JPMorgan Chase Bank, N. A., as lender, and Harmonic International GmbH, as co- borrower, on December 19, 2019 and most recently amended in October 2022,~~ permits us to incur certain additional indebtedness and grant certain liens on our assets **, subject to limitations and requirements as set forth in the Credit Agreement,** that could intensify the risks discussed above. ~~The conditional conversion~~ **Conversions** ~~feature~~ of the Notes ~~, if triggered,~~ **in connection with our delivery of the Notice of Redemption (as defined below)** may adversely affect our financial condition and operating results. ~~In~~ **On January 30, 2024, we issued a notice (** the ~~event~~ **" Notice of Redemption ") to redeem all of** the **outstanding principal** ~~conditional conversion feature~~ of the Notes ~~is triggered~~ **pursuant to the terms of the indenture governing the Notes at a redemption price equal to 100 % of the principal amount of the Notes to be redeemed plus accrued and unpaid interest to, but excluding, April 18, 2024 (the " Redemption Date "). As a result of our delivery of the Notice of Redemption**, holders of **the** Notes **called for redemption** will be entitled under the indenture governing the Notes to convert ~~the~~ **their** Notes **at their option** at any time ~~during specified periods~~ **prior to the close of business on April 16, 2024 in accordance with such indenture** at **a conversion rate of 118. 0550 shares (inclusive of Additional Shares, as defined in such indenture) of our common stock per $ 1, 000 principal amount of** ~~their~~ -- **the** ~~option~~ **Notes converted**. **We have elected** ~~During the fourth quarter of fiscal 2021, the Company made an irrevocable election~~ under the terms of the indenture governing the Notes to settle **any conversions of Notes by paying cash equal to** the principal portion of the Notes **converted** ~~solely with cash~~ and ~~may pay or~~ deliver ~~, as the case may be,~~ any conversion value greater than the principal amount ~~in cash,~~ shares of common stock ~~or a combination thereof, at the Company' s election~~. Accordingly, if one or more holders elect to convert their Notes, we ~~would~~ **will** be required to settle the principal portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity ~~. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long- term liability, which would result in a material reduction of our net working capital~~. We have made, and may continue to make, acquisitions, and any acquisition could disrupt our operations, cause dilution to our stockholders and materially and adversely affect our business, operating results, cash flows and financial condition. As part of our business strategy, from time to time we have acquired, and we may continue to acquire, businesses, technologies, assets and product lines that we believe complement or expand our existing business. Acquisitions involve numerous risks, including the following: • unanticipated costs or delays associated with an acquisition; • difficulties in the assimilation and integration of acquired operations, technologies and / or products; • potential disruption of our business and the diversion of management' s attention from the regular operations of the business during the acquisition process; • the challenges of managing a larger and more geographically widespread operation and product portfolio after the closing of the acquisition; • potential adverse effects on new and existing business relationships with suppliers, contract manufacturers, resellers, partners and customers; • compliance with regulatory requirements, such as local employment regulations and organized labor **requirements** ~~in France~~; • risks associated with entering markets in which we may have no or limited prior experience; • the potential loss of key employees of acquired businesses and our own business as a result of integration; • difficulties in bringing acquired products and businesses into compliance with applicable legal requirements in jurisdictions in which we operate and sell products; • impact of known potential liabilities or unknown liabilities, including litigation and infringement claims, associated with companies we acquire; • substantial charges for acquisition costs or for the amortization of certain purchased intangible assets, deferred stock compensation or similar items; • substantial impairments to goodwill or intangible assets in the event that an acquisition proves to be less valuable than the price we paid for it; • difficulties in establishing and maintaining uniform financial and other standards, controls, procedures and policies; • delays in realizing, or failure to realize, the anticipated benefits of an acquisition; and • the possibility that any acquisition may be viewed negatively by our customers or investors or the financial markets. Competition within our industry for acquisitions of businesses, technologies, assets and product lines has been, and is likely to continue to be, intense. As such, even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or because the target chooses to be acquired by another company. Furthermore, in the event that we are able to identify and consummate any future acquisitions, we may, in each of those acquisitions: • issue equity securities which would dilute current stockholders' percentage ownership; • incur substantial debt to finance the acquisition or assume substantial debt in the acquisition; • incur significant acquisition- related expenses; • assume substantial liabilities, contingent or otherwise; or • expend significant cash. These financing activities or expenditures could materially and adversely affect our operating results, cash flows and financial condition or the price of our common stock. Alternatively, due to difficulties in the capital or credit markets **that may exists** at the time, we may be unable to secure capital necessary to complete an acquisition on reasonable terms, or at all. Moreover, even if we were to obtain benefits from acquisitions in the form of increased revenue and earnings per share, there may be a delay between the time the expenses associated with an acquisition are incurred and the time we recognize such benefits. ~~In addition to the risks outlined above, if we are unable to successfully receive payment of any significant portion of our existing French R & D credit receivables from the French authority as expected, or are unable to successfully apply for or otherwise obtain the financial benefit of new French R & D credits in future years, our ability to achieve the anticipated benefits of the acquisition as well as our business, operating results and financial condition could be adversely affected.~~ As of December 31, ~~2022~~ **2023**, we had approximately $ ~~237~~ **239**. ~~7~~ **2** million of goodwill recorded on our balance sheet associated with prior acquisitions. In the event we determine that our goodwill is impaired, we would be required to write down all or a portion of such goodwill, which could result in a material non- cash charge to our results of operations in the period in which such write- down occurs. If we are unable to successfully address one or more of these risks, our business, operating results, financial condition and cash flows could be materially and adversely affected. We may sell one or more of our product lines, from time to time, as a result of our evaluation of our products and markets, and any such divestiture could adversely affect our continuing business and our expenses, revenues, results of operation, cash flows and financial position. We periodically evaluate our various product lines and may, as a result, consider the divestiture of one or more of those product lines **. Such evaluations, like the current strategic review process for our Video business, may disrupt our business by causing distractions to management, shifts in strategy, decreased employee morale and productivity, and increased turnover**. We have sold product lines in the past, and any prior or future divestiture could adversely affect our continuing business and expenses, revenues, results of operations, cash flows and financial position. Divestitures of product lines have inherent risks, including the expense of selling the product line, the possibility that any anticipated sale will not occur, delays in closing any sale, the risk of lower- than- expected proceeds from the sale of the divested business, unexpected costs associated with the separation of the business to be sold from the seller' s information technology and other operating systems, and potential post- closing claims for indemnification or breach of transition services obligations of the seller. Expected cost savings, which are offset by revenue losses from divested businesses, may also be difficult to achieve or maximize due to the seller' s fixed cost structure, and a seller may experience varying success in reducing fixed costs or transferring liabilities previously associated with the divested business. The nature of our business requires the application of complex revenue and expense recognition rules and the current legislative and regulatory environment affecting generally accepted accounting principles is uncertain. Significant changes in current principles could affect our financial statements going forward and changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and harm our operating results. United States generally accepted accounting principles (" U. S. GAAP ") are subject to interpretation by the Financial Standards Accounting Board (" FASB "), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. We are also subject to evolving rules and regulations of the countries in which we do business. Changes to accounting standards or interpretations thereof may result in different accounting principles under U. S. GAAP that have a significant effect on our reported financial results and require us to incur costs and expenses in order to comply with the updated standards or interpretations. In addition, we have in the past and may in the future need to modify our customer contracts, accounting systems and processes when we adopt future or proposed changes in accounting principles. The cost and effect of these changes may negatively impact our results of operations during the periods of transition. Fluctuations in our future effective tax rates could affect our future operating results, financial condition and cash flows. We are required to periodically review our deferred tax assets and determine whether, based on available evidence, a valuation allowance is necessary. The realization of our deferred tax assets, which are predominantly in the United States, is dependent upon the generation of sufficient U. S. and foreign taxable income in the future to offset these assets. Based on our evaluation, we recorded a net ~~increase~~ **decrease** in valuation allowance of $ **63. 9 million and a net increase of $** 10. 8 million ~~and $ 0. 3 million~~ in **2023 and** 2022 ~~and 2021~~, respectively, against the net deferred tax assets **. In 2023, there was a full release of the valuation allowance against U. S. Federal and certain state deferred tax assets due to improved historical earnings and projected earnings**. There was no valuation allowance release in 2022. ~~The increases in valuation allowance in 2021 was offset by the valuation allowance release of $ 9. 6 million related to deferred taxes for certain foreign jurisdictions. The Company reduced its valuation allowance in 2021 based on continued improved operating results over the past few years and expectations about generating foreign taxable income in the future.~~ Changes in the amount of the valuation allowance in the U. S. and in foreign jurisdictions could result in a material non- cash expense or benefit in the period in which the valuation allowance is adjusted **,** and our results of operations could be materially affected. The calculation of tax liabilities involves dealing with uncertainties in the application of complex global tax regulations. We recognize potential liabilities for anticipated tax audit issues in the U. S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. In the event we determine that it is appropriate to create a reserve or increase an existing reserve for any such potential liabilities, the amount of the additional reserve will be charged as an expense in the period in which it is determined. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. If the estimate of tax liabilities proves to be less than the ultimate tax assessment for the applicable period, a further charge to expense in the period such shortfall is determined would result. Either such charge to expense could have a material and adverse effect on our operating results for the applicable period. Our future effective income tax rates could be adversely affected if tax authorities challenge our international tax structure or if our relative mix of U. S. and international income changes for any reason. Accordingly, there can be no assurance that our effective income tax rate will be less than the U. S. federal statutory rate in future periods. We are subject to taxation- related risks in multiple jurisdictions, and the adoption and interpretation of new tax legislation, tax regulations, tax rulings, or exposure to additional tax liabilities could materially affect our business, financial condition and results of operations. Tax laws are regularly re- examined and evaluated globally. New laws and interpretations of the law are **considered** ~~taken into account~~ for financial statement purposes in the quarter or year that they ~~become applicable~~ **are enacted** . Tax authorities are increasingly scrutinizing the tax positions of multinational companies. If U. S. or other foreign tax authorities change applicable tax laws, or if there is a change in interpretation of existing law, our overall liability could increase, and our business, financial condition and results of operations may be harmed. **For example** ~~In December 2017~~ , **effective** ~~the legislation commonly referred to~~ as **of January 1, 2022,** the Tax Cuts and Jobs Act ~~(the Tax Act) was enacted, which contains significant changes to U. S. tax law, including a reduction in the U. S. corporate tax rate and a transition to a new partial territorial system~~ of **2017 eliminated** ~~taxation. The primary impact of~~ the **option to deduct research and development expenditures currently and** ~~Tax Act on our provision for (benefit from) income taxes was a reduction of the future tax benefits of our deferred tax assets as a result of the reduction in the corporate income tax rate. In addition, as of January 1, 2022, the Tax Act~~ requires **such** ~~research and experimental~~ expenditures ~~attributable to research conducted within the United States~~ to be capitalized and amortized ratably over a five- year period **for domestic** ~~. Any such~~ expenditures **or** ~~attributable to research conducted outside the United States must be capitalized and amortized over~~ a ~~15~~ **fifteen** - year period **for foreign expenditures** . The Internal Revenue Service has not issued Treasury Regulations ~~which~~ **that** provide guidance on how to apply this new tax law. If or when Treasury Regulations are released, it may impact the Company' s estimate of capitalized costs or the Company' s current interpretation of the tax law. ~~There continues to be~~ **However, recently proposed tax** ~~legislative~~ **legislation** ~~discussions about removing~~ **, if enacted, would restore the ability to deduct domestic research and development expenditures in the current year through 2025 and would retroactively restore** this ~~capitalization requirement in~~ **benefit for 2022 and** 2023 ~~. It is currently unlikely there will be any retroactive application to the 2022 capitalization requirement~~ . Any change in tax law will be accounted for in the period of enactment. ~~Certain provisions of the Tax Act were modified by legislation enacted in March 2020, entitled the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), and the impact of both the Tax Act and the CARES Act is subject to ongoing technical guidance and accounting interpretation, which we will continue to monitor and assess.~~ Further, the Inflation Reduction Act of 2022 ~~(the " IRA "), has become effective as of January 1, 2023, which~~ , among other things, imposes a one-percent non- deductible excise tax on certain repurchases of stock that are made by U. S. publicly traded corporations on or after January 1, 2023, which may affect our share repurchase program. In addition, the Organization for Economic Co- operation and Development **(the " OECD ")** , the European Union, as well as a number of other countries and organizations have recently enacted new laws, and proposed or recommended changes to existing tax laws, that may increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business **. For example, the OECD has introduced a framework to implement a 15 % global minimum corporate tax, referred to as Pillar 2, which has been adopted by the European Union for implementation by its Member States into national legislation by the end of 2023 and may be adopted by other jurisdictions** . As we expand the scale of our business activities, any changes in U. S. or foreign tax laws that apply to such activities may increase our worldwide effective tax rate and harm our business, financial condition and results of operations. Legal, Regulatory and Compliance Risks We or our customers may face intellectual property infringement claims from third parties. Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, leading companies in the ~~telecommunications~~ **telco** industry have extensive patent portfolios. Also, patent infringement claims and litigation by entities that purchase or control patents, but do not produce goods or services covered by the claims of such patents (so- called " non-practicing entities " or " NPEs "), have increased rapidly over the last decade or so. From time to time, third parties, including NPEs, have asserted, and may assert in the future, patent, copyright, trademark and other intellectual property rights against us or our customers, and have initiated audits to determine whether we have missed royalty payments for technology that we license. Our suppliers and their customers, including us, may have similar claims asserted against them. A number of third parties, including companies with greater financial and other resources than us, have asserted patent rights to technologies that are important to us. Any intellectual property litigation, regardless of its outcome, could result in substantial expense and significant diversion of the efforts of our management and technical personnel. An adverse determination in any such proceeding could subject us to significant liabilities and temporary or permanent injunctions and require us to seek licenses from third parties or pay royalties that may be substantial. Furthermore, necessary licenses may not be available on terms satisfactory to us, or at all. An unfavorable outcome on any such litigation matter could require that we pay substantial damages, could require that we pay ongoing royalty payments, or could prohibit us from selling certain of our products. Any such outcome could have a material and adverse effect on our business, operating results, financial condition and cash flows. Our suppliers and customers may have intellectual property claims relating to our products asserted against them. We have agreed to indemnify some of our suppliers and most of our customers for patent infringement relating to our products. The scope of this indemnity varies, but, in some instances, includes indemnification for damages and expenses (including reasonable attorney' s fees) incurred by the supplier or customer in connection with such claims. If a supplier or a customer seeks to enforce a claim for indemnification against us, we could incur significant costs defending such claim, the underlying claim or both. An adverse determination in either such proceeding could subject us to significant liabilities and have a material and adverse effect on our operating results, cash flows and financial condition. We may be the subject of litigation which, if adversely determined, could harm our business and operating results. We may be subject to claims arising in the normal course of business. The costs of defending any litigation, whether in cash expenses or in management time, could harm our business and materially and adversely affect our operating results and cash flows. An unfavorable outcome on any litigation matter could require that we pay substantial damages, or, in connection with any intellectual property infringement claims, could require that we pay ongoing royalty payments or prohibit us from selling certain of our products. In addition, we may decide to settle any litigation, which could cause us to incur significant settlement costs. A settlement or an unfavorable outcome on any litigation matter could have a material and adverse effect on our business, operating results, financial condition and cash flows. Our failure to adequately protect our proprietary rights and data may adversely affect us. ~~At~~ **As of** December 31, ~~2022~~ **2023** , we held ~~121~~ **133** issued U. S. patents and ~~49~~ **47** issued foreign patents, and had ~~56~~ **39** patent applications pending. Although we attempt to protect our intellectual property rights through patents, trademarks, copyrights, licensing arrangements, maintaining certain technology as trade secrets and other measures, we can give no assurances that any patent, trademark, copyright or other intellectual property rights owned by us will not be invalidated, circumvented or challenged, that such intellectual property rights will provide competitive advantages to us, or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all. We can give no assurances that others will not develop technologies that are similar or superior to our technologies, duplicate our technologies or design around the patents that we own. In addition, effective patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries in which we do business or may do business in the future. We may enter into confidentiality or license agreements with our employees, consultants, and vendors and our customers, as needed, and generally limit access to, and distribution of, our proprietary information. Nevertheless, we cannot provide assurances that the steps taken by us will prevent misappropriation of our technology. In addition, we have taken in the past, and may take in the future, legal action to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of management time and other resources, and could materially and adversely affect our business, operating results, financial condition and cash flows. Our use of open source software in some of our products may expose us to certain risks. Some of our products contain software modules licensed for use from third- party authors under open source licenses. Use and distribution of open source software may entail greater risks than use of third- party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software to the public. This could allow our competitors to create similar products with lower development effort and in less time and ultimately could result in a loss of product sales for us. Although we monitor our use of open source closely, it is possible our past, present or future use of open source has triggered or may trigger the foregoing requirements. Furthermore, the terms of many open source licenses have not been interpreted by U. S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to seek licenses from third parties in order to continue offering our products, to re- engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could materially and adversely affect our operating results, financial condition and cash flows. We are subject to import and export control and trade and economic sanction laws and regulations that could subject us to liability or impair our ability to compete in international markets. Our products are subject to U. S. export control laws, and may be exported outside the United States only with the required export license or through an export license exception, in most cases because we incorporate encryption technology into certain of our products. We are also subject to U. S. trade and economic sanction regulations which include prohibitions on the sale or supply of certain products and services to the United States embargoed or sanctioned countries, governments, persons and entities. In addition, various countries regulate the import of certain technology and have enacted laws that could limit our ability to distribute our products, or could limit our customers' ability to implement our products, in those countries. Although we take precautions and have processes in place to prevent our products and services from being provided in violation of such laws, our products may have been in the past, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. In March 2020, we received an administrative subpoena from the U. S. Treasury Department' s office of Foreign Assets Control (" OFAC ") requesting information about transactions involving Iran. The transactions were by the French company TVN, which we acquired in early 2016. Pursuant to regulations that remained in place until 2018, foreign subsidiaries of U. S. companies were allowed to engage in transactions with Iran if certain requirements were met. In February 2023, OFAC notified us that it had completed its review of these matters and closed its review with the issuance of a Cautionary Letter. While OFAC did not assess any penalties, the Cautionary Letter does not preclude OFAC from taking future enforcement actions if additional information warrants renewed attention. Furthermore, OFAC may consider our regulatory history, including this subpoena, our disclosures and **the** Cautionary Letter, if we are involved in future enforcement cases for failure to comply with export control laws and regulations. If we are found to have violated U. S. export control laws as a result of future investigations, we and certain of our employees could be subject to civil or criminal penalties, including the possible loss of export privileges, monetary penalties, and, in extreme cases, imprisonment of responsible employees for knowing and willful violations of these laws which could lead to penalties, reputational harm, loss of access to certain markets, or otherwise. In addition, we may be subject to customs duties that could have a significant adverse impact on our operating results or, if we are able to pass on the related costs in any particular situation, would increase the cost of the related product to our customers. As a result, the future imposition of significant increases in the level of customs duties or the creation of import quotas on our products in Europe or in other jurisdictions, or any of the limitations on international sales described above, could have a material adverse effect on our business, operating results, financial condition and cash flows. Further, some of our customers in Europe have been, or are being, audited by local governmental authorities regarding the tariff classifications used for importation of our products. Import duties and tariffs vary by country and a different tariff classification for any of our products may result in higher duties or tariffs, which could have an adverse impact on our operating results and potentially increase the cost of the related products to our customers. Our business and industry are subject to various laws and regulations that could adversely affect our business, operating results, cash flows and financial condition. Our business and industry are regulated under various federal, state, local and international laws. For example, we are subject to environmental regulations such as the European Union' s Waste Electrical and Electronic Equipment (" WEEE ") and Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (" RoHS ") directives and similar legislation enacted in other jurisdictions worldwide. Our failure to comply with these laws could result in our being directly or indirectly liable for costs, fines or penalties and third- party claims, and could jeopardize our ability to conduct business in such regions and countries. We expect that our operations will be affected by other new environmental laws and regulations on an ongoing basis. Although we cannot predict the ultimate impact of any such new laws and regulations, they would likely result in additional costs, and could require that we redesign or change how we manufacture our products, any of which could have a material and adverse effect on our operating results, financial condition and cash flows. We are subject to the Sarbanes- Oxley Act of 2002 which, among other things, requires an annual review and evaluation of our internal control over financial reporting. If we conclude in future periods that our internal control over financial reporting is not effective or if our independent registered public accounting firm is unable to provide an unqualified attestation as of future year- ends, we may incur substantial additional costs in an effort to correct such problems, and investors may lose confidence in our financial statements, and our stock price may decrease in the short term, until we correct such problems, and perhaps in the long term, as well. We are subject to requirements under the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 that require us to conduct research, disclose, and report whether or not our products contain certain conflict minerals sourced from the Democratic Republic of Congo or its surrounding countries. The implementation of these requirements could adversely affect the sourcing, availability, and pricing of the materials used in the manufacture of components used in our products. In addition, we may incur certain additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such verification activities. It is also possible that we may face reputational harm if we determine that certain of our products contain minerals not determined to be conflict- free and / or we are unable to alter our products, processes or sources of supply to avoid such materials. Changes in ~~telecommunications~~ **telco** legislation and regulations in the United States and other countries could affect our sales and the revenue we are able to derive from our products. In particular, on December 14, 2017, the U. S. Federal Communications Commission (" FCC ") voted to repeal the " net neutrality " rules and return to a " light- touch " regulatory framework. The FCC' s new rules, which took effect in June 2018, granted providers of broadband internet access services greater freedom to make changes to their services, including, potentially, changes that may discriminate against or otherwise harm our business. However, a number of parties have appealed these rules, which appeals are currently being reviewed by the D. C. Circuit Court of Appeals; thus the future impact of the FCC' s repeal and any changes thereto remains uncertain. Additionally, on September 30, 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018. Since the FCC repealed its nationwide regulations, seven states have also enacted a state- level net neutrality law and a number of other states are considering legislation or executive actions that would regulate the conduct of broadband providers. We cannot predict whether the FCC order or state initiatives will be modified, overturned, or vacated by legal action of the court, federal legislation, or the FCC. The repeal of the net neutrality rules or other regulations dealing with access by competitors to the networks of incumbent operators could slow or stop infrastructure and services investments or expansion by service providers. Increased regulation of our customers' pricing or service offerings could limit their investments and, consequently, revenue from our products. The impact of new or revised legislation or regulations could have a material adverse effect on our business, operating results, financial condition and cash flows. We depend significantly on our international revenue and are subject to the risks associated with international operations, including those of our resellers, contract manufacturers and outsourcing partners, which may negatively affect our operating results. Revenue derived from customers outside of the United States in the fiscal years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ represented approximately **33 %,** 37 % ~~,~~ **and** 44 ~~% and 49~~ % of our revenue, respectively. Although no assurance can be given with respect to international sales growth in any one or more regions, we expect that international revenue will likely continue to represent, from year to year, a ~~majority~~ **significant** , and potentially increasing, percentage of our annual revenue for the foreseeable future. A significant percentage of our revenue is generated from sales to resellers, VARs and systems integrators, particularly in emerging market countries. Furthermore, the majority of our employees are based in our international offices and locations, and most of our contract manufacturing occurs outside of the United States. In addition, we outsource a portion of our research and development activities to certain third- party partners with development centers located in different countries, particularly Ukraine and India. Our international operations, international operations of our resellers, contract manufacturers and outsourcing partners, and our efforts to maintain and increase revenue in international markets are subject to a number of risks, which are generally greater with respect to emerging market countries, including the following: • growth and stability of the economy in one or more international regions, including regional economic impacts of the ~~COVID~~ **Hamas** - **Israel and** ~~19 pandemic, the~~ Russia- Ukraine ~~conflict~~ **conflicts** and ~~rising~~ tensions between China and Taiwan and the United States; • fluctuations in currency exchange rates; • **ability of certain non- U. S. customers to timely make payments in U. S. dollar due to local government currency controls; •** changes in foreign government regulations and ~~telecommunications~~ **telco** standards; • import and export license requirements, tariffs, taxes, economic sanctions, contractual limitations and other trade barriers; • our significant reliance on resellers and others to purchase and resell our products and solutions, particularly **in our Video business and** in emerging market countries; • availability of credit, particularly in emerging market countries; • longer collection periods and greater difficulty in enforcing contracts and collecting accounts receivable, especially from smaller customers and resellers, particularly in emerging market countries; • compliance with the FCPA, the U. K. Bribery Act and / or similar anti- corruption and anti- bribery laws, particularly in emerging market countries; • the burden of complying with a wide variety of foreign laws, treaties and technical standards; • fulfilling " country of origin " requirements for our products for certain customers; • difficulty in staffing and managing foreign operations; • business and operational disruptions or delays caused by political, social and / or economic instability and unrest (e. g., Ukraine **and Israel**), including risks related to terrorist activity, particularly in emerging market countries; • changes in economic policies by foreign governments, including the imposition and potential continued expansion of economic sanctions by the United States and the European Union on the Russian Federation; • changes in diplomatic and trade relationships, including the imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes and other trade barriers, including those between the United States and China; • any negative economic impacts resulting from the political environment in the United States or the United Kingdoms' exit from the European Union; and • business and economic disruptions and delays caused by outbreaks of disease, epidemics and potential pandemics ~~, such as the COVID- 19 pandemic, which has led and may continue to lead to trade shows and in- person meetings being canceled or delayed and employees working remotely, and which has impacted our supply chain and may continue to impact our supply chain or general business in other manners~~ . We have certain international customers who are billed in their local currency, primarily the Euro, British pound and Japanese yen, which subjects us to foreign currency risk. In addition, a portion of our operating expenses relating to the cost of certain international employees, are denominated in foreign currencies, primarily the Euro, Israeli shekel, British pound, Singapore dollar, Chinese yuan and Indian rupee. Although we do hedge against the Euro, British pound, Israeli shekel and Japanese yen, gains and losses on the conversion to U. S. dollars of accounts receivable, accounts payable and other monetary assets and liabilities arising from international operations may contribute to fluctuations in our operating results. Furthermore, payment cycles for international customers are typically longer than those for customers in the United States. Unpredictable payment cycles could cause us to fail to meet or exceed the expectations of security analysts and investors for any given period. Most of our international revenue is denominated in U. S. dollars, and fluctuations in currency exchange rates could cause our products to become relatively more expensive to customers in a particular country or region, leading to a reduction in revenue or profitability from sales in that country or region. The potential negative impact of a strong U. S. dollar on our business may be exacerbated by the significant devaluation of a number of foreign currencies. Also, if the U. S. dollar were to weaken against many foreign currencies, there can be no assurance that a weaker dollar would lead to growth in customer spending in foreign markets. Our operations outside the United States also require us to comply with a number of U. S. and international regulations that prohibit improper payments or offers of payments to foreign governments and their officials and political parties for corrupt purposes. For example, our operations in countries outside the United States are subject to the FCPA and similar laws, including the U. K. Bribery Act. Our activities in certain emerging countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or channel partners that could be in violation of various anti- corruption laws, even though these parties may not be under our control. Under the FCPA and U. K. Bribery Act, companies may be held liable for the corrupt actions taken by their directors, officers, employees, channel partners, sales agents, consultants, or other strategic or local partners or representatives. We have internal control policies and procedures with respect to FCPA compliance, have implemented FCPA training and compliance programs for our employees, and include in our agreements with resellers a requirement that those parties comply with the FCPA. However, we cannot provide assurances that our policies, procedures and programs will prevent violations of the FCPA or similar laws by our employees or agents, particularly in emerging market countries, and as we expand our international operations. Any such violation, even if prohibited by our policies, could result in criminal or civil sanctions against us. The effect of one or more of these international risks could have a material and adverse effect on our business, financial condition, operating results and cash flows. Risks Related to Ownership of Our Common Stock Some anti- takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt. We have provisions in our certificate of incorporation and bylaws that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board. These include provisions: • authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our common stock; • limiting the liability of, and providing indemnification to, our directors and officers; • limiting the ability of our stockholders to call, and bring business before, special meetings; • requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our Board; • controlling the procedures for conducting and scheduling of Board and stockholder meetings; and • providing our Board with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings. These provisions could delay hostile takeovers, changes in control of the Company or changes in our management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15 % of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock. Our common stock price may be extremely volatile, and the value of an investment in our stock may decline. Our common stock price has been highly volatile. We expect that this volatility will continue in the future due to factors such as: • general market and economic conditions, including inflation, rising interest rates, volatile capital markets **, uncertainty** and **volatility in** ~~ongoing supply chain disruptions and~~ the ~~related impacts of~~ **financial services sector,** the ~~COVID~~ **Hamas** - **Israel and** ~~19 pandemic, the~~ Russia- Ukraine ~~conflict~~ **conflicts** and rising tensions between China and Taiwan and the United States; • actual or anticipated variations in operating results; • increases or decreases in the general stock market or to the stock prices of technology companies; • announcements of technological innovations, new products or new services by us or by our competitors or customers; • changes in financial estimates or recommendations by stock market analysts regarding us or our competitors; • announcements by us or our competitors of significant acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments; • announcements by our customers regarding end user market conditions and the status of existing and future infrastructure network deployments; • additions or departures of key personnel; and • future equity or debt offerings or our announcements of these offerings. In addition, in recent years, the stock market in general, and The NASDAQ Global Select Market and the securities of technology companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations have in the past, and may in the future, materially and adversely affect our stock price, regardless of our operating results. In these circumstances, investors may be unable to sell their shares of our common stock at or above their purchase price over the short term, or at all. We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long- term stockholder value. In February 2022, our Board of Directors approved a stock repurchase program for the repurchase of up to $ 100 million of the outstanding shares of our common stock. The repurchase program expires in February 2025 and we are not obligated to repurchase a specified number or dollar value of shares. Share repurchases will be made from time to time in open market purchases and 10b5- 1 trading plans, as permitted by securities laws and other legal requirements. Any share repurchases remain subject to the circumstances in place at that time, including prevailing market prices. As a result, there can be no guarantee around the timing or volume of our share repurchases. The stock repurchase program could affect the price of our common stock, increase volatility and diminish our cash reserves. Our repurchase program may be suspended or terminated at any time and, even if fully implemented, may not enhance long- term stockholder value. Our stock price may decline if additional shares are sold in the market or if analysts drop coverage of or downgrade our stock. Future sales of substantial amounts of shares of our common stock by our existing stockholders in the public market, or the perception that these sales could occur, may cause the market price of our common stock to decline. In addition, we issue additional shares upon exercise of stock options, including under our 2002 Employee Stock Purchase Plan, and in connection with grants of restricted stock units on an ongoing basis. To the extent we do not elect to pay solely cash upon conversion of the Notes, we will also be required to issue additional shares of common stock upon conversion. Increased sales of our common stock in the market after exercise of outstanding stock options or grants of restricted stock units could exert downward pressure on our stock price. These sales also might make it more difficult for us to sell equity or equity- related securities in the future at a time and price we deem appropriate. The trading market for our common stock relies in part on the availability of research and reports that third- party industry or securities analysts publish about us and our business. If we do not maintain adequate research coverage or if one or more of the analysts who do cover us downgrade our stock or publishes inaccurate or unfavorable research about our business, our stock price may decline. If one or more of these analysts cease coverage of us or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause the liquidity of our stock and our stock price to decline. Item 1B. UNRESOLVED STAFF COMMENTS