

Risk Factors Comparison 2025-02-28 to 2024-02-26 Form: 10-K

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You should carefully consider the following risk factors, in addition to the other information contained in this report, including the section titled “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations ” and our consolidated financial statements and related notes. This report also contains forward- looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward- looking statements due to factors that are described below and elsewhere in this report. Our Risk Factors are not guarantees that no such conditions exist as of the date of this report and should not be interpreted as an affirmative statement that such risks or conditions have not materialized, in whole or in part. Risks Related to Our Industry and the Markets We Serve The markets for our products are highly competitive. If we fail to compete successfully, our business, financial condition, results of operations and growth prospects will be materially adversely affected. The industries in which we operate have significant price and technological competition. We compete with companies providing semiconductor and fiber lasers, and with companies offering conventional laser or non- laser solutions for the applications we target. Some of our competitors are larger and have substantially greater manufacturing, financial and research and development resources and larger installed customer bases than we do. Some of these competitors may receive government subsidies allowing them to compete more aggressively. These companies will likely be able to expand into broader products, geographies, and end markets, which may result in additional competitive pressures on us. Certain competitors also have higher sales volume than we do, which can enable them to lower the prices of their products.

Additionally, the merger or consolidation of significant competitors would result in competitors with greater resources, which may enable them to offer a different market approach, or a lower cost structure through economies of scale or other efficiencies that we may be unable to match and which may intensify competition. Further, our competitors may seek to vertically integrate by buying suppliers that also supply products or components to us, which could enable them to further reduce prices, or could increase our costs. Moreover, our OEM customers’ internal production of laser technologies presents additional competitive pressure. To compete, we have reduced prices of some of our products in the past and we may be forced to lower our prices further in the future, which could negatively impact our revenues and gross margins. To remain competitive, we believe that we will be required to continue to invest significantly in research and development and manufacturing facilities. We may not have sufficient resources to continue to make these investments and we may not be able to make the technological advances or price adjustments necessary to compete successfully. Any failure to compete successfully will materially adversely affect our business, financial condition, results of operations and growth prospects. Changes in the markets we serve could materially adversely affect our revenues and profitability. Our results of operations may vary based on the impact of changes in the markets we serve or in the global economy .The Aerospace and Defense market is largely dependent on government budgets,in particular defense budgets,which are driven by numerous factors,including geopolitical events,macroeconomic conditions and the ability of the U.S.government to enact relevant legislation.As a result,our future revenues are subject in part to the uncertainties of governmental budgeting and appropriations and national defense policies and priorities,constraints of the budgetary process and timing and potential changes to these policies and priorities,all of which are beyond our control.Many of our customers in the defense industry are subcontractors that must negotiate our proposals with the U.S.government.Our continuing relationship with these customers and the ability of these customers to pay for our products is dependent on the U.S.government’ s decision to accept or reject our customers’ terms,which can be delayed for a substantial period of time and is largely outside of our control.Such delays could result in decreased revenues and could materially adversely affect our results of operations in any given period . For our products sold to the Industrial market, we believe demand is largely based on general economic conditions and we cannot predict the timing, strength or duration of any economic slowdown or recovery, whether global, regional or within specific markets. For the Microfabrication market, a portion of our revenues depends on the demand for our products from semiconductor equipment companies. The semiconductor equipment market has historically been characterized by sudden and severe cyclical variations in product supply and demand, which have often severely affected the demand for manufacturing equipment, including laser- based tools and systems, ~~and~~ which limits our ability to predict our business prospects and financial results in this market . **The Aerospace and Defense market is..... results of operations in any given period .** We participate in markets that are subject to rapid technological change and require significant research and development expenses to develop and maintain products that can achieve market acceptance. The markets for our products are characterized by rapid technological change, frequent product introductions, substantial capital investment, volatility of product supply and demand, changing customer requirements and evolving industry standards. Our future performance depends in part on our successful development, introduction and market acceptance of new and enhanced products that address these changes and current and potential customer requirements. To the extent customers defer or cancel orders for existing products due to a slowdown in demand or in the expectation of a new product release, or if there is any delay in development or introduction of our new products or enhancements of our products, our business, financial condition, results of operations and growth prospects would be materially adversely affected. We also may not be able to develop the underlying core technologies necessary to create new products and enhancements, or to license these technologies from third parties. Product development delays may result from numerous factors, including: • changing product specifications and customer requirements; • unanticipated engineering complexities; • expense reduction measures we have implemented, and others we may implement, to conserve our cash and attempt to sustain profitability; • difficulties in hiring and retaining necessary technical personnel; • difficulties in reallocating engineering resources and overcoming resource limitations; and • changing market or

competitive product requirements. Further, the development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation and highly skilled engineering and development personnel, as well as the accurate anticipation of technological and market trends. We cannot assure you that our expenditures for research and development will result in the introduction of new products or, if such products are introduced, that those products will achieve sufficient market acceptance or generate revenues to offset the cost of development. Ramping of production capacity also entails risks of delays which can limit our ability to realize the full benefit of the new product introduction. We cannot assure you that we will be able to identify, develop, manufacture, market or support new or enhanced products successfully. Additionally, our product offerings may become obsolete given the frequent introduction of alternative technologies. If our products fail to gain and maintain market acceptance, it could materially adversely affect our business, financial condition, results of operations and growth prospects. Products in the laser industry are experiencing declining average selling prices, and our future success depends in part on our ability to increase our volumes and decrease our costs to offset potential declines in the average selling prices of our products. Products in the laser industry generally, and our products specifically, have experienced and may in the future experience a significant decline in average selling prices (ASPs) on maturing products due to increased competition and price pressures from customers, **, particularly in the Industrial market**. As competing products become more widely available, the ASPs of our products may decrease, and such decreases may vary by product and market. Due to the fixed cost of production, the average cost per unit of our products typically declines as our production volumes rise. For this reason, we may decide to offer products at ASPs that result in low initial gross margins to us with an intention to drive sales and production volumes higher, in turn lowering our average cost per unit. Because of these factors, we have experienced, and we may continue to experience, fluctuations in our results of operations on a quarterly or annual basis. If the ASPs of our products decline and we are unable to increase our unit volumes, introduce new or enhanced products with higher ASPs or reduce manufacturing costs to offset anticipated decreases in the prices of our existing products, our gross margins could decline, which in turn could materially adversely affect our business, financial condition, results of operations and growth prospects. Risks Related to Our Business and Operations We have a history of losses and we may not be able to achieve or maintain profitability in the future. We have incurred recurring net losses since our inception in 2000. If we fail to grow revenues or reduce costs to achieve and sustain profitability, our business, financial condition, results of operations and growth prospects will be materially adversely affected. We rely on a small number of customers for a significant portion of our revenues, and if we lose any of these customers or they significantly curtail their purchases of our products, our results of operations could be materially adversely affected. We rely on a small number of customers for a significant portion of our revenues, **, and we expect this customer concentration will continue in the future**. We generally do not enter into long- term purchase agreements with our customers that obligate them to purchase our products. Our business is characterized by short- term purchase orders issued by our customers, which are likely to be favorable to those customers. If any of our principal customers discontinues its relationship with us, develops its own products instead of using ours, replaces us as a vendor for certain products or suffers downturns in its business resulting in a cancellation of orders or an inability to place new orders from us, then our business, financial condition, results of operations and growth prospects could be materially adversely affected. ~~We have high~~ **,Our manufacturing capacity and operations may not be appropriate for future** levels of ~~demand~~ **fixed costs** and ~~inventory levels that~~ **may materially adversely affect our gross profits margins.** ~~When there are changes in market demand we must be able to rapidly and results~~ **effectively increase or decrease our manufacturing capacity in the appropriate locations.** ~~Failure to do so may cause a loss of operations if~~ **business to competitors, negatively impact our relationships with customers, or negatively impact our gross margins.** ~~To maintain our competitive position and to meet anticipated demand for our products, declines or we maintain~~ **have invested significantly in the expansion and automation of our manufacturing and operations throughout the world and may continue to do so in the future.** ~~If the demand for our products does not increase or if our revenues decrease from current levels,~~ **we may have significant** ~~excess inventory levels.~~ ~~We conduct our own manufacturing operations capacity and~~ **under- absorption of** ~~have a high fixed- cost base, including significant costs for the employees in our manufacturing operations.~~ ~~We may not be able to adjust our production levels or~~ **our** ~~fixed costs quickly enough,~~ **which could in turn materially adversely affect or **our** ~~sufficiently to adapt to rapidly changing market conditions.~~ ~~Gross~~ **gross margins** ~~profit, in absolute dollars and~~ **profitability.** ~~Expansion activities can also cause disruptions to existing~~ **as a percentage of revenues, is impacted by our volumes, product sales mix, the corresponding absorption of fixed- manufacturing overhead expenses capabilities.** ~~Moreover, we may experience higher costs due to yield loss,~~ ~~production costs~~ **inefficiencies** ~~and manufacturing yields.~~ ~~In~~ **equipment problems until any operational issues associated with the** ~~addition,~~ ~~because we design and~~ **of new equipment or opening of new** ~~manufacture~~ **manufacturing facilities** ~~our key components, insufficient demand for our products subjects us to the risks of high inventory carrying costs and increased inventory obsolescence.~~ ~~If our capacity and production levels are~~ **resolved** ~~not properly sized in relation to changing demand, or if anticipated sales do not occur, we may need to record write- downs for excess or obsolete inventory.~~ We rely on third parties to manufacture certain of our products and product components, which could expose us to a number of risks that could negatively impact our results of operations. We outsource the manufacturing of certain of our products and product components to third- parties **located in both the United States and internationally**. Reliance on third- party manufacturers presents a number of risks, including capacity constraints, reduced control over manufacturing and delivery timing and quality, shortages during periods of high demand or supply constraints, the inability to achieve acceptable yields on a timely basis, misappropriation of our intellectual property and potential increased exposure to fluctuations in manufacturing costs, including due to inflation, any of which could adversely impact our business, financial condition, results of operations and growth prospects. In addition, if any of our third- party manufacturers are unable or unwilling to manufacture our products or product components in required volumes and at high quality levels or continue to manufacture our products and product components at all, we would need to identify and select alternative manufacturers, which may not be available to us on favorable terms, if at all. An alternative manufacturer may not be available to**

us when needed or may not be in a position to satisfy our quality and production requirements on commercially reasonable terms. Any significant interruption in manufacturing could require us to reduce our supply of products to our customers, which in turn could reduce our revenues and harm our customer relationships. ~~Our manufacturing capacity and operations may not be appropriate for future levels of demand and may materially adversely affect our gross margins. When there are changes~~ If we are unable to develop new products, applications and end- markets and increase our market share in existing applications, our business, financial condition, results of operations and growth prospects may be materially adversely affected. Our future success will depend in part on our ability to continue to generate sales ~~of semiconductor lasers and fiber lasers in applications where legacy lasers have been used, or~~ in new and developing markets and applications for lasers such as additive manufacturing within the industrial market, and directed energy within the aerospace and defense market. ~~As semiconductor and fiber lasers reach higher levels of penetration in core materials processing applications, the development of new applications, end- markets and products outside our core applications becomes more important to our growth.~~ Our current and potential customers may have substantial investment in, and know- how related to, their existing laser and non- laser technologies - **Customers, and they** may be reluctant to change from incumbent suppliers or cease using their own solutions, or we may miss the design and procurement cycles of our customers. Many of our target markets have historically been slow to adopt new technologies ~~and these these~~ markets often require long testing and qualification periods or lengthy government approval processes before admitting new suppliers or adopting new technologies. Introduction of new products and product enhancements will require that we effectively transfer production processes from research and development to manufacturing and coordinate our efforts with those of our suppliers to **rapidly** achieve increased production volume ~~rapidly~~. If we are unable to implement our strategy to develop new applications and end markets for our products or develop new products, our business, financial condition, results of operations and growth prospects could be materially adversely affected. In addition, any newly developed or enhanced products may not achieve market acceptance or may be rendered obsolete or less competitive by the introduction of new products by other companies. **We have high levels of fixed costs..... downs for excess or obsolete inventory.** If we fail to effectively manage our growth or, alternatively, our spending during downturns, our business could be disrupted, which could materially adversely affect our results of operations. Growth in revenues, combined with the challenges of managing geographically dispersed operations, can place a significant strain on our management systems and resources, and our anticipated growth in future operations could continue to place such a strain. The failure to effectively manage our growth could disrupt our business and materially adversely affect our results of operations. In economic downturns, we must effectively manage our spending and operations to ensure that our competitive position during the downturn, as well as our future opportunities when the economy improves, remains intact. The failure to effectively manage our spending and operations could disrupt our business and materially adversely affect our results of operations. **Our manufacturing capacity and operations may..... our revenues and harm our customer relationships.** The long sales cycles for our products may cause us to incur significant expenses without offsetting revenues. Our products represent a large investment for our customers and they typically expend significant effort in evaluating, testing and qualifying our products before making a decision to purchase them, resulting in a lengthy initial sales cycle. Even after this evaluation process, a potential customer may decide not to purchase our products. As a result, these long sales cycles may cause us to incur significant expenses without receiving revenues to offset such expenses soon thereafter or at all. This, in turn, can materially adversely affect our business, financial condition, results of operations and growth prospects. Because we generally do not enter into long- term purchase commitments with our customers, our **product** revenues can be difficult to predict, which could lead to excess or obsolete inventory and materially adversely affect our results of operations. Our **Laser Products** business is characterized by short- term purchase orders and shipment schedules and, in some cases, orders may be canceled or delayed without penalty. As a result, it is difficult to forecast our revenues and to determine the appropriate levels of inventory required to meet future demand. This could lead to increased inventory levels and increased carrying costs and risk of excess or obsolete inventory due to unanticipated reductions in purchases by our customers. If we are unable to accurately forecast the demand for our products, fail to accurately forecast the timing of such demand, or are unable to consistently negotiate acceptable purchase order terms with customers, we could incur significant expenses, and our business, financial condition, results of operations and growth prospects may be materially adversely affected. We depend on internal production and outside single- or limited- source suppliers for many of our key components and raw materials. We rely on our own production capabilities to manufacture certain of our key components, such as semiconductor lasers, specialty optical fibers and optical components. Certain of our components, such as our semiconductor lasers, which are manufactured at our Camas and Vancouver, Washington facilities, and our active fibers, which are manufactured at our Lohja, Finland facility, rely on processes and equipment that cannot be easily moved or replaced. If our manufacturing activities were obstructed or hampered significantly at these, or our other facilities, it could take a considerable length of time, at an increased cost, for us to resume manufacturing, which could materially harm our business and results of operations. Also, we purchase certain raw materials and components, which are key elements to manufacture our products **and other components, such as semiconductor wafer substrates, fiber laser chip packages, optics, and other materials**, from single- or limited- source suppliers. We generally do not have guaranteed supply arrangements with our suppliers. Our key suppliers may not have the ability to increase their production in line with our customers' demands. This can become acute during times of high growth in our customers' businesses. As a result, we have experienced, and may in the future experience, longer lead times or delays in fulfillment of our orders. Furthermore, other than our current suppliers, there may be a limited number of entities from which we could obtain these supplies. In addition, if quality issues arise with these outsourced materials and go undetected by us, the use of such defective materials in our products could compromise their quality and harm our reputation. For certain long lead- time supplies or in order to lock in pricing, we may be obligated to place purchase orders which are not cancellable or otherwise assume liability for a large amount of the ordered supplies, which limits our ability to adjust down our inventory liability in the event of market downturns or other customer cancellations or rescheduling of their

purchase orders for our products. Some of our products require designs and specifications which are at the cutting- edge of available technologies. Accordingly, certain of our products require components and supplies which may be technologically difficult and unpredictable to manufacture. These types of components may only be available by a single supplier. These characteristics place further pressure on the timely delivery of such components. In addition, many of our suppliers have recently experienced shortages of many of the components and raw materials that we require, and in some cases, have significantly increased their prices. Any interruption or delay in the supply of any of these components or materials, or the inability to obtain these components and materials from existing suppliers or alternate sources at acceptable prices and within a reasonable amount of time, could materially adversely affect our ability to meet customer orders and in turn our business, financial condition, results of operations and growth prospects. Products that do not meet specifications or that contain defects could damage our reputation, decrease market acceptance of our products, cause us to lose customers and revenues, and result in liability to us. The complexity and ongoing development of our product designs and manufacturing processes could lead to design or manufacturing problems. Problems might result from a number of factors, including design defects, materials failure, failure of components manufactured internally or by our suppliers to meet our specifications, contamination in the manufacturing environment, and equipment failures. These problems could cause lower than anticipated yields, cause delays in product shipments, cause delays in new product introductions, cause us to incur additional warranty expenses or warranty reserves, result in increased costs and diversion of development resources, cause us to incur increased charges due to unusable inventory, require design modifications, impact the timing of revenue recognition, and decrease the market acceptance or customer satisfaction with our products. The occurrence of any one or more of these events could adversely affect our business, reputation and operating results. In addition, a product liability claim brought against us, even if unsuccessful, could be time- consuming and costly to defend, **divert management's attention** and could harm our reputation. We cannot assure investors that our product liability insurance would adequately protect our assets from the financial impact of defending a product liability claim. Any product liability claim brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing insurance coverage in the future. A breach of our information technology and security systems could materially adversely affect our business. We use information technology and security systems to maintain our facilities' physical security and to protect proprietary and confidential information, including that of our customers, suppliers and employees. Denial of service or other attacks on, or accidental or willful security breaches or other unauthorized access to our facilities or information systems, unauthorized access to or acquisition of personal information, confidential information or other data we process or maintain, or viruses, loggers, or other malfeasant code, including ransomware, in our data or software, could compromise this information and otherwise disrupt our operations. The consequences of such loss, possible misuse of our proprietary and confidential information, or operational disruptions could include, among other things, unfavorable publicity, damage to our reputation, difficulty marketing our products, customer allegations of breach- of- contract, claims and litigation by affected parties, investigations by and other proceedings involving governmental authorities and possible financial liabilities for damages, any of which could materially adversely affect our business, financial condition, reputation and relationships with customers and partners. We also rely on a number of third- party service providers to host, store or otherwise process information for us, or to provide other facilities or infrastructure that we make use of, including" cloud- based" providers of corporate infrastructure services relating to, among other things, human resources, electronic communication services and some financial functions, and we are therefore dependent on the security systems of these providers. Any security breaches or incidents or other unauthorized access to, or disruptions of, our service- providers' systems or viruses, loggers, ransomware or other malfeasant code in their data or software, or unauthorized access to or acquisition of any data they process or otherwise maintain for us could expose us to information loss, corruption and unavailability, operational disruptions, and misappropriation of confidential information, and could have similar consequences to us as any incidents affecting our own systems or the data we process or maintain. We and our third parties face these threats from a variety of sources, including attacks from hackers, phishing and other forms of social engineering, and human error or employee or contractor malfeasance. Because the techniques used to obtain unauthorized access to or sabotage security systems change frequently and are often not recognized until after an attack, we and our third- party service providers may be unable to anticipate the techniques or implement adequate preventative measures, thereby exposing us to material adverse effects on our business, financial condition, results of operations and growth prospects. A security breach or other security incident impacting us or our third- party service providers could require a substantial level of financial resources to rectify and otherwise respond to, may be difficult to identify or address in a timely manner, and could result in claims, investigations, and inquires by private parties or governmental entities that may divert management's attention and require the expenditure of significant time and resources, and which may cause us to incur substantial fines, penalties, or other liability and related legal and other costs. Any actual or perceived security breach or other security incident may also harm our reputation and market position. Any of the foregoing matters could harm our operating results and financial condition. While we maintain insurance that may cover certain liabilities in connection with a security breach or incident, we cannot be certain that our insurance coverage will be adequate for data handling or information security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, premiums, or deductibles could have a material adverse effect on our business, including our financial condition, operating results, and reputation. ~~We may experience increased costs, disruptions or other difficulties with the implementation, operation and functionality of our new enterprise resource planning system. We have recently implemented a new enterprise resource planning (ERP) system, which replaces or enhances certain internal financial and operating systems that are critical to our business operations. Although we have invested, and continue to invest, significant resources in planning, project management, consulting and training, it is possible that significant operational and functionality issues may arise during the course of using our new ERP system,~~

including difficulties paying suppliers, invoicing customers and tracking inventory. It is also possible that we may experience significant delays, increased costs and other difficulties that are not presently contemplated. Any significant disruptions, delays, deficiencies or errors in the design, implementation and utilization of our new ERP system could adversely affect our operations, prevent us from accurately and timely reporting our financial results and negatively impact our business, financial condition and results of operations. Our results of operations can be adversely affected by labor shortages, turnover, labor cost increases and our ability to recruit and retain qualified personnel. We have from time- to- time experienced labor shortages and other labor-related issues. A number of factors may adversely affect the labor force available to us in one or more of our geographies, including high employment levels, increasing market wages and other compensation costs, federal unemployment subsidies, and other government regulations, which include laws and regulations related to workers' health and safety, wage and hour practices and immigration. These factors along with increased turnover rates within our employee base can decrease our efficiency and impact our cost of labor. In addition, we believe our ability to manage successfully and grow our business and to develop new products depends, in large part, on our ability to recruit and retain qualified employees, particularly highly skilled technical, sales, service, management, and key staff personnel. Competition for qualified resources is intense and other companies may have greater resources available to provide substantial inducements to lure key personnel away from us or to offer more competitive compensation packages to individuals we are trying to hire. Fluctuations in our quarterly results of operations may be difficult to predict. We have experienced, and expect to continue to experience, fluctuations in our quarterly results of operations including restructuring charges in the fourth quarter of 2022 and 2023 and 2024. Factors which have had or may in the future have an influence on our results of operations in a particular quarter include: • the increase, decrease, cancellation or rescheduling of significant customer orders; • declines in selling prices for our products; • delays in our product- shipment timing, obtaining licenses or other import / export approvals, customer or end user sales or deployment cycles, or work performed under development contracts; • seasonality attributable to different purchasing patterns and levels of activity throughout the year in the areas where we operate; • the impact of new acquisitions and the success of our integration efforts; • the timing of revenue recognition based on the installation or acceptance of certain products shipped to our customers; • the timing and execution of government development projects; • timing variability in product introductions, enhancements, services and technologies by us and our competitors and market acceptance of these new or enhanced products, services and technologies; • different capital expenditure and budget cycles for our customers, which affect the timing of their spending; • our ability to obtain export licenses for our products on a timely basis or at all; • changes in tariffs imposed by the U. S., China and other foreign governments; • the rate at which our present and future customers and end users adopt our technologies; • the gain or loss of a key customer; • product or customer mix; • competitive pricing pressures and new market entrants; • our ability to manage our inventory levels and any write- downs for excess or obsolete inventory; • our ability to collect outstanding accounts receivable balances; • changes in the amount and timing of our operating costs; • impairment of values for goodwill, intangibles and other long- lived assets; • foreign currency fluctuations; • the impact of public health crises, including on geopolitical events and macroeconomic conditions and on our business, results of operations and financial condition; • changes in jurisdictional income mix and tax rules and regulations in countries where we operate; and • economic and market conditions in a particular geography or country. A substantial portion of our operating expenses are fixed for the short- term, and as a result, fluctuations in revenues or unanticipated expenses can have a material and immediate impact on our profitability. In addition, we often recognize a substantial portion of our revenues in the last month of each fiscal quarter. We also base our manufacturing on our forecasted product mix for the quarter. If the actual product mix varies significantly from our forecast, we may not be able to fill some orders during that quarter, which would result in delays in the shipment of our products. Accordingly, variations in timing of sales, particularly for our higher priced, higher margin products, can cause significant fluctuations in quarterly results of operations. Due to these and other factors, particularly varying product mix from quarter to quarter, we believe that quarter- to- quarter and year- to- year comparisons of our historical results of operations may not be meaningful. You should not rely on our results for any quarter or year as an indication of our future performance. We use estimates when accounting for certain fixed price contracts and any changes in such estimates could have an adverse effect on our earnings and overall financial performance. Revenues and profits on some of our fixed price defense contracts may be recognized on an over- time basis. Contract accounting requires judgment of these contracts relative to assessing risks, estimating contract revenues and costs, and making assumptions for project schedule and technical issues. We calculate the percent complete under the contract and apply the percentage to determine revenues earned and the appropriate portion of total estimated costs. Accordingly, purchase price and cost estimates are reviewed periodically as the work progresses, and adjustments proportionate to the percentage complete are reflected in the period when such estimates are revised. As part of this process, we review information including, but not limited to, key contract terms and conditions, project schedule, progress towards completion and identified risks and opportunities. The risks and opportunities include judgments about the ability and cost to achieve the contract milestones and other technical contract requirements. To the extent that any adjustments are required as part of this process and result in a reduction or elimination of previously reported earnings, we would have to recognize a charge against current earnings, which could have a significant adverse effect upon the profitability of one or more of the affected contracts, future period financial reporting and performance, depending on the size of the contract or the adjustment. Our agreements with the U. S. government and suppliers to the U. S. government subject us to particular risks. We must comply with and are affected by laws and regulations relating to the award, administration and performance of U. S. government contracts. Awards received from These laws and regulations impose terms or rights that are often more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U. S. government may be cancelled terminate any of or our lose government contracts and, in general, subcontracts, at their convenience, as well as for default. Additionally, changes in government spending could have adverse consequences on our financial position, results of operations and business. The funding of our contracts is subject to the overall U. S. government budget and

appropriation decisions and processes, which are driven by numerous factors, including geopolitical events and macroeconomic conditions. The U. S. government contracting party may require us to increase or decrease production of certain solutions sold to the U. S. government, **or to prioritize deliveries to the U. S. government** due to changes in U. S. national security strategy and / or priorities or other reasons, which could **adversely impact production and delivery** of other products or sales to other customers ~~to meet the requirements of the U. S. government~~. In addition, the U. S. government routinely retains rights to intellectual property developed in connection with a government contract. The U. S. government could exercise these rights in certain circumstances in the future, which could have the effect of decreasing the benefit we are able to realize commercially from such intellectual property. U. S. government agencies routinely audit and investigate government contractors and can decrease or withhold certain payments when it deems systems subject to its review to be inadequate. Additionally, any costs found to be misclassified may be subject to repayment. We have unaudited and unsettled incurred cost claims related to past years, which places risk on our ability to issue final billings on contracts for which authorized and appropriated funds may be expiring. If an audit or investigation uncovers improper or illegal activities **or if we fail to comply with government contracting laws, regulations and contract requirements**, we may be subject to civil or criminal penalties and administrative sanctions, including reductions of the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, penalties, fines and suspension, or prohibition from doing business with the U. S. government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Similar government oversight exists in most other countries where we conduct business. Any such imposition of penalties, or the loss of such government contracts, could materially adversely affect our business, financial condition, results of operations and growth prospects. ~~Responding Risks Related to Our International Sales~~ **any investigation or action relating to government contracts could result in a significant diversion of management's attention** and ~~Operations~~ **resources and significant defense costs and other professional fees.** Our inability to manage risks associated with our international customers and operations could materially adversely affect our business. Our foreign operations and revenues are subject to a number of risks, including the impact of various macroeconomic conditions, unexpected changes in regulatory requirements, certification requirements and environmental and other regulations; reduced protection for intellectual property rights in some countries; potentially adverse tax consequences; political and economic instability; import / export regulations, tariffs and trade barriers; compliance with applicable United States and foreign anti- corruption laws; cultural and management differences; reliance in some jurisdictions on third- party revenues from channel partners; preference for locally produced products; supply chain, shipping, and other logistics complications; and longer accounts receivable collection periods. In particular, the economic, political, legal, and regulatory climate in China, both nationally and regionally, is fluid and unpredictable, and operating in China exposes us to related risks that could materially adversely impact our business. Our business could also be impacted by international conflicts, terrorist and military activity, civil unrest and public health crisis, which could cause a slowdown in customer orders, lengthen sales cycles, cause customer order cancellations or negatively impact availability of supplies or limit our ability to produce or timely service our installed base of products. Political, economic and monetary instability and changes in governmental regulations or policies, including trade tariffs and protectionism, could materially adversely affect both our ability to effectively operate our foreign offices and the ability of our foreign suppliers to supply us with required materials or services. Any interruption or delay in the supply of our required components, products, materials or services, or our inability to obtain these components, materials, products or services from alternate sources at acceptable prices and within a reasonable amount of time, could impair our ability to meet scheduled product deliveries to our customers and could cause customers to cancel orders. Our failure to manage the foregoing risks associated with our existing and potential future international business operations could materially adversely affect our business, financial condition, results of operations and growth prospects. We are exposed to foreign currency risk, which may materially adversely affect our revenues, cost of revenues and operating margins and could result in exchange losses. Our international operations are significant to our revenues and profitability. While we report our financial results in U. S. dollars, we incur certain costs in other currencies, and have certain foreign currency denominated assets and liabilities. We, therefore, face exposure to fluctuations in currency exchange rates. Significant fluctuations in exchange rates between the U. S. dollar and foreign currencies may adversely affect our revenues and earnings. ~~Risks Related to Litigation, Taxation and Regulatory Compliance~~ We are subject to governmental export and import controls that could subject us to liability, impair our ability to compete and otherwise adversely affect our business, financial condition, results of operations and growth prospects. The United States and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of certain products, technologies, and software. For example, the U. S. government has continued to expand controls restricting the ability to send certain products and technology related to lasers, semiconductors, semiconductor manufacturing and supercomputing to and within China and additional destinations. These expanded controls include imposing additional licensing requirements on exports, re- exports, and transfers of certain integrated circuits (ICs) and products containing those circuits to and within China and additional destinations. In many cases, these licenses are subject to a policy of denial. **The Proposed regulations would impose a worldwide licensing requirement on certain ICs and computing resources that are used for training of AI models. In addition, the** U. S. government also continues to add additional entities in China and elsewhere to restricted party lists impacting the ability of U. S. companies to provide products and technology to these entities. These controls may impact our ability to export certain products and technology to China and other destinations and restrict our ability to use certain ICs in our products. It is also possible that the Chinese government will retaliate in ways that could impact our business. For example, China has announced export license requirements on certain materials used in, among other things, the production of semiconductors, optical components, and other electronic devices including germanium and gallium. **China also has announced a new export control regime.** Additionally, these restrictions could disrupt the ability of China to produce semiconductors and other electronics and impact our ability to source components from China. These restrictions could impact the cost of components or inputs used to produce our products. We must export our

products in compliance with U. S. export controls, and we may not always be successful in obtaining necessary export licenses. Denials of export licenses or limitations imposed by these laws on our ability to export or sell our products, may harm our international and domestic revenues. Furthermore, noncompliance with these laws could have negative consequences, including government investigations, penalties and reputational harm. Any failure to adequately comply with these laws could result in civil fines or suspension or loss of our export privileges, as well as substantial expense and diversion of management resources and attention, any of which could materially adversely affect our business, financial condition, results of operations and growth prospects. We are subject to anti- corruption, ~~and~~ anti- bribery, ~~laws and~~ anti- money laundering laws and similar laws, and non- compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation. We are subject to **U. S. and foreign** anti- corruption, ~~and~~ anti- bribery **laws, such as the Foreign Corrupt Practices Act of 1977 (FCPA), and anti- money laundering laws** and similar laws. Anti- corruption and anti- bribery laws have been enforced aggressively in recent years and are interpreted broadly and prohibit companies and their employees ~~and~~, **agents, representatives, business partners and third- party intermediaries** from promising, making, authorizing, making, offering, soliciting or accepting improper payments or other benefits to or from ~~persons government officials and others~~ in the public and private sectors. **We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, business partners and third- party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state- owned or affiliated entities**. We can be held liable for the corrupt or other illegal activities of our employees, ~~agents,~~ representatives, ~~contractors,~~ business partners and ~~agents~~ **third- party intermediaries**, even if we do not explicitly authorize or have actual knowledge of such activities. Our operations and sales in China, India, Brazil, ~~and~~ the Middle East ~~and~~ **in particular, as well as** other countries ~~create the,~~ **increases our risk risks under these laws** of unauthorized payments or offers of payments by our employees, consultants, sales agents or distributors, ~~even though they may not always be subject to our control~~. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with these laws, we cannot assure you that our employees, ~~agents,~~ representatives, ~~contractors,~~ business partners and ~~agents~~ **third- parties intermediaries** will not take actions that violate our policies or applicable law, for which we ~~can~~ **may ultimately** be held liable. **Any allegations** ~~If any subpoenas or~~ **violation of the FCPA or other applicable anti- bribery and anti- corruption laws and anti- money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage,** investigations ~~are launched,~~ **loss of export privileges, severe criminal or civil governmental or other sanctions are imposed,** or ~~if we do not prevail in~~ **suspension or debarment from government contracts, all of which may have any** ~~an adverse effect on possible civil or criminal litigation,~~ our business, **reputation**, financial condition, results of operations and growth prospects ~~could be materially adversely affected~~. In addition, responding to any **investigation or** action will likely result in a ~~materially~~ significant diversion of management' s attention and resources and significant defense and compliance costs and other professional fees. We could be subject to additional income tax liabilities. We are subject to income taxes in the United States and certain foreign jurisdictions. Significant judgment is required in evaluating our worldwide provision for income taxes. During the ordinary course of business, there are many transactions for which the ultimate tax determination is uncertain. We are subject to audit in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax determinations are proper, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material adverse effect on our operating results or cash flows in the period or periods for which that determination is made. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. If relevant taxing authorities were to disagree with our determinations as to the income and expenses attributable to specific jurisdictions, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one- time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. There can be no assurances that our reserves would be adequate to cover such a contingency. Changes in tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions. We are subject to the tax laws, regulations, and policies of several taxing jurisdictions. Changes in tax laws, as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates and otherwise adversely affect our tax positions and / or our tax liabilities. For example, in August 2022 the United States enacted the Inflation Reduction Act of 2022, which imposes a 1 % excise tax on stock buybacks, which could affect our common stock repurchase plan, and a 15 % alternative minimum tax on adjusted financial statement income. Furthermore, beginning in 2022, the Internal Revenue Code of 1986, as amended (the " Code"), eliminates the right to deduct research and development expenditures currently and requires taxpayers to capitalize and amortize U. S. and foreign research and development expenditures over five and fifteen tax years, respectively. Many countries, and organizations such as the Organization for Economic Cooperation and Development, have **enacted or** proposed changes to existing tax laws, including a proposed 15 % global minimum tax. Any of these developments or changes in U. S. federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. There can be no assurance that our effective tax rates or tax payments will not be adversely affected by these or other developments or changes in law. We are subject to various environmental laws and regulations that could impose substantial costs upon us and may materially adversely affect our business, financial condition, results of operations and growth prospects. We are subject to a variety of federal, state, local and foreign environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during our manufacturing process or requiring design changes or recycling of products we manufacture. We could incur costs, fines and civil or criminal sanctions, third- party property damage or personal injury claims, or could be required to incur substantial investigation or remediation costs, if we were to violate or become liable under environmental laws. Compliance with current or future environmental laws and regulations could restrict our ability to expand

our facilities or require us to acquire additional expensive equipment, modify our manufacturing processes or incur other significant expenses in order to remain in compliance with such laws and regulations. Privacy and data security concerns, and data collection and transfer restrictions and related domestic or foreign regulations may limit the use and adoption of our solutions and adversely affect our business. Personal privacy, information security and data protection are significant issues in the United States, Europe, and many other jurisdictions where we have operations or offer our products. The United States federal and various state and foreign governments have adopted or proposed requirements regarding the collection, distribution, use, security and storage of personal data and other data relating to individuals, and federal and state consumer protection laws are being applied to enforce regulations related to the online collection, use and dissemination of data. Further, many foreign countries and governmental bodies, including the European Union (EU) and China, have laws and regulations concerning the collection and use of personal data obtained from their residents or by businesses operating within their jurisdiction, or relating to cybersecurity. These laws and regulations often are more restrictive than those in the United States. These and other requirements, including future requirements resulting from new or changed laws or regulations or modifications in the interpretation of laws or regulations, could require us to modify our policies and practices, increase our costs, impair our ability to grow our business, or restrict our ability to store and process data, and may subject us to liability. The costs of compliance with and other burdens imposed by laws, regulations, standards and other actual or asserted obligations relating to privacy, data protection and information security may be substantial, and they may require us to modify our data processing practices and policies. Any actual or alleged noncompliance with any of these laws, regulations, standards, and other actual or asserted obligations may lead to claims and proceedings by governmental actors and private parties, and significant fines, penalties or liabilities. We may become involved in claims, lawsuits, government investigations, other legal or regulatory proceedings, or commercial or contractual disputes, any of which could harm our business, financial condition, results of operations and growth prospects. From time to time, we may become involved in various claims, lawsuits, government investigations, other legal or regulatory proceedings, or commercial or contractual disputes relating to matters incidental to the ordinary course of our business, including intellectual property, commercial, contractual, product liability, employment, class action, whistleblower and other litigation and claims, commercial or contractual disputes, and governmental and other regulatory investigations and proceedings. Such matters, regardless of their merits, can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability, cause us to enter into royalty or licensing arrangements, harm our reputation or require us to change our technology or business practices. In addition, the expense of litigation or other forms of dispute resolution or settlement, and the timing of this expense from period to period, is difficult to estimate, subject to change and could adversely affect our business, financial condition, results of operations and growth prospects. Because of the potential risks, expenses and uncertainties of litigation, investigations and disputes, we may, from time to time, agree to settle even where we have meritorious claims or defenses. The results of litigation, investigations, claims, regulatory proceedings and commercial or contractual disputes cannot be predicted with certainty, and determining reserves for such matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if such matters are resolved in our favor or without significant cash settlements, such matters, and the time and resources necessary to litigate or resolve them, could harm our **reputation**, business, financial condition, results of operations and growth prospects. If we are unable to protect our proprietary technology and intellectual property rights, our competitive position could be harmed and our results of operations could be materially adversely affected. We rely on a variety of intellectual property rights, including patents, trademarks, trade secrets, technical know-how and other unpatented proprietary information to protect our technologies, products, product development and manufacturing activities from unauthorized use by third parties. Our patents do not cover all of our technologies, systems, products and product components and our competitors or others may design around our patented technologies. We cannot guarantee we have entered into appropriate agreements with all parties that have had access to our trade secrets, know-how or other proprietary information to adequately protect all such information. We also cannot assure you that those agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Our trade secrets, know-how or other proprietary information could be obtained by third parties as a result of breaches of our physical or electronic security systems or our suppliers, employees or consultants could assert rights to our intellectual property. We have significant international operations and we are subject to foreign laws which differ in many respects from U. S. laws. Effective intellectual property protection may be unavailable or more limited in foreign jurisdictions in which we operate, such as China, relative to those protections available in the United States. Furthermore, any changes in, or unexpected interpretations of, the trade secret and other intellectual property laws in any country in which we operate may materially adversely affect our ability to enforce our trade secret and intellectual property positions. In the past, certain of our employees have been hired by our competitors. While these former employees are contractually prohibited from misappropriating our proprietary rights, we cannot be certain that such contractual obligations will be honored. If we detect misappropriation and decide to enforce such contractual obligations and pursue litigation to assert our intellectual property rights, an adverse decision in any legal action could limit our ability to assert our intellectual property rights, limit the value of our technology or otherwise materially adversely affect our business, financial condition or results of operations. Monitoring unauthorized use of our intellectual property is difficult and costly. Unauthorized use of our intellectual property may have already occurred or may occur in the future. Our failure to identify unauthorized use or otherwise adequately protect our intellectual property could jeopardize our competitive advantage and materially adversely affect our business. Moreover, any litigation in connection with unauthorized use of our intellectual property could be time consuming, and we could be forced to incur significant costs and divert our attention and the efforts of our employees, which could, in turn, result in lower revenues and higher expenses, and we may not be successful in enforcing our intellectual property rights. Intellectual property claims could result in costly litigation and harm our business. There has been significant litigation involving intellectual property rights in many technology-driven industries, including our own. We continue to face risks and uncertainties in connection with

any patent litigation, including the risk that patents issued to others may restrict and harm our ability to do business; that there could be existing patents or pending applications of which we are unaware that may later result in issued patents upon which our products may infringe. Moreover, the frequency with which new patents are granted and the diversity of jurisdictions in which they are granted make it impractical and expensive for us to monitor all patents that may be relevant to our business. We may also become involved in the defense and prosecution of intellectual property suits, patent interferences, opposition proceedings and other administrative proceedings. From time to time, we have been notified of allegations and claims that we may be infringing patents or otherwise violating intellectual property rights owned by third parties. In the future, we may be a party to litigation because of an alleged infringement, misappropriation, or other violation of others' intellectual property, whether through direct claims or by way of indemnification claims of our customers or suppliers. If any pending or future intellectual property- related litigation proceedings result in an adverse outcome, then we could be required to: • cease the manufacture, use or sale of the infringing products, processes, or technology; • pay substantial damages for infringement; • expend significant resources to develop non- infringing products, processes, or technology; • license technology from the party claiming infringement, which license may not be available on commercially reasonable terms, or at all; • cross- license our technology to a competitor or commit to covenant- not- to- sue to resolve an infringement claim, which could weaken our ability to compete with that competitor; or • pay substantial damages to our direct or indirect customers to cause our end users to discontinue their use of, or replace, infringing products with non- infringing products. In addition, intellectual property lawsuits can be brought by third- parties against our customers and end- users that incorporate our products into their systems or processes. Because we generally indemnify customers against third- party infringement claims relating to our products, we may incur liabilities in connection with lawsuits against our customers. Any such lawsuits could be time- and- resource- consuming to defend, damage our reputation and result in substantial and unanticipated costs. Having to defend any such lawsuits, and any adverse consequences that might arise, could materially adversely affect our business, financial condition, results of operations and growth prospects. Our ability to use our net operating loss carryforwards and research and development credit carryforwards to offset future taxable income and income taxes may be limited. As of December 31, ~~2023~~ **2024**, we had estimated U. S. federal and state net operating loss carryforwards (NOLs) of \$ ~~161-169.0-6~~ million and \$ ~~43-52.2-9~~ million, respectively, and federal research and development credit carryforwards of \$ ~~9.3-9~~ million, which we may use to reduce future taxable income or income taxes due. Some of the NOLs and U. S. federal research and development credit carryforwards began expiring in 2022. Insufficient future taxable income and income taxes payable will adversely affect our ability to use these NOLs and credit carryforwards to reduce future taxable income or income taxes due. Our U. S. federal NOLs arising in tax years beginning before January 1, 2018 began expiring in 2023, with the remainder expiring by 2042. Our U. S. federal NOLs arising in tax years beginning after December 31, 2017 are not subject to expiration. Our state NOLs began expiring in 2023, with the remainder expiring by 2042. In general, we may potentially use these NOLs to offset taxable income for U. S. federal and state income tax purposes. Furthermore, U. S. federal NOLs arising in tax years beginning after December 31, 2017 may only be used to offset 80 % of our current year taxable income. This may require us to pay U. S. federal income taxes in future years despite generating a loss for U. S. federal income tax purposes in prior years. Limitations under state law may differ. We have established a valuation allowance against the carrying value of these deferred tax assets. In addition to the potential NOL and U. S. federal research and development credit carryforward limitations noted above, under Sections 382 and 383 of the Code, a corporation that experiences a more than 50 % ownership change by one or more stockholders or groups of stockholders who own at least 5 % of a company' s stock over a three- year testing period is limited in its ability to use its prechange NOLs and other tax assets to offset future taxable income or income taxes. Our existing NOLs and credit carryforwards are subject to limitations arising from previous ownership changes. Our ability to use our NOLs and credit carryforwards could be further limited by Sections 382 and 383 of the Code if we undergo any future ownership change. Future changes in our stock ownership, the causes of which may be outside our control, could result in an ownership change under Section 382 of the Code. Our NOLs and other tax attributes may also be impaired under state law. As a result of these limitations, we may not be able to utilize a material portion of, or possibly any of, our NOLs and credit carryforwards, which could materially adversely affect our cash flows.

Risks Related to Ownership of Our Common Stock The market price of our common stock may be volatile, and the value of your investment could decline significantly. The trading price of our common stock has been and is likely to continue to be volatile. Factors that could cause fluctuations in the trading price of our common stock include the following: • price and volume fluctuations in the overall stock market from time to time; • changes in operating performance, stock market valuations and volatility in the market prices of other technology companies generally, or those in our industry in particular; • actual or anticipated quarterly variations in our results of operations or those of our competitors; • actual or anticipated changes in our growth rate relative to our competitors; • announcements by us or our competitors of acquisitions, new products, significant contracts, commercial relationships or capital commitments; • manufacturing, labor or supply interruptions; • developments with respect to intellectual property rights; • our ability to develop and market new and enhanced products on a timely basis; • commencement of, or our involvement in, litigation; • major changes in our Board of Directors ~~or~~ **or key personnel**; • changes in governmental regulations or in the status of our regulatory approvals; • actual or perceived privacy, data protection or cybersecurity breaches or incidents; • the trading volume of our stock; • any future sales or repurchases of our common stock or other securities, or the perception that these sales or repurchases could occur; • failure of financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company or our failure to meet these estimates or the expectations of investors; • spending on defense- related projects by the U. S. government; • the impact of public health crises, ~~including on geopolitical events and~~ **including on geopolitical events and** macroeconomic conditions ~~and on~~ **and on** our business, results of operations and financial condition; • fluctuations in the values of companies perceived by investors to be comparable to us; • the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections; and • general economic conditions and slow or negative growth of related markets. The stock market in general, and market prices for the

securities of technology companies like ours in particular, have from time to time experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance, which might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. In several recent situations when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and materially adversely affect our results of operations. Delaware and Washington law and provisions in our charter documents could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock. Provisions of our certificate of incorporation and bylaws could depress the trading price of our common stock by acting to discourage, delay or prevent a change in our control or management that our stockholders may deem advantageous. Among other things, our certificate of incorporation and bylaws: • permit the Board of Directors to issue up to five million shares of preferred stock, with any rights, preferences and privileges as they may designate; • provide that the authorized number of directors may be changed only by resolution of the Board of Directors; • provide that all vacancies on our Board of Directors may only be filled by our Board of Directors and not by stockholders; • divide the Board of Directors into three classes; • provide that a director may only be removed from the Board of Directors by the stockholders for cause; • require that any action to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be taken by written consent; • provide that stockholders seeking to present proposals before a meeting of stockholders or to nominate candidates for election as directors at a meeting of stockholders must provide notice in writing in a timely manner and meet specific requirements as to the form and content of a stockholder's notice; • prohibit cumulative voting; • provide that special meetings of our stockholders may be called only by the chairman of the board, our chief executive officer (or president, in the absence of a chief executive officer) or by the Board of Directors; and • provide that stockholders will be permitted to amend our certificate of incorporation and our bylaws only upon receiving at least two-thirds of the total votes entitled to be cast by holders of all outstanding shares then entitled to vote generally in the election of directors, voting together as a single class. In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Likewise, because our principal executive offices are located in Washington, the anti-takeover provisions of the Washington Business Corporation Act may apply to us under certain circumstances now or in the future. These provisions prohibit a "target corporation" from engaging in any of a broad range of business combinations with any stockholder constituting an "acquiring person" for a period of five years following the date on which the stockholder became an "acquiring person." The exclusive forum provisions of our bylaws could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders or employees. Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, stockholders, officers or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware), except for any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction. This provision does not apply to any action brought to enforce a duty or liability created by the Exchange Act and the rules and regulations thereunder. Section 22 of the Securities Act establishes concurrent jurisdiction for federal and state courts over Securities Act claims. Accordingly, both state and federal courts have jurisdiction to hear such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States are the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring or holding or owning (or continuing to hold or own) any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our current or former directors, officers, stockholders or other employees, which may discourage such lawsuits against us and our current and former directors, officers, stockholders and other employees. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions. Further, the enforceability of similar exclusive forum provisions in other companies' organizational documents has been challenged in legal proceedings, and it is possible that a court of law could rule that these types of provisions are inapplicable or unenforceable if they are challenged in a proceeding or otherwise. If a court were to find either exclusive forum provision contained in our bylaws to be inapplicable or unenforceable in an action, we may incur significant additional costs associated with resolving such action in other jurisdictions, all of which could harm our results of operations.