Risk Factors Comparison 2024-03-27 to 2023-03-22 Form: 10-K

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The following are some of the factors that could materially and adversely affect our future performance or could cause actual results to differ materially from those expressed or implied in our forward- looking statements. The risks and uncertainties described below are not the only risks facing us and we cannot predict every event and circumstance that may adversely affect our business. However, these risks and uncertainties are the most significant factors that we have identified at this time. If one or more of these risks actually occurs, our business, results of operations and / or financial condition could suffer, and the price of our stock could be negatively affected. RISKS RELATED TO OUR ACQUISITION AND GROWTH STRATEGY We seek to grow our business through the acquisition of additional businesses. If we are unable to do so, our future rate of growth may be reduced or limited. We may incur significant expenses related to due diligence or other transaction- related expenses for a proposed acquisition that may not be completed. A key element of our growth strategy is to acquire businesses, technologies or products that are complementary to our current product offerings. ~~For example, we completed the acquisitions of Z- Sciences (now North Sciences), Videology and Acculogic in 2021.~~ We seek to make ~~additional~~ acquisitions that will further expand our product lines as well as strengthen our positions in served markets and provide expansion into new markets. We may not be able to execute our acquisition strategy and our future growth may be limited if: ● we are unable to identify suitable businesses, technologies or products to acquire; ● we do not have sufficient cash or access to required capital at the necessary time; ● we are unwilling or unable to outbid larger companies with greater resources; or ~~14~~ ● we are unable to successfully close proposed acquisitions. We may incur significant expenses related to due diligence or other transaction- related expenses for a proposed acquisition that may not be completed, which may have a material adverse effect on our financial condition and results of operations. **14** Our acquisition strategy involves financial and management risks which may adversely affect our results in the future. **If** ~~With respect to the acquisitions we completed in 2021 and if~~ we acquire additional businesses, technologies or products, we will face the following additional risks: ● acquisitions could divert management' s attention from daily operations or otherwise require additional management, operational and financial resources; ● we might not be able to integrate acquisitions into our business successfully or operate acquired businesses profitably; ● we may realize substantial acquisition related expenses that would reduce our net earnings in future years; ● we may not realize the expected benefits of such acquisitions; ● our investigation of potential acquisition candidates may not reveal problems and liabilities of the companies and businesses that we acquire; ● any acquisitions may pose risks associated with entry into new geographic markets, including outside the U. S., distribution channels, lines of business or product categories, where we may not have significant or any prior experience and where we may not be as successful or profitable as we are in businesses and geographic regions where we have greater familiarity and brand recognition; ● an acquisition may result in disparate information technology, internal control, financial reporting and record- keeping systems; ● an acquisition may result in employee anxiety, morale and / or engagement issues and employees not familiar with our business; ● an acquisition may result in the loss of our or the acquired company' s key personnel, customers, distributors or suppliers; and ● we may become exposed to litigation or claims associated with an acquisition. If any of the events described above occur, our earnings could be reduced and may adversely affect our financial condition, results of operations and ability to grow our business or otherwise achieve our financial and strategic objectives. If we issue shares of our stock or other rights to purchase our stock in connection with any future acquisitions, the issuance will dilute our existing stockholders' interests and our earnings per share may decrease. If we issue or incur debt in connection with any future acquisitions, lenders may require that we pledge our assets to secure repayment of such debt and impose covenants on us, which could, among other things, restrict our ability to increase capital expenditures or to acquire additional businesses. We may attempt to acquire a business that would require us to issue equity or incur significant debt from third parties. If we are unable to secure sufficient financing at terms that are acceptable to us, we may not be able to close the proposed acquisition. Additionally, should we incur significant debt, we may not be able to achieve compliance with all covenants related to the debt depending on our financial results in future periods. In connection with our acquisition strategy, we may pursue potential acquisition opportunities which could require us to issue equity or obtain significant third- party financing to close the proposed transaction. We may encounter difficulties in securing necessary financing at terms that would be acceptable to us and may not be able to close on the proposed acquisition. In addition, should we incur significant third- party debt, our future financial results may be negatively impacted by external factors, such as an economic recession, which may impact our ability to achieve compliance with any covenants related to the debt as well as make the required payments under the terms of the indebtedness. We may acquire businesses in the future and utilize an earnout structure as we have done in prior transactions we have closed. In connection with the earnout, we may be required to accrue significant increases or decreases to the contingent consideration liability we would establish. These adjustments to the contingent consideration liability could cause our results of operations to have increased variability, which may negatively impact our stock' s trading price. We may utilize an earnout structure on future acquisitions as we have done in prior transactions we have closed. The initial contingent consideration liability is established as part of the accounting for the business combination. In subsequent periods, we are required to estimate the fair value of the contingent consideration associated with any earnout on a quarterly basis and record an adjustment to the contingent consideration liability in our results of operations for the period concerned. The contingent consideration adjustment we record quarterly may cause increased variability in our future results of operations, which may cause fluctuations in our stock price. ~~15~~ In connection with our acquisition of Acculogic we have recorded a contingent consideration liability that represents the fair value of additional payments we may make to the seller of up to an additional CAD $ 5. 0 million in the five- year period from

2022 through 2026. The additional payments will be based on a percent of net invoices for which payments have been received on systems sold to EV ~~or~~ battery customers in excess of CAD $ 2. 5 million per year in each of the five years. The maximum payment is capped at CAD $ 5. 0 million, which equates to approximately USD $ 3. ~~7~~ **8** million at December 31, ~~2022~~ **2023** . There were no payments due for the ~~year~~ **years** ended December 31, 2022 **or 2023** . The fair value of this contingent consideration liability involves assessing the total amount of revenue we expect from sales to EV or battery customers during the applicable time periods as well as when we expect to receive payment for the related net invoices. At December 31, ~~2022~~ **2023** , the contingent consideration liability on our balance sheet was USD $ 1. ~~4~~ **1** million which was its estimated fair value at that date. Any future adjustments to the estimated fair value of the contingent liability will be recorded in our results of operations for the period in which the adjustment occurs. **15** We may not be able to effectively manage our growth and operations, which could materially and adversely affect our business. As we implement our business strategy as intended, we have and may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. Failure to successfully manage our possible growth and development could have a material adverse effect on our business. There is a risk that some or all of the anticipated strategic and financial benefits may fail to materialize, may not continue on their existing terms, or may not occur within the time period anticipated. Although we have conducted due diligence with respect to material aspects of the development of our business, there is no certainty that our due diligence procedures will reveal all of the risks and liabilities associated with our current plans. Although we are not aware of any specific liabilities, such liabilities may be unknown and, accordingly, the potential monetary cost of such liability is also unknown. We may fail to effectively integrate acquired businesses into our operations or otherwise fail to realize the anticipated benefits of the acquisitions. If we fail to accurately assess and successfully integrate any recent or future acquisitions, we may not achieve the anticipated benefits, which could result in lower revenue, unanticipated operating expenses, and ~~increased~~ **financial** losses. Successful integration involves many challenges, including: ● the difficulty of integrating acquired operations and personnel with our existing operations; ● the difficulty of developing, manufacturing, and marketing new products and services; ● the diversion of our management' s attention as a result of evaluating, negotiating and integrating acquisitions; ● in some cases, our exposure to unforeseen liabilities of acquired companies; and ● the loss of key employees of an acquired business operation. In addition, an acquisition could adversely impact cash flows, operating results, and stockholder interests, for many reasons, including: ● contingent consideration payments; ● the issuance of securities in connection with an acquisition or new business venture that dilutes or lessens the rights of our current stockholders; ● charges to our income to reflect the impairment of acquired intangible assets, including goodwill; and ● interest costs and debt service requirements for any debt incurred in connection with an acquisition or new business venture. The anticipated benefit of any of our acquisitions may never materialize. Future acquisitions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, or write- offs of goodwill, any of which could harm our financial condition. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on favorable terms, or at all. ~~16~~ RISKS RELATED TO OUR MARKETS Our sales are affected by the cyclicality of the semi market, which causes our operating results to fluctuate significantly. A significant portion of our business depends upon the capital expenditures of semiconductor manufacturers. Capital expenditures by these companies depend upon, among other things, the current and anticipated market demand for semiconductors and the products that utilize them. Typically, semiconductor manufacturers curtail capital expenditures during periods of economic downturn. Conversely, semiconductor manufacturers increase capital expenditures when market demand requires the addition of new or expanded production capabilities or the reconfiguration of existing fabrication facilities to accommodate new products. These market changes have contributed in the past, and will likely continue to contribute in the future, to fluctuations in our operating results. **16** We seek to further diversify the markets for our products in order to increase the proportion of our sales attributable to markets which are less subject to cyclicality than the semi market. If we are unable to do so, our future performance will remain substantially exposed to the fluctuations of the cyclicality of the semi market. We sell certain of our products in markets other than the semi market, including the automotive, defense / aerospace, industrial, life sciences and security markets. During **2023 and** 2022 ~~and 2021~~ , our sales to markets other than the semi market were $ **57. 6 million and $** 48. ~~0~~ **4** million ~~and $ 30. 0 million~~ , respectively, and represented ~~41~~ **47** % and ~~35~~ **42** % of our consolidated revenue, respectively. Our goal is to increase our sales to markets other than the semi market; however, in most cases, the expansion of our product sales into these new markets has occurred in the last several years, and we may experience difficulty in expanding our sales efforts further into these markets. These difficulties could include hiring sales and marketing staff with sufficient experience selling into these new markets and our ability to continue to develop products which meet the needs of customers in these markets and which are not currently offered by our competitors. In addition, due to the highly specialized nature of certain of our product offerings in these markets, we do not expect broad market penetration in many of these markets. If we are unable to expand these sales, our revenue and results of operations will remain substantially dependent upon the cycles of the semi market. RISKS RELATED TO OUR BUSINESS OPERATIONS If our suppliers do not meet product or delivery requirements, or inflationary pressures continue to increase and we cannot increase our prices to our customers, we could have reduced revenues and earnings. During 2022, as global supply chain constraints became more pronounced, we experienced price increases and lack of availability from several of our normal suppliers for the materials needed to produce our products in a timely manner and / or with the level of margins we typically expect to achieve. **While the global supply chain seems to have returned to a more normalized state as of the end of 2023,** ~~Certain~~ **certain** components of our products may continue to be in short supply from time to time because of high demand or the inability of some vendors to consistently meet our quality or delivery requirements. A significant portion of our material purchases require some custom work, and there are not always multiple suppliers capable of performing such custom work on a timely or cost- effective basis. If any of our suppliers were to cancel commitments or fail to meet quality or delivery requirements needed to satisfy customer orders for our products, we could lose time- sensitive customer orders, have reduced revenues and earnings, experience reputational harm and be subject to contractual penalties, any of which could have a material adverse effect on our business, results of operations and financial condition. Additionally, we may not be able to raise our prices to our customers in an amount or timeframe sufficient to offset the increases in price we are experiencing from our suppliers. This could result in a reduction in our earnings in future periods. A breach of our operational or security systems could negatively affect our business, our reputation and results of operations. We rely on various information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, including confidential data, and to carry out and support a variety of business activities, including manufacturing, research and development, supply chain management, sales and accounting. A failure in, or a breach of, our operational or security systems or infrastructure, or those of our suppliers and other service providers, including as a result of cyberattacks, could disrupt our business, result in the disclosure or misuse of proprietary or confidential information, result in litigation, damage our reputation, cause losses and significantly increase our costs. Although we have been **and continue to be** the target of security breaches ~~in the past~~, we have not experienced material losses to date related to such incidents. Nevertheless, there can be no assurance that we will not suffer such losses in the future. In addition, domestic and international regulatory agencies have implemented, and are continuing to implement, various reporting and remediation requirements that companies must comply with upon learning of a breach. While we have insurance that may protect us from incurring some of these costs, there is no assurance that such insurance coverage is adequate to cover all costs and damages incurred in connection with a cyberattack. ~~17~~ We are subject to significant environmental, health and safety laws and regulations and related compliance expenditures and liabilities. Our businesses are subject to many foreign, federal, state and local environmental, health and safety laws and regulations, particularly with respect to the use, handling, treatment, storage, discharge and disposal of substances and hazardous wastes used or generated in our manufacturing processes. Compliance with these laws and regulations is a significant factor in our business. We have incurred and expect to continue to incur significant expenditures to comply with applicable environmental laws and regulations. Our failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, installation of pollution control equipment or remedial actions. We expect to continue to be subject to increasingly stringent environmental and health and safety laws and regulations. It is difficult to predict the future interpretation and development of environmental and health and safety laws and regulations or their impact on our future earnings and operations. We anticipate that compliance will continue to require increased capital expenditures and operating costs. Any increase in these costs, or unanticipated liabilities arising from, among other things, discovery of previously unknown conditions or more aggressive enforcement actions, could adversely affect our results of operations, and there is no assurance that they will not exceed our reserves or have a material adverse effect on our financial condition **. 17 We have identified a material weakness in our internal control over financial reporting, and if our remediation of such material weakness is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired. We determined that our internal control over financial reporting and disclosure controls and procedures were not effective as of September 30, 2023 as a result of the material weakness related to recognition of revenue related to the sale of discontinued material / components purchased on behalf of customers where the associated materials / components were still physically located with us and the materials / components are expected to be applied to future product orders for these customers, as discussed in Part II, Item 9A of this Annual Report on Form 10- K. This material weakness has not been remediated and accordingly our internal control over financial reporting and disclosure controls and procedures remains ineffective. Management is actively engaged in the planning for, and implementation of, remediation efforts to address our material weakness but there can be no assurance that those efforts will be successful. Refer to Part II, Item 9A for further details of the material weakness and remediation efforts. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company' s annual or interim financial statements will not be prevented or detected on a timely basis. As such, if we do not remediate this material weakness in a timely manner, or if additional material weaknesses in our internal control over financial reporting are discovered, they may adversely affect our ability to record, process, summarize and report financial information timely and accurately and our financial statements may contain material misstatements or omissions. Additionally, our internal control environment and remediation efforts do not provide absolute assurance with regard to timely detecting or preventing control deficiencies and thus do not insulate us from any failure to meet our financial reporting obligations. It is possible that additional control deficiencies could be identified by our management or by our independent registered public accounting firm in the future or may occur without being identified. Such a failure could require us to incur the expense of remediation, result in regulatory scrutiny, investigations or enforcement actions, cause investors to lose confidence in our reported financial condition and have a negative effect on the trading price of our common stock, lead to a default under our indebtedness, and otherwise have a material adverse effect on our business, financial condition, results of operations, and cash flows. Further, if we are unable to conclude that our internal control over financial reporting is effective, or, if and when required, our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial statements, the market price of our common stock could be adversely affected, our common stock could become subject to delisting and we could become subject to litigation or investigations by the stock exchange or exchanges on which our securities are listed, the SEC or other regulatory authorities, any of which could require additional financial and**

management resources. We cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of financial statements for prior periods . Our business may suffer if we are unable to attract and retain key employees or hire personnel at the costs we currently project. Our future success will depend largely upon the continued services of our senior management and other key employees or the development of successors with commensurate skills and talents in a timely fashion and at the costs we project. If we cannot continue to increase employee salaries and maintain employee benefits commensurate with competitive opportunities, we may not be able to retain our senior management and other key employees. The loss of key personnel could adversely affect our ability to manage our business effectively and could increase our costs in future periods. We have recently experienced difficulty in hiring personnel at the costs projected in our forecasts. This has resulted in the need to increase the labor rates offered for certain positions. If we cannot find savings in other areas or increase the price for which we sell our products in an amount sufficient to cover these additional labor costs, we may experience reduced margins in future periods. We have experienced and may continue to experience significant variability in our effective tax rates and may have exposure to additional tax liabilities and costs. We are subject to income taxes in the U. S. and various other countries in which we operate. Our effective tax rate is dependent on where our earnings are generated and the tax regulations and the interpretation and judgment of administrative tax or revenue entities in the U. S. and other countries. We are also subject to tax audits in the countries where we operate. Any material assessment resulting from an audit from an administrative tax or revenue entity could negatively affect our financial results. The terms and covenants relating to our credit facility could adversely impact our ability to pursue our strategy and our financial performance and liquidity, and thus we may need additional financial resources to maintain our liquidity. Our credit facility with M & T Bank contains covenants requiring us to, among other things, provide financial and other information and to provide notice upon the occurrence of certain events affecting us or our business. These covenants also place restrictions on our ability to incur additional indebtedness, and enter into certain transactions, including selling assets, engaging in mergers or acquisitions, or engaging in transactions with affiliates. If we fail to satisfy one or more of the covenants under our credit facility, we would be in default thereunder, and may be required to repay such debt with capital from other sources or otherwise not be able to draw down against our facility. Under such circumstances, we may have difficulty in locating another lender that would be willing to extend credit to us, and other sources of capital may not be available to us on reasonable terms or at all. See “ Management' s Discussion and Analysis of Financial Condition and Results of Operations – Overview – Credit Facility ” and Note ~~12~~ **10** to our consolidated financial statements in this Report for a discussion of the material terms of our credit facility. 18 We hold our cash and cash equivalents that we use to meet our working capital needs in deposit accounts that could be adversely affected if the financial institutions holding such funds fail. We hold our cash and cash equivalents that we use to meet our working capital needs in deposit accounts at multiple financial institutions. The balance held in these accounts may exceed the Federal Deposit Insurance Corporation (" FDIC"), standard deposit insurance limit or similar government guarantee schemes. If a financial institution in which we hold such funds fails or is subject to significant adverse conditions in the financial or credit markets, we could be subject to a risk of loss of all or a portion of such uninsured funds or be subject to a delay in accessing all or a portion of such uninsured funds. Any such loss or lack of access to these funds could adversely impact our short- term liquidity and ability to meet our obligations. For example, on March 10, 2023, Silicon Valley Bank (" SVB"), and on March 12, 2023, Signature Bank, were closed by state regulators and the FDIC was appointed receiver for each bank. The FDIC created successor bridge banks and all deposits of SVB and Signature Bank were transferred to the bridge banks under a systemic risk exception approved by the United States Department of the Treasury, the Federal Reserve and the FDIC. If financial institutions in which we hold funds for working capital were to fail, we cannot provide any assurances that such governmental agencies would take action to protect our uninsured deposits in a similar manner. We also maintain investment accounts with other financial institutions in which we hold our investments and, if access to the funds we use for working capital is impaired, we may not be able to sell investments or transfer funds from our investment accounts to new accounts on a timely basis sufficient to meet our working capital needs. We face risks associated with doing business in China. We conduct sales and other business operations in China, as a result, the economic, political, legal and social conditions in China could harm our business. In recent years, the Chinese economy has experienced periods of rapid expansion and high rates of inflation. These factors have led to the adoption by the Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. Various factors may in the future cause the Chinese government to impose controls on credit or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products. In addition, the legal system in China has inherent uncertainties that may limit the legal protections available in the event of any claims or disputes that we have with third parties, including our ability to protect the intellectual property we develop in China or elsewhere. As China' s legal system is still evolving, the interpretation of many laws, regulations and rules is not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit the remedies available in the event of any claims or disputes with third parties. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Some of the other risks related to doing business in China include: ● The Chinese government exerts substantial influence over the manner in which we must conduct our business activities; ● Restrictions on currency exchange may limit our ability to receive, transfer and use our cash effectively; ● Increased uncertainties related to the enforcement of intellectual property rights including any intellectual property rights that we may license to a Chinese (or other emerging jurisdiction) entity, including any joint ventures we may form; ● Increased uncertainties relating to Chinese regulation of exports of products and technology to and from China; ● Increased and rapidly changing export and related trade regulations and restrictions imposed by U. S. and Chinese legislation, executive actions and regulations; ● Difficulty of travel to and from China (and to and from United States) arising from or related to the COVID- 19 pandemic or any future pandemic; ● The Chinese government may favor its local businesses and make it more difficult for foreign businesses to operate in China on an equal footing, or create generally difficult conditions for foreign headquartered businesses to operate; ● Increased uncertainties related to the enforcement of contracts with certain parties; ● More restrictive rules on foreign investment could adversely affect our ability to expand our operations in China; and ● Geopolitical tensions between China on the one hand and the United States and / or the European Union on the other hand, may increase and may lead to increased export sanctions with Chinese entities and sanctions made against China. As a result of our growing operations in China, these risks could harm our business. We face political and other risks conducting business in Taiwan particularly due to their tense relationships with China. We have customers located in Taiwan. Accordingly, our business, financial condition and results of operations may be affected by changes in governmental and economic policies in Taiwan, social instability and diplomatic and social developments in or affecting Taiwan due to its unique international political status. Although significant economic and cultural relations have been established between Taiwan and China, we cannot assure that relations between Taiwan and China will not face political or economic uncertainties in the future. Any deterioration in the relations between Taiwan and China, and other factors affecting military, political or economic conditions in Taiwan, could disrupt our business operations and materially and adversely affect our results of operations. **19** RISKS RELATED TO OUR CUSTOMER BASE Changes in the buying patterns of our customers have affected, and may continue to affect, demand for our products and our gross and net operating margins. Such changes in patterns are difficult to predict and may not be immediately apparent. In addition to the cyclicality of the semi market, demand for our products and our gross and net operating margins have also been affected by changes in the buying patterns of our customers. Some of the changes in customer buying patterns that have impacted us in the past, and may continue to do so in the future, have included customers placing heightened emphasis on shorter lead times (which places increased demands on our available engineering and production capacity and may result in increasing unit costs) and ordering in smaller quantities (which prevents us from acquiring component materials in larger volumes at lower unit costs.) We have also experienced customer supply chain management groups demanding lower prices and spreading purchases across multiple vendors. We believe some of the changes in customer buying patterns are the result of changes within the semi market over the last several years, including, for example, changing product requirements and longer time periods between new product offerings by OEMs. Such shifts in market practices have had, and may continue to have, varying degrees of impact on our revenue and our gross and net operating margins. Such shifts are difficult to predict and may not be immediately apparent, and the impact of these practices is difficult to quantify from period to period. There can be no assurance that we will be successful in implementing effective strategies to counter these shifts. ~~19~~ We generate a large portion of our sales from a small number of customers. If we were to lose one or more of our large customers, our operating results could suffer dramatically. During the year ended December 31, ~~2022~~ **2023** ~~, no customer accounted for 10 % or more of our consolidated revenue. During the year ended December 31, 2021~~ , one customer accounted for 13 % of our consolidated revenue. This revenue was primarily generated by our Electronic Test segment. During the year ended December 31, ~~2021~~ **2023** , no other customer accounted for 10 % or more of our consolidated revenue. ~~Our~~ **During the year ended December 31, 2022, no customer accounted for 10 % or more of our consolidated revenue. During the years ended December 31, 2023 and 2022, our** ten largest customers accounted for approximately **42 % and** 43 % of our consolidated revenue ~~in each of the years ended December 31~~ , **respectively** ~~2022 and 2021~~ . The loss of any one or more of our largest customers, or a reduction in orders by a major customer could materially reduce our net revenues or otherwise materially affect our business, financial condition or results of operations. RISKS RELATED TO COMPETITION Our business is subject to intense competition, which has in the past and could in the future, materially adversely affect our business, financial condition and results of operations. We face significant competition throughout the world in each of our operating segments. Some of our competitors have substantial financial resources and more extensive design and production capabilities than us. Some of our competitors are much smaller than we are, and therefore have much lower levels of overhead than us, which enables them to sell their competing products at lower prices. In order to remain competitive, we must continually commit a significant portion of our personnel and financial resources to developing new products and maintaining customer satisfaction worldwide. We expect our competitors to continue to improve the performance of their current products and introduce new products or technologies. In the recent past, in response to significant declines in global demand for our products, some competitors have reduced their product pricing significantly, which has led to intensified price- based competition, which has and could continue to materially adversely affect our business, financial condition and results of operations. Our markets are subject to rapid technological change, and our business prospects would be negatively affected if we are unable to quickly and effectively respond to innovation in the semi market or other markets that we serve. Technology, including semiconductor technology, continues to become more complex as the pace of innovation and development of new technology increases. In addition, manufacturers are incorporating ICs into an increasing variety of products. This trend, including the changes needed in automated testing systems to respond to developments in the semiconductor market, are likely to continue. We cannot be certain that we will be successful or timely in developing, manufacturing or selling products that will satisfy customer needs or that will attain market acceptance. Our failure to provide products that effectively and timely meet customer needs or gain market acceptance will negatively affect our business prospects. RISKS RELATED TO FOREIGN OPERATIONS The current conflict in the Ukraine could disrupt our supply chain or cause other adverse effects on our revenue and earnings. In late February 2022, Russia initiated significant military action against Ukraine. In response, the U. S. and certain other countries imposed significant sanctions and trade actions against Russia. The U. S. and certain other countries could impose further sanctions, trade restrictions and other retaliatory actions should the conflict continue or worsen. It is not possible to predict the broader consequences of the conflict, including related geopolitical tensions, and the measures and retaliatory actions taken by the U. S. and other countries in respect thereof, as well as any counter measures or retaliatory actions by Russia in response. **The** ~~At a minimum, the~~ continuing conflict **has** ~~is likely to cause~~ **caused** regional instability ~~,~~ **and could cause** geopolitical shifts and could materially adversely affect global trade, currency exchange rates, regional economies and the global economy, which could materially adversely affect our financial condition or results of operations. In addition, the conflict and actions taken in response to the conflict could increase our costs or disrupt our supply chain for certain material which Acculogic currently **primarily** acquires from ~~a key sole-~~ **one supplier in Belarus. If we cannot** source ~~supplier in Belarus. If we cannot find an alternate supplier for~~ this material **from alternate suppliers for similar costs** , our revenue and earnings could be adversely affected **. 20 We have a sole source supplier of components in Israel and the current Hamas- Israel conflict could disrupt our supply chain or cause other adverse effects on our revenue and earnings. In early October 2023, Hamas attacked Israel and Israel formally declared war in response to the attack. The conflict is ongoing, and it is unclear when it might end. The continuing conflict is likely to cause regional instability and could materially adversely affect global trade, regional economies and the global economy, which could materially adversely affect our financial condition and results of operations. Our subsidiary, Ambrell has a sole source supplier of capacitors used in certain of our induction heating products that is located in Israel. This supplier is the sole source supplier of capacitors for numerous induction companies, and currently there are not viable alternatives available. There can be no assurance that the situation will not worsen, which could impact our ability to assemble and ship certain of our induction heating products which could have a material impact on our results of operations in future periods** . A substantial portion of our customers are located outside the U. S., which exposes us to foreign political and economic risks. We have operated internationally for many years and expect to expand our international operations to continue expansion of our sales and service to our non- U. S. customers. Our foreign subsidiaries generated **24 % and** 19 % ~~and 12 %~~ of consolidated revenue in **2023 and** 2022 ~~and 2021~~ , respectively. Revenue from foreign customers totaled $ **78. 1 million, or 63 % of consolidated revenue in 2023, and $** 67. 7 million, or 58 % of consolidated revenue in 2022 ~~, and $ 58. 1 million, or 68 % of consolidated revenue in 2021~~ . We expect our revenue from foreign customers will continue to represent a significant portion of total revenue. In addition to the risks generally associated with sales and operations in the U. S., sales to customers outside the U. S. and operations in foreign countries are subject to additional risks, which may, in the future, affect our operations. These risks include: ~~● the effects of COVID- 19 on markets outside the U. S.; 20~~ ● the effects of certain foreign customers being added to the list of restricted customers by the U. S. Department of Commerce; ● the implementation of trade tariffs by the U. S. and other countries that would impact our products; ● political and economic instability in foreign countries; ● the imposition of financial and operational controls and regulatory restrictions by foreign governments; ● the need to comply with a wide variety of U. S. and foreign import and export laws; ● local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anti- corruption laws and regulations; ● trade restrictions; ● changes in taxes; ● longer payment cycles; ● fluctuations in currency exchange rates; and ● the greater difficulty of administering business abroad. A significant portion of our cash position is maintained overseas and we may not be able to repatriate cash from overseas when necessary, which could have an adverse effect on our financial condition. While much of our cash is in the U. S., a significant portion is generated from and maintained by our foreign operations. At December 31, ~~2022~~ **2023** , $ 5. ~~0~~ **8** million, or ~~37~~ **13** % ~~,~~ of our cash and cash equivalents was held by our foreign subsidiaries ~~. We also had $ 1. 1 million of restricted cash that is discussed in Note 2 to our consolidated financial statements in this Report that was held by one of our subsidiaries in the Netherlands~~ . Our financial condition and results of operations could be adversely impacted if we are unable to maintain a sufficient level of cash flow in the U. S. to address our cash requirements and if we are unable to efficiently and timely repatriate cash from overseas. Any payment of distributions, loans or advances to us by our foreign subsidiaries could be subject to restrictions on, or taxation of, dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which our subsidiaries operate. If we are unable to repatriate the earnings of our subsidiaries, it could have an adverse impact on our ability to redeploy earnings in other jurisdictions where they could be used more profitably. RISKS RELATED TO ~~COVID- 19 Our business, results of operations and financial condition and the market price of our common stock have been and may continue to be adversely affected by the COVID- 19 pandemic. While the negative impact of COVID- 19 on our business was further reduced in 2022, the spread of the virus or variants of the virus could worsen and one or more of our significant customers or suppliers could be impacted, or significant additional governmental regulations and restrictions could be imposed, thus negatively impacting our business in the future. We have had occasions where one or more employees have contracted COVID- 19 and entered our facilities while infected. We have managed these occurrences with minimal disruption to our business while protecting other employees, but there can be no assurances that we can avoid similar occurrences in the future or that, in such cases, we can avoid significant disruption of our operations as a result of such occurrences. Should this occur, or should we have employees who become ill or otherwise are unable to work as a result of COVID- 19, we may experience limitations in employee resources or may be required to close affected facilities for a time to clean and disinfect appropriately, and allow employees to quarantine, as appropriate. We rely on a relatively few number of customers for a significant portion of our sales. The spread of the virus or variants of the virus could worsen and one or more of our significant customers could be impacted. If one or more of our significant customers is negatively impacted, our business, results of operations and financial condition will be adversely affected. In addition, the aftermarket service and support that we provide to our customers has been adversely affected by COVID- 19 in the past due to travel restrictions and limitations on visitors allowed into customer facilities, which resulted in some of these activities being reduced or suspended. If the spread of the virus or variants of the virus were to worsen and travel restrictions and limitations were to be reinstated, this portion of our business could be adversely affected in the future. 21 Generally, global supply chains and the timely availability of products have been materially disrupted by quarantines, factory~~

~~slowdowns or shutdowns, border closings and travel restrictions resulting from COVID- 19 in the past. If the spread of the virus or variants worsens and one or more of our significant suppliers is negatively impacted in the future, we could experience delays in receipt of materials or price increases in the future which could have a material negative impact on our business, results of operations and financial condition. The adverse effects of COVID- 19 on our business could be material in future periods, particularly if there are significant and prolonged economic slowdowns in regions where we derive a significant amount of our revenue or profit, or where our suppliers are located, or if we are forced to close facilities and limit or cease manufacturing operations for extended periods of time. We could experience delays in receipt of customer orders, cancellation or postponement of existing orders. Further, as a result of COVID- 19, our ability to fulfill orders within the proposed parameters at the time of order, including within the approximated timeline and estimated cost, may be negatively affected. This could lead to a reduction in revenue and / or an increase in our cost of revenues in future periods and could have a material adverse effect on our business, results of operations and financial condition. COVID- 19 has also led to extreme volatility in capital markets and has adversely affected, and may adversely affect, the market price of our common stock in the future. As a result of any negative impact of COVID- 19 on our business, results of operations, financial condition and cash flows, we may determine that our goodwill and long- lived assets are impaired, which would result in recording an impairment charge. The amount of any such impairment charge could be material. RISKS RELATED TO~~ INTELLECTUAL PROPERTY Claims of intellectual property infringement by or against us could seriously harm our businesses. From time to time, we may be forced to respond to or prosecute intellectual property infringement claims to defend or protect our rights or a customer' s rights. These claims, regardless of merit, may consume valuable management time, result in costly litigation or cause product shipment delays. Any of these factors could seriously harm our business and operating results. We may have to enter into royalty or licensing agreements with third parties who claim infringement. These royalty or licensing agreements, if available, may be costly to us. If we are unable to enter into royalty or licensing agreements with satisfactory terms, our business could suffer. In instances where we have had reason to believe that we may be infringing the patent rights of others, or that someone may be infringing our patent rights, we have asked our patent counsel to evaluate the validity of the patents in question, as well as the potentially infringing conduct. If we become involved in a dispute, neither the third parties nor the courts are bound by our counsel' s conclusions. **21** If we are unable to protect our intellectual property, we may lose a valuable asset or may incur costly litigation to protect our rights. We protect the technology that is incorporated in our products in several ways, including through patent, copyright, trademark and trade secret protection and by contractual agreement. However, even with these protections, our intellectual property may still be challenged, invalidated or subject to other infringement actions. While we believe that our intellectual property has value in the aggregate, no single element of our intellectual property is in itself essential. If a significant portion of our intellectual property is invalidated or ineffective, our business could be materially adversely affected. RISKS RELATED TO OUR OPERATING RESULTS AND STOCK PRICE Our operating results often change significantly from quarter to quarter and may cause fluctuations in our stock price. Historically, our operating results have fluctuated significantly from quarter to quarter. We believe that these fluctuations occur primarily due to the cycles of demand in the semiconductor manufacturing industry. In addition to these changing cycles of demand, other factors that have caused our quarterly operating results to fluctuate in the past or that may cause fluctuations and losses in the future, include: ● costs related to due diligence and transaction- related expenses for a proposed acquisition that does not get completed; ● costs and timing of integration of our acquisitions and plant consolidations and relocations; ● changes in demand in the markets we serve including the automotive, defense / aerospace, industrial, life sciences and security markets; ● the state of the U. S. and global economies; ● changes in the buying patterns of our customers including any changes in the rate of, and timing of, purchases by our customers; ● the impact of interruptions in our supply chain caused by external factors; ● changes in our market share; ~~22~~ ● the impact of COVID- 19 or any other pandemic on our business; ● the technological obsolescence of our inventories; ● quantities of our inventories greater than is reasonably likely to be utilized in future periods; ● fluctuations in the level of product warranty charges; ● competitive pricing pressures; ● excess manufacturing capacity; ● our ability to control operating costs; ● delays in shipments of our products; ● the mix of our products sold; ● the mix of customers and geographic regions where we sell our products; ● changes in the level of our fixed costs; ● costs associated with the development of our proprietary technology; ● our ability to obtain raw materials or fabricated parts when needed; ● increases in costs of component materials; ● cancellation or rescheduling of orders by our customers; ● changes in government regulations; and ● geopolitical instability. Because the market price of our common stock has tended to vary based on, and in relation to, changes in our operating results, fluctuations in the market price of our stock are likely to continue as variations in our quarterly results continue. Item 1B. UNRESOLVED STAFF COMMENTS