**Risk Factors Comparison 2024-03-04 to 2023-02-24 Form: 10-K**

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

Risks Related to Our Business and Operations We have historically relied on a limited number of customers that have accounted for a significant portion of our revenues, and our results of operations could be adversely affected if we were to lose one or more of these significant customers. We have historically relied on a limited number of customers that have accounted for a significant portion of our revenues. One customer in the DDS segment generated approximately ~~11~~ **10** % of the Company' s total revenues in the fiscal year ended December 31, ~~2022~~ **2023** . Another customer in the DDS segment generated approximately 11 % of the Company' s total revenues in the fiscal year ended December 31, ~~2021~~ **2022** . No other customer accounted for 10 % or more of total revenues during these periods. Further, in the years ended December 31, **2023 and** 2022 ~~and 2021~~ , revenues from non- U. S. customers accounted for **37 % and** 38 ~~% and 45~~ %, respectively, of the Company' s revenues. We may lose one or more of these customers, or our other major customers, as a result of our failure to meet or satisfy our customer' s requirements, the completion or termination of a project or engagement, or the customer' s selection of another service provider. In addition, the volume of work performed for our major customers may vary from year to year, and services they require from us may change from year to year. They may also request that we modify certain key terms of our agreements with them as a condition of continuing to do business with us. If the volume of work performed for our major customers varies, if the services they require from us change, or if they require price concessions, our revenues and results of operations could be adversely affected, and we may incur a loss from operations. If certain key terms of our agreements with our major customers are modified, our revenues and results of operations may be adversely affected. Our services are typically subject to customer requirements, and in many cases are terminable upon 30 to 90 days' notice. The loss of these customers or a significant variation in the volume of work performed for these customers may have a material adverse effect ~~upon~~ **on** our business, financial condition and results of operations. A portion of our services is provided on a non- recurring basis for specific projects, and our inability to replace large projects when they are completed or otherwise terminated has adversely affected, and could in the future adversely affect, our revenues and results of operations. We provide a portion of our services for specific projects that generate revenues that terminate on completion of a defined task. While we seek, whenever possible, on completion or termination of large projects, to counterbalance periodic declines in revenues with new arrangements to provide services to the same customer or others, our inability to obtain sufficient new projects to counterbalance any decreases in such work may adversely affect our future revenues and results of operations. New acquisitions, joint ventures or strategic investments or partnerships could harm our operating results. We may pursue acquisitions, joint ventures or engage in strategic investments or partnerships to grow and enhance our capabilities. There can be no assurance that we will successfully consummate any acquisitions or joint ventures, or realize profit from strategic investments, or achieve desired financial and operating results. Further, such activities involve a number of risks and challenges, including proper evaluation, diversion of management' s attention and proper integration with our current business. Accordingly, we might fail to realize the expected benefits or strategic objectives of any such venture we undertake. If we are unable to complete the kind of acquisitions for which we plan, we may not be able to achieve our planned rates of growth, profitability or competitive position in specific markets or services. Our new customers may sunset their products because of **a** lack of sufficient revenues or declining revenues, or a change in their business direction, and this may result in termination of our ~~work~~ **services** for these customers. As we obtain new opportunities and win new business, our customers may not generate the level of revenues that we initially anticipated at the time of signing a contract with them. Our customers may experience declining revenues with their existing products ~~,~~ or may change their business direction. This could be due to various reasons beyond our or their control, and it could lead to termination of projects or contracts. As we normally invest in people and technology and incur other costs in anticipation of revenues, any such deviation from our expected plan or anticipated results could impact our margins and earnings. Our success is dependent on our ability to successfully develop new services, platforms and solutions and enhance our existing services, platforms and solutions, and market acceptance of these offerings. Our success is also dependent on our ability to compete with new vendors with lean cost and flexible cost models. The information technology and artificial intelligence (AI) industries are characterized by rapid technological change, evolving industry standards, changing customer preferences, new product and service introductions and the emergence of new vendors with lean cost and flexible cost models. Our future success will depend on our ability to successfully develop services, platforms and solutions that keep pace with changes in our addressable markets, and the acceptance of these services, platforms and solutions by our existing and target customers. We cannot guarantee that we will be successful in developing new services, platforms and solutions, addressing evolving technologies on a timely or cost- effective basis or, if these services, platforms and solutions are developed, that we will be successful in the marketplace. We also cannot guarantee that we will be able to compete effectively with new vendors offering lean cost and flexible cost models, or that products, services or technologies developed by others will not render our services, platforms and solutions non- competitive or obsolete. Our failure to address these developments could have a material adverse effect on our business, results of operations and financial condition. We operate in highly competitive markets. While we invest in developing and pursuing new services, platforms and solutions, our profitability could be reduced if these services, platforms and solutions do not yield the profit margins we expect, or if the new offerings do not generate the planned revenues. The markets for our services, platforms and solutions are highly competitive. Some of our competitors have longer operating histories, significantly greater financial, human, technical and other resources **,** and greater name recognition than we do. There are relatively few barriers preventing companies from entering the markets in which we operate. As a result, new market entrants also pose a threat to our business. We also compete with in- house personnel at current and prospective customers who may attempt to duplicate our offerings using their own personnel. We have made and continue to make significant investments towards building ~~-~~out new capabilities to pursue growth **, including, for example, our investments in large language models** . These investments increase our costs, and if these new capabilities do not yield the revenues or profit margins we expect, and we are unable to grow our business and revenue proportionately, our profitability may be reduced, or we may incur losses. If we are not able to compete effectively in the markets we serve or if we are not able to successfully develop new services, platforms and solutions, our revenues and results of operations could be adversely affected. We depend on third- party technology in the provision of our services. We rely upon certain software that we license from third parties, including software integrated with our internally developed software used in the provision of our services. These third- party software licenses may not continue to be available to us on commercially reasonable or competitive terms, if at all. The loss of, or inability to maintain or obtain any of these software licenses, could result in delays in the provision of our services until we develop, identify, license and integrate equivalent software. Any delay in the provision of our services could damage our business and adversely affect our results of operations. In addition, our Company utilizes third party data centers to serve our customers and generate revenue. Any disruption in the provision of services from these data centers could result in loss of revenue, customer dissatisfaction and loss of customers. **16Our Agility segment relies on third parties to provide certain content and data for our solutions. The cessation by third parties to provide their content has adversely affected, and could in the future adversely affect, our revenue and results of operations.** Our Agility segment relies on third parties to provide ~~certain content and data for our solutions. The cessation by third parties to provide their content has adversely affected, and could in the future adversely affect, our revenue and results of operations. Our Agility segment relies on third parties to provide~~ or make available certain data for our information databases and our news and social media monitoring service. These third parties, in the past, have restricted access to certain content and **have ceased providing content, and they** may not renew agreements to provide content to us or may increase the price they charge for their content. Additionally, the quality of the content provided to us may not be acceptable to us and we may need to enter into agreements with additional third parties. In the event we are unable to use or have access to such third- party content or are unable to enter into agreements with new third parties, current customers may discontinue their relationship with us, and it may be difficult to acquire new customers. ~~15Our~~ -- **Our** businesses are reliant on key employees, and we may face high attrition in our talent. We may not be able to replace displaced talent with new talent on a timely basis or with equivalent skill sets. We are, to a considerable degree, reliant on the continuing leadership of our Chief Executive Officer and would be materially and adversely affected should he unexpectedly cease to be employed by us. In addition, our businesses are subject to fierce competition for talent, which could result in high attrition of our employees, or we may not be able to find the requisite talent to operate our businesses. A significant increase in the attrition rate among employees with specialized skills could decrease our operating efficiency and productivity. Our failure to attract, train and retain personnel with the qualifications necessary to fulfill the needs of our existing and future customers or to assimilate new employees successfully could have a material adverse effect on our business, results of operations, financial condition and cash flows. In addition, fluctuations in our business may require that we lay off employees with possible negative effects on employee morale. We try to minimize these risks by actively promoting employee relationships and offering competitive salaries, but if we cannot mitigate these risks, our business and our operating performance could be adversely affected. We operate from multiple locations and our employees are very diverse, so we have significant coordination risks. We are headquartered in Ridgefield Park, New Jersey, just outside New York City. We **primarily operate from** ~~have delivery centers in~~ the Philippines, India, Sri Lanka, Canada, the United Kingdom, Israel **, the United States** , and Germany. Our employees are geographically dispersed, as well as culturally diverse. Our personnel need to work together to successfully execute our business plans and we invest in various measures to improve coordination and teamwork. Should we fail in these efforts, our ability to execute our business plans may be adversely affected. Our intellectual property rights are valuable and if we are unable to protect them or are subject to intellectual property rights claims, our business may be harmed. Our intellectual property rights include certain trademarks, trade secrets, domain name registrations, **and** a patent ~~and patent applications~~ . Although we take precautions to protect our intellectual property rights, these efforts may not be sufficient or effective. If we are unable to protect our intellectual property, we may experience difficulties in achieving and maintaining brand recognition. ~~Disruptions~~ **17Disruptions** in telecommunications, system failures, data corruption or virus attacks could harm our ability to execute our global resource model, which could result in customer dissatisfaction and a reduction of our revenues. We use a distributed global resource model. Our North American workforce provides services from the U. S. and Canada, and the balance of our workforce provides services from the Philippines, India, Sri Lanka, the United Kingdom, Israel and Germany. Our global facilities are linked with a telecommunications network that uses multiple service providers. We may not be able to maintain active voice and data communications between our various facilities and our customers' sites at all times due to disruptions in these networks, system failures, data corruption or virus attacks. Any significant failure in our ability to communicate, or the availability of our platforms, could result in a disruption in our business, which could hinder our performance, or our ability to complete customer projects on time, or provide services to our customers. This, in turn, could lead to customer dissatisfaction and **have** an adverse effect on our business, results of operations and financial condition. Even though we have implemented network security measures, our information technology systems may be vulnerable to computer viruses, cyber- attacks, break- ins and similar disruptions from unauthorized tampering or intentional and unintentional disclosure of sensitive and / or confidential personal information by employees and non- employees. Additionally, the Company may not be able to effectively identify and resolve such issues on a timely basis. The occurrence of any of the events described above could result in interruptions, delays, the loss or corruption of data, cessations in the availability of systems or liability under privacy laws or contracts, each of which could have a material adverse effect on our financial position and results of operations. ~~Our~~ **The** international **nature of our** operations ~~subject~~ **subjects** us to risks inherent in doing business on an international level, any of which could increase our costs and hinder our growth. ~~The~~ **We do business on an**

**international level, with a** major ~~part~~ **portion** of our operations ~~is~~ carried on in **India,** the Philippines, **and** ~~India,~~ Sri Lanka, **in addition to our operations in** Canada **, Germany, Israel** , the United Kingdom, ~~Israel,~~ and ~~Germany~~ **the United States** , while our headquarters are in the **United States** ~~U. S.,~~ and our customers are primarily located in North America and Europe. While we do not depend on significant revenues from sources internal to the Asian countries in which we operate, we are nevertheless subject to certain adverse economic factors relating to overseas economies generally, including inflation, external debt, a negative balance of trade and underemployment. In certain of the countries in which we operate, tax authorities have exercised, and may continue to exercise, significant discretionary and arbitrary powers to make tax demands or decline to refund payments that may be due to us as per tax returns. Other risks associated with our international **operations and** business activities include: ~~16~~ ● difficulties in staffing international projects and managing international operations, including overcoming logistical and communications challenges; ● local competition, particularly in the Philippines, India and Sri Lanka; ● imposition of public sector controls; ● trade and tariff restrictions; ● price or exchange controls; ● currency control regulations; ● foreign tax consequences; ● data privacy laws and regulations; ● **evolving regulation of artificial intelligence** ~~labor disputes and related litigation and liability~~ ; ● intellectual property laws and enforcement practices; **18 ● labor disputes and related litigation and liability;** ● limitations on repatriation of earnings; and ● changing laws and regulations, occasionally with retroactive effect. One or more of these factors could adversely affect our business, financial condition **,** and results of operations. Political uncertainty, political unrest, terrorism, and natural calamities in the Philippines, India, Sri Lanka and Israel could adversely affect business conditions in those countries, which in turn could disrupt our business and adversely impact our results of operations and financial condition. Our operations located in **India, Israel,** the Philippines **and** ~~, India,~~ Sri Lanka ~~and Israel~~ are in countries that remain vulnerable to disruptions from political uncertainty, political unrest, terrorist acts, and natural calamities. Any damage to our network and / or information systems would damage our ability to provide services, in whole or in part, and / or otherwise damage our operations and could have an adverse effect on our business, financial condition or results of operations. Further, political tensions and escalation of hostilities in any of these countries could adversely affect our operations in these countries and therefore adversely affect our revenues and results of operations. ~~Our global~~ **While the October 2023 Hamas attack against Israel and the ensuing conflict has not to date negatively impacted our** operations ~~expose us to risks associated with public health crises~~ **in Israel, continued or escalating conflict in the region could disrupt our operations in Israel and could have a broader impact that extends into other markets where we do business** . We ~~use a distributed global resource model~~ **are unable to predict whether acts of international terrorism** , **war or other military actions involving the countries in** which ~~exposes us to risks associated with public health crises,~~ **we do business will result in any long- term commercial disruptions or if** such **involvement** ~~as pandemics and epidemics. A public health crisis in one or more of the geographic areas in which we operate could affect our~~ - **or responses will have any long** ~~ability to provide services to our customers and adversely affect our results of operations. The continuing effects of the COVID~~ - **term** ~~19 pandemic could materially adversely affect our results of operations and financial condition. 17The novel coronavirus disease 2019 (" COVID- 19 "), which the World Health Organization declared a pandemic on March 11, 2020, continues to spread throughout the world. COVID- 19 has created significant global economic downturn, disrupted global trade and supply chains, adversely impacted many industries, and contributed to significant volatility in financial markets. In response to COVID- 19, countries and local governments have at times imposed restrictions on the operations of non- essential businesses and services, imposed travel restrictions and implemented societal lockdowns. Additionally, companies have at times taken precautions, such as requiring employees to work remotely and temporarily closing businesses. All of these factors have had, and may continue to have, an adverse effect on global economic conditions, underemployment and unemployment, consumer spending and reductions in non- essential spending by governments and private companies, as well as uncertainty in financial markets. We have experienced limited operational disruptions and declines in customer demand for services to date as a result of COVID- 19; however, depending upon the evolution of the COVID- 19 pandemic, including the introduction of new COVID- 19 variants or the spread of existing COVID- 19 variants, we may experience a~~ material adverse effect on our **business,** results of operations ~~and~~ **, or** financial condition ~~as a result of the effects of COVID- 19~~ . Terrorist attacks or a war could adversely affect our results of operations. Terrorist attacks and other acts of violence or war could affect us or our customers by disrupting normal business practices for extended periods of time and reducing business confidence. In addition, acts of violence or war may make travel more difficult and may effectively curtail our ability to serve our customers' needs, any of which could adversely affect our results of operations. **Our global operations expose us to risks associated with public health crises. Public health crises or outbreaks of pandemics could disrupt our operations and materially and adversely affect our results of operations and financial condition. We use a distributed global resource model, which exposes us to risks associated with public health crises, such as pandemics and epidemics. Widespread outbreaks of a pandemic, such as the COVID- 19 pandemic, have created significant global economic downturn, disrupted global trade and supply chains, adversely impacted many industries, and contributed to significant volatility in financial markets. While we experienced limited operational disruption and decline in customer demand for services as a result of the COVID- 19 pandemic, a public health crisis or an outbreak of a pandemic in one or more of the geographic areas in which we operate could affect our ability to provide services to our customers and adversely affect our results of operations and financial condition.** We may face various risks associated with shareholder activists or shareholder demands for better performance. There is no assurance that we will not be subject to shareholder activism or demands. Such activities could interfere with our ability to execute our strategic plan, be costly and time- consuming, disrupt our operations, and divert the attention of management and our employees. ~~We~~ **19We** are the subject of continuing litigation, including litigation by certain of our former employees. In 2008, a judgment was rendered in the Philippines against a Philippine subsidiary of the Company that is no longer active and purportedly also against Innodata Inc., in favor of certain former employees of the Philippine subsidiary. The potential payment amount aggregates to approximately $ 5. 9 million, plus legal interest that accrued at 12 % per annum from August 13, 2008 to June 30, 2013, and thereafter accrued and continues to accrue at 6 % per annum. The potential payment amount as expressed in U. S. dollars varies with the Philippine peso to U. S. dollar exchange rate. In December 2017, a group of 97 of the former employees of the Philippine subsidiary indicated that they proposed to record the judgment as to themselves in New Jersey. In January 2018, in response to an action initiated by Innodata Inc., the United States District Court for the District of New Jersey (" USDC ") entered a preliminary injunction that enjoins these former employees from pursuing or seeking recognition or enforcement of the judgment against Innodata Inc. in the U. S. during the pendency of the action and until further order of the USDC. In June 2018, the USDC entered a consent order administratively closing the action subject to return of the action to the active docket upon the written request of Innodata Inc. or the former employees, with the USDC retaining jurisdiction over the matter and the preliminary injunction remaining in full force and effect. The principal relevant cases in the Philippines are Court of Appeals Case Nos. CA- G. R. SP No. 93295 Innodata Employees Association (IDEA), Eleanor Tolentino, et al. vs. Innodata Philippines, Inc., et al., and CA- G. R. SP No. 90538 Innodata Philippines, Inc. vs. Honorable Acting Secretary Manuel G. Imson, et al. (28 June 2007), the Department of Labor and Employment National Labor Relations Commission, Republic of the Philippines (NLRC- NCR- Case No. 07- 04713- 2002, et al., Innodata Employees Association (IDEA) and Eleanor A. Tolentino, et al. vs. Innodata Philippines, Inc., et al), and the Department of Labor and Employment Office of the Secretary of Labor and Employment, Republic of the Philippines (Case No. OS- AJ- 0015- 2001, In Re: Labor Dispute at Innodata Philippines, Inc.). The U. S. District Court action is Civil Action No.: 2: 17- cv- 13268- SDW- LDW Innodata Inc. v. Myrna C. Augustin- Simon; et al. We are also subject to various other legal proceedings and claims that have arisen in the ordinary course of business. While we believe that we have adequate reserves for those losses that we believe are probable and can be reasonably estimated, the ultimate results of legal proceedings and claims cannot be predicted with certainty. While we currently believe that the ultimate outcome of these proceedings will not have a material adverse effect on our consolidated financial position or overall trends in our consolidated results of operations, litigation is subject to inherent uncertainties. Substantial recovery against us in the above- referenced Philippines action could have a material adverse impact on us, and unfavorable rulings or recoveries in the other proceedings could have a material adverse impact on the consolidated operating results of the period in which the ruling or recovery occurs. In addition, our estimate of **the** potential impact on our consolidated financial position or overall consolidated results of operations for the above **-** referenced legal proceedings could change in the future. See " Legal Proceedings ". ~~18Our~~ -- **Our** reputation could be damaged, or our profitability could suffer if we do not meet the controls and procedures in respect of the services, platforms and solutions we provide to our customers, or if we contribute to our customers' internal control deficiencies. Our customers may perform audits or require us to perform audits, provide audit reports or obtain certifications with respect to the controls and procedures that we use in the performance of services for such customers, especially when we process data or information belonging to them. Our ability to acquire new customers and retain existing customers may be adversely affected and our reputation could be harmed if we receive a qualified opinion, or if we cannot obtain an appropriate certification or opinion with respect to our controls and procedures in connection with any such audit in a timely manner. Additionally, our profitability could suffer if our controls and procedures were to fail or ~~to~~ impair our ~~customer~~ **customers** ' ~~s~~ ability to comply with ~~its~~ **their** own internal control requirements. ~~In~~ **20In** the past ~~,~~ we have determined that our disclosure controls and procedures were not effective. If **in the future** we **again** determine ~~again in the future~~ that our disclosure controls and procedures are not effective, **this** ~~it is possible that our disclosure controls and procedures will not prevent or detect all errors and all instances of fraud. The ineffective disclosure controls and procedures~~ could cause investors to lose confidence in our reported financial information and have a negative effect on the market prices for our common stock. We are required to maintain disclosure controls and procedures designed to provide reasonable assurance that material information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and forms, and that the information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. We performed an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, ~~2022~~ **2023** and concluded that our disclosure controls and procedures were effective as of December 31, ~~2022~~ **2023** . ~~However,~~ **If in the future** we **determine** ~~previously performed this evaluation and concluded~~ that our disclosure controls and procedures **are** ~~were not effective as of December 31, 2021. If we determine again in the future that we have~~ ineffective ~~disclosure controls and procedures~~ , ~~this~~ **it** could restrict our ability to access the capital markets, require significant resources to correct, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in investor confidence and cause a decline in the market price of our common stock. Risks Related to Our ContractsA portion of our revenue is generated from projects that we characterize as recurring in nature. Projects that we characterize as recurring are nevertheless subject to termination. Our operating performance is materially dependent on the continuation of these projects. However, we are exposed to the risks that these projects may not be renewed by our customers or they could be terminated by our customers and we may not be able to replace these terminated projects with new recurring projects with similar profitability or customers may ask for a price reduction, which could adversely affect our revenue and results of operations. Our solutions for the Agility segment are sold pursuant to subscription agreements, and if subscription customers elect either not to renew these agreements, or to renew these agreements for less expensive services, our revenues and results of operations will be adversely affected. Our Agility segment derives its revenues primarily from subscription arrangements. Our customers may choose not to renew subscription agreements when they expire or may renew them at lower prices or for a significantly narrower scope of work. If large numbers of existing subscription customers do not renew these agreements or renew these agreements on terms less favorable to us, and if we cannot replace or supplement those non- renewals with new subscription agreements generating the same or greater levels of revenue, our revenues and results of operations will be adversely affected. ~~19If~~ **If** our customers are not satisfied with our services, they may terminate our contracts with them or our services and we may suffer reputational damage, which could have an adverse impact on our business. Our business model depends in large part on our ability to attract additional work from our base of existing customers. Our business model also depends on **the** relationships our account teams develop with our customers so that we can understand our customers' needs and deliver solutions and services that are tailored to those needs. If a customer is not satisfied with the quality of work performed by us, or with the type of services or solutions delivered, then we could incur additional costs to address the situation, the profitability of that work might be impaired, and the customer' s dissatisfaction with our services could damage our ability to obtain additional work from that customer. In particular, customers ~~that~~ **who** are not satisfied might seek to terminate existing contracts, which could mean that we could incur costs for the services performed with no associated revenue upon termination of a contract. This could also direct future business to our competitors. In addition, negative publicity related to our customer services or relationships, regardless of its accuracy, may further damage our business by affecting our reputation and our ability to compete for new contracts with current and prospective customers. ~~Risks~~ **21Risks** Related to Financial Performance or General Economic ~~ConditionsWe~~ **ConditionsDebt under our Revolving Credit Facility has a variable rate of interest that is based on SOFR which may have consequences for us that cannot be reasonably predicted and may increase our cost of borrowing in the future. Debt outstanding under our Revolving Credit Facility has a variable rate of interest that is based on the secured overnight financing rate (" SOFR ") which may have consequences for us that cannot be reasonably predicted and may increase our cost of borrowing in the future. The future performance of SOFR cannot be predicted based on historical performance and the future level of SOFR may have little or no relation to historical levels of SOFR. Any patterns in market variable behaviors, such as correlations, may change in the future. Hypothetical or historical performance data are not indicative of, and** have no ~~bank facilities or line~~ **bearing on, the potential performance** of **SOFR. Our Revolving** ~~credit~~ **Credit Facility contains restrictive covenants that may impair our ability to conduct business. Our Revolving Credit Facility contains operating covenants and financial covenants that may in each case limit management' s discretion with respect to certain business matters. For example, the Revolving Credit Facility contains a financial covenant that required us, on a consolidated basis, to maintain a fixed charge coverage ratio of not less than 1. 10 to 1. 00 by December 31, 2023. As a result of these covenants and restrictions, we may be limited in how we conduct our business, and we may be unable to raise additional debt or other financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. Failure to comply with such restrictive covenants may lead to default and acceleration under our Revolving Credit Facility and may impair our ability to conduct business** . We ~~believe~~ **may not be able to maintain compliance with these covenants in the future and, if we fail to do so, there are no assurances** that **we will be able to obtain waivers** ~~our existing cash and cash equivalents and cash flows~~ from **the lender and /** ~~operations will provide sufficient sources of liquidity to satisfy our~~ - **or** ~~financial needs for the next 12 months. However, we have no bank facilities or lines of credit, and~~ **amend** ~~reductions in our cash and cash equivalents from operating losses, capital expenditures, adverse legal decisions, acquisitions or other~~ -- **the covenants** ~~events affecting our access to capital could materially and adversely affect the Company. See " Management Discussion and Analysis- Liquidity and Capital Resources " for additional information~~ . A large portion of our accounts receivable ~~is~~ **are** payable by a limited number of customers; the inability of any of these customers to pay its obligations could adversely affect our results of operations. Several significant customers account for a large percentage of our accounts receivable. If any of these customers were unable, or refused, for any reason, to pay our accounts receivable, our financial condition and results of operations could be materially adversely affected. As of December 31, ~~2022~~ **2023** , ~~50~~ **53** % or $ ~~4.~~ 7 **. 5** million ~~,~~ of our accounts receivable was due from ~~five~~ **three** customers. In addition, we evaluate the financial condition of our customers prior to extending credit to them. We maintain specific allowances against doubtful receivables. Actual losses on customer balances could differ from those that we currently anticipate and, as a result, we might need to adjust our allowances. There is no guarantee that we will accurately assess the creditworthiness of our customers. Macroeconomic conditions could also result in financial difficulties, including limited access to the credit markets, insolvency or bankruptcy, for our customers, and, as a result, could cause customers to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. If we are unable to timely collect from our customers, our cash flows could be adversely affected. Quarterly fluctuations in our revenues and results of operations could make financial forecasting difficult and could negatively affect our stock price. We have experienced, and expect to continue to experience, significant fluctuations in our quarterly revenues and results of operations. During the past eight quarters, our net income (loss) ranged from **net** income of approximately $ ~~0~~ **1** . ~~4~~ **7** million in the ~~first~~ **fourth** quarter of ~~2021~~ **2023** to a loss of approximately $ 3. 8 million in the second quarter of 2022. We experience fluctuations in our revenue and results of operations as we replace and begin new projects, which may have some normal start- up delays, or we may be unable to replace a project entirely or on terms that are as attractive to us as the project that is being replaced. These and other factors may contribute to fluctuations in our results of operations from quarter to quarter. ~~A~~ **22A** high percentage of our operating expenses, particularly personnel and rent, are relatively fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of our projects, or in employee wage levels and utilization rates, may cause us to significantly underutilize our production capacity and employees, resulting in significant variations in our operating results in any particular quarter, and have resulted in losses. ~~20Weakness~~ -- **Weakness** in the global economy, and in particular in the United States, Europe and the United Kingdom, could negatively impact our revenue and operating results. The United States, Europe, the United Kingdom and other economies may suffer from uncertainty, volatility, disruption, and other adverse conditions, such as inflation, and these conditions have adversely impacted and may continue to adversely impact the business community and the financial markets. Adverse economic and financial market conditions may negatively affect our customers and our markets, thereby negatively impacting our revenue and operating results. For example, weak market conditions have extended, and could continue to extend, the length of our sales cycle and cause potential customers to delay, defer, or decline to make purchases of our services, platforms, and solutions due to uncertainties surrounding the future performance of their businesses, limitations on their expenditures due to internal budget constraints, and the adverse effects of the economy on their business and financial condition. As a result, if economic and financial market conditions weaken or deteriorate, then our revenue and operating results, including our ability to grow and expand our business and operations, could be materially and adversely affected. Pricing pressures could negatively impact our revenues and operating results. Due to the intense competition involved in outsourcing and information technology services, we generally face pricing pressures from our customers due to competition from other companies in our markets. Our ability to maintain or increase pricing is restricted as customers generally expect to receive volume discounts or special pricing incentives as we do more business with them; moreover, our large customers may exercise pressure for discounts outside of agreed terms. Our profitability could suffer if we are not able to maintain pricing on our existing projects and win new projects at appropriate margins. If our pricing structures do not accurately anticipate the cost and complexity of performing our services and providing our platforms and solutions, then our contracts could be unprofitable. Our profit margin, and therefore our profitability, is dependent on the rates we are able to charge for our services, platforms and solutions measured against the costs of providing the service, platform or solution. If we are not able to maintain pricing on our existing services, platforms and solutions and win new projects at profitable margins, or if we underestimate the costs or complexities of new projects and incur losses, our profitability could suffer. The amounts we are able to recover for our services, platforms and solutions are affected by a number of factors, including competition, volume fluctuations, productivity of employees and processes, the value our customer derives from our services, platforms and solutions and general economic and political conditions. Furthermore, we provide services and solutions either on a time- and- materials basis or on a fixed- price basis. Our pricing is highly dependent on our internal forecasts and predictions about our projects, which might be based on limited data and could turn out to be inaccurate. If we do not accurately estimate the costs and timing for completing projects, our contracts could prove unprofitable for us or yield lower profit margins than anticipated. ~~We~~ **23We** may not be able to obtain price or volume increases that are necessary to offset the effect of wage inflation and other government mandated cost increases. We have experienced wage inflation and other government mandated cost increases in the Asian countries where we have the majority of our operations. In addition, we may experience adverse fluctuations in foreign currency exchange rates. These global events have put pressure on our profitability and our margins. Although we have tried to partially offset wage increases, foreign currency fluctuations and other such increases through price increases and improving our efficiency, we cannot ensure that we will be able to continue to do so in the future, which could negatively impact our results of operations. Our international operations subject us to currency exchange fluctuations, which could adversely affect our results of operations. Although most of our revenues are denominated in U. S. dollars, a significant portion of our revenues are denominated in Canadian dollars, Pound Sterling and Euros. In addition, a significant portion of our expenses, primarily labor expenses in the Philippines, India, Sri Lanka, Germany, Canada, the United Kingdom and Israel, are incurred in the local currencies of the countries in which we operate. For financial reporting purposes, we translate all non- U. S. denominated transactions into U. S. dollars in accordance with accounting principles generally accepted in the United States (U. S. GAAP). Fluctuations in the value of these currencies relative to the U. S. dollar have in the past and could in the future continue to have a direct impact on our revenues and our results of operations. The Philippines, India and Sri Lanka have, at times, experienced high rates of inflation, as well as major fluctuations in the exchange rate between such foreign currencies and the U. S. dollar. We are also subject to fluctuations in exchange rates that affect the value of funds held by our foreign subsidiaries. ~~21Although -~~ - **Although** we selectively undertake hedging activities to mitigate certain of these risks, our hedging activities may not be effective and may result in losses. See Note ~~14~~ **16** , " Derivatives, " to the consolidated financial statements. In the event that the governments of India or the Philippines or the government of another country changes its tax policies, rules and regulations, our tax expense may increase and affect our effective tax rates. We are subject to income taxes in both the U. S. and numerous foreign jurisdictions. We are subject to the continual examination by tax authorities in India and in the Philippines, and we assess the likelihood of outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits could be materially different from what is reflected in historical income tax and indirect tax provisions and accruals, and could result in a material effect on our income tax provision, indirect tax expenses, net income or cash flows in the period or periods for which that determination is made. If additional taxes are assessed, it could have an adverse impact on our financial results. In addition, changes in the tax rates, tax laws or the interpretation of tax laws in the jurisdictions where we operate, could affect our future results of operations. ~~In~~ **24In** September 2015, the Company' s Indian subsidiary was subject to an inquiry by the Service Tax Department in India regarding the classification of services provided by this subsidiary, asserting that the services provided by this subsidiary fall under the category of online information and database access or retrieval services (" OID Services "), and not under the category of business support services (" BS Services ") that are exempt from service tax as historically indicated in the subsidiary' s service tax filings. Our management disagrees with the Service Tax Department' s position. In November 2019, the Commissioner of Central Tax, GST & Central Excise issued an order confirming the Service Tax Department' s position. The Company **contested** ~~is contesting~~ this order in an appeal to the Customs, Excise and Service Tax Appellate Tribunal **and in January 2024 the Customs, Excise and Service Tax Appellate Tribunal ruled in the Company' s favor** . In the event the Service Tax Department **appeals this ruling and** is ultimately successful in proving that the services fall under the category of OID Services, the revenues earned by the Company' s Indian subsidiary for the period July 2012 through November 2016 would be subject to a service tax of between 12. 36 % and 15 %, and this subsidiary may also be liable to pay interest and penalties. The revenue of our Indian subsidiary during this period was approximately $ ~~57~~ **56** . 0 million. In accordance with new rules promulgated by the Service Tax Department, as of December 1, 2016 service tax is no longer applicable to OID or BS Services. Based on the Company' s assessment, in consultation with our tax counsel, the Company has not recorded any tax liability for this case. In a separate action relating to service tax refunds, in October 2016, the Company' s Indian subsidiary received notices from the Indian Service Tax Department in India seeking to reverse service tax refunds of approximately $ 121, 000 previously granted to our Indian subsidiary for three quarters in 2014, asserting that the services provided by this subsidiary fall under the category of OID Services and not BS Services. The appeal was determined in favor of the Service Tax Department. Management disagrees with the basis of this decision and is contesting it. The Company expects delays in its Indian subsidiary receiving further service tax refunds until this matter is adjudicated with finality, and currently has service tax credits of approximately $ 0. 8 million recorded as ~~a~~ receivable. Based on the Company' s assessment, in consultation with our tax counsel, the Company has not recorded any tax liability for this case. Substantial recovery against us in the above **-** referenced 2015 Service Tax Department case could have a material adverse impact on us, and unfavorable rulings or recoveries in other tax proceedings could have a material impact on the consolidated operating results of the period in which the rulings or recovery occurs. If tax authorities in any of the jurisdictions in which we operate contest the manner in which we allocate our profits, our net loss could be higher. A significant portion of the services we provide to our customers are provided by our Asian subsidiaries located in different jurisdictions. Tax authorities in some of these jurisdictions have from time to time challenged the manner in which we allocate our profits among our subsidiaries, and we may not prevail in any future challenge of this type. If such a challenge were successful, our worldwide effective tax rate could increase, thereby decreasing our profitability. ~~An~~ **The** expiration or termination of our preferential tax rate incentives could adversely affect our results of operations. Two of our foreign subsidiaries are subject to preferential tax rates. This tax incentive provides that we pay reduced income taxes with respect to those jurisdictions for a fixed period of time. An expiration or termination of these incentives could increase our worldwide effective tax rate, or increase our tax expense, thereby decreasing our net income and adversely affecting our results of operations. ~~22Our~~ -- **Our** earnings may be adversely affected if we change our intent not to repatriate our foreign earnings and profits or if such earnings and profits become subject to U. S. tax on a current basis. A significant portion of our operations are conducted outside the U. S. Despite our access to the overseas earnings and the resulting toll charge, we intend to indefinitely reinvest the foreign earnings in our foreign subsidiaries on account of the foreign jurisdiction withholding tax that the Company has to incur on the actual remittances. Unremitted earnings of foreign subsidiaries amounted to approximately $ 50. ~~9~~ **4** million at December 31, ~~2022~~ **2023** . If such earnings are repatriated in the future, or are no longer deemed to be indefinitely reinvested, the Company would have to accrue as a liability the applicable amount of foreign jurisdiction withholding taxes associated with such remittances. ~~It~~ **25It** is unlikely that we will pay dividends. We have not paid any cash dividends since our inception and do not anticipate paying any cash dividends in the foreseeable future. We expect that our earnings, if any, will be used to finance our growth. Risks Related to Laws and RegulationsGovernmental and customer focus on data security could increase our costs of operations. In addition, any incident in which we fail to protect our customer' s information against security breaches may result in monetary damages against us, and termination of our engagement by our customer, and may adversely impact our results of operations. Certain laws and regulations regarding data privacy and security affecting our customers impose requirements regarding the privacy and security of information maintained by these customers, as well as notification to persons whose personal information is accessed by an unauthorized third party. As a result of any continuing legislative initiatives and customer demands, we may have to modify our operations with the goal of further improving data security. The cost of compliance with these laws and regulations is high and is likely to increase in the future. Any such modifications may result in increased expenses and operating complexity, and we may be unable to increase the rates we charge for our services sufficiently to offset these increases. In addition, as part of the services we perform, we have access to confidential customer data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information. We may also be bound by certain customer agreements to use and disclose ~~the~~ confidential customer information in a manner consistent with the privacy standards under regulations applicable to such ~~customer~~ **customers** . Any failure on our part to comply with these laws and regulations can result in negative publicity and diversion of management' s time and effort and may subject us to significant liabilities and other penalties. If customer confidential information is inappropriately disclosed due to a breach of our computer systems, system failures or otherwise, or if any person, including any of our employees, negligently disregards or intentionally breaches controls or procedures with which we are responsible for complying with respect to such data or otherwise mismanages or misappropriates that data, we may have substantial liabilities to our customers. Any incidents with respect to the handling of such information could subject us to litigation or indemnification claims with our customers and other parties. In addition, any breach or alleged breach of our confidentiality agreements with our customers may result in termination of their engagements, resulting in associated loss of revenue and increased costs. Our business is subject to applicable laws and regulations relating to foreign corrupt practices, the violation of which could adversely affect our operations. We must comply with all applicable anti-bribery laws and regulations of the U. S. and other jurisdictions where we operate. For example, we are subject to the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act of 2010 relating to corrupt and illegal payments to government officials and others. Although we have policies and controls in place that are designed to ensure compliance with these laws and regulations, it is possible that an employee or an agent acting on our behalf could fail to comply with applicable laws and regulations, and due to the complex nature of the risks, it may not always be possible for us to ascertain compliance with such laws and regulations. In such event, we could be exposed to civil penalties, criminal penalties and other sanctions, including fines or other unintended punitive actions, and we could incur substantial legal fees and related expenses. In addition, such violations could damage our business and / or our reputation. All of the foregoing could have a material adverse effect on our financial condition and operating results. ~~23~~ **26**