Risk Factors Comparison 2023-08-15 to 2022-08-16 Form: 10-K

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Risks Related to Business Operations and Our Industry We depend heavily on defense electronics programs that incorporate our products and services, which may be only partially funded and are subject to potential termination and reductions and delays in government spending. Sales of our products and services, primarily as a subcontractor or team member with defense prime contractors, and in some cases directly, to the U. S. government and its agencies, as well as foreign governments and agencies, accounted for approximately **98 %,** 97 % ~~,~~ **and** 98 ~~% and 95~~ % of our total net revenues in fiscal years **2023,** 2022, **and** 2021 ~~and 2020~~ , respectively. Our products and services are incorporated into many different domestic and international defense programs. Over the lifetime of a defense program, the award of many different individual contracts and subcontracts may impact our products' requirements. The funding of U. S. government programs is subject to Congressional appropriations. Although multiple- year contracts may be planned in connection with major procurements, Congress generally appropriates funds on a fiscal year basis even though a program may continue for many years. Consequently, programs are often only partially funded initially, and additional funds are committed only as Congress makes further appropriations and prime contracts receive such funding. The reduction or delay in funding or termination of a government program in which we are involved could result in a loss of or delay in receiving anticipated future revenues attributable to that program and contracts or orders received. The U. S. government could reduce or terminate a prime contract under which we are a subcontractor or team member irrespective of the quality of our products or services. The termination of a program or the reduction in or failure to commit additional funds to a program in which we are involved could negatively impact our revenues and have a material adverse effect on our financial condition and results of operations. The U. S. defense budget frequently operates under a continuing budget resolution, which increases revenue uncertainty and volatility. For fiscal ~~2023~~ **2024** and beyond, the potential for gridlock in Congress, a continuing budget resolution, budget sequestration, a U. S. government shutdown, or the crowding out of defense funding due to historically high budget deficits or changes in national spending priorities toward non- defense budget items could adversely impact our revenues and increase uncertainty in our business and financial planning. Economic conditions could adversely affect our business, results of operations **,** and financial condition. World economic conditions and financial markets have, at times, experienced turmoil which could have material adverse impacts on our financial condition or our ability to achieve targeted results of operations due to: • reduced and delayed demand for our products; • increased risk of order cancellations or delays; • downward pressure on the prices of our products; • greater difficulty in collecting accounts receivable; and • risks to our liquidity, including the possibility that we might not have access to our cash and short- term investments or to our line of credit when needed. Further, the funding of the defense programs that incorporate our products and services is subject to the overall U. S. government budget and appropriation decisions and processes, which are driven by numerous factors beyond our control, including geo- political, macroeconomic, public health and political conditions. We are unable to predict the likely duration and severity of adverse economic conditions in the United States and other countries, but the longer the duration or the greater the severity, the greater the risks we face in operating our business. The near- term potential for recessionary economic conditions and possible stagflation (persistent high inflation and stagnant economic demand) presents increased risks to our business. Price inflation for labor and materials, further exacerbated in energy and commodity markets by the Russian invasion of Ukraine, could adversely affect our business, results of operations and financial condition. We **have** experienced considerable price inflation in our costs for labor and materials during ~~fiscal 2022~~ **recent years** , which adversely affected our business, results of operations and financial condition. We may not be able to pass through inflationary cost increases under our existing firm fixed price commercial item contracts and we may only be able to recoup a portion of our increased costs under our reimbursement- type contracts. Our ability to raise prices to reflect increased costs may be limited by competitive conditions in the market for our products and services. Russia' s invasion of Ukraine, and prolonged conflict there, may continue to result in increased inflation, escalating energy and commodity prices and increasing costs of materials. We continue to work to mitigate such pressures on our business operations as they develop. To the extent the war in Ukraine **continues to** adversely ~~affects~~ **affect** our business as discussed above, it may also have the effect of heightening many of the other risks described herein, such as those relating to cyber security, supply chain, volatility in prices and market conditions, any of which could negatively affect our business and financial condition. The loss of one or more of our largest customers, programs, or applications could adversely affect our results of operations. We are dependent on a small number of customers for a large portion of our revenues. A significant decrease in the sales to or loss of any of our major customers would have a material adverse effect on our business and results of operations. In fiscal **2023, RTX Corporation accounted for 14 % of our total net revenues, Lockheed Martin Corporation accounted for 13 % of our total net revenues, and Northrop Grumman accounted for 11 % of our total net revenues. In fiscal** 2022, ~~Raytheon Technologies~~ **RTX Corporation** accounted for 14 % of our total net revenues, the U. S. Navy accounted for 14 % of our total net revenues and Lockheed Martin Corporation accounted for 10 % of our total net revenues. In fiscal 2021, ~~Raytheon Technologies~~ **RTX Corporation** accounted for 19 % of our total net revenues, Lockheed Martin Corporation accounted for 15 % of our total net revenues and the U. S. Navy accounted for 12 ~~% of our total net revenues. In fiscal 2020, both Lockheed Martin Corporation and Raytheon Technologies accounted for 16~~ % of our total net revenues. Customers in the defense market generally purchase our products in connection with government programs that have a limited duration, leading to fluctuating sales to any particular customer in this market from year to year. In addition, our revenues are largely dependent upon the ability of customers to develop and sell products that incorporate our products. No assurance can be given that our customers will not experience financial, technical or other difficulties that could adversely affect their operations and, in turn, our results of operations. Additionally, on a limited number of programs the customer has co- manufacturing rights which could lead to a shift of production on such a program away from us which in turn could lead to lower revenues. Going forward, we believe **the** F- 35, Filthy Buzzard & Badger, F / A- 18, LTAMDS, THAAD and Aegis programs could be a large portion of our future revenues in the coming years, and the loss or cancellation of these programs could adversely affect our future results. Further, new programs may yield lower margins than legacy programs, which could result in an overall reduction in gross margins. If we are unable to respond adequately to our competition or to changing technology, we may lose existing customers and fail to win future business opportunities. The emergence of commodity- type products as acceptable substitutes for certain of our products may cause customers to delay purchases or seek alternative solutions. The markets for our products are highly competitive and are characterized by rapidly changing technology, frequent product performance improvements **,** and evolving industry standards. Competitors may be able to offer more attractive pricing, develop products with performance features that are superior to our products, or offer higher quality or superior on time delivery, resulting in reduced demand for our products. Recently, our on- time delivery has suffered due in part to supply chain volatility and unanticipated supplier decommits. We may be unable to keep pace with competitors' marketing and the lack of visibility in the marketplace may negatively impact design wins, bookings **,** and revenues. Customers may also decide to reduce costs and accept the least costly technically acceptable alternative to our products or services. In addition, customers may decide to insource products that they have outsourced to us. Due to the rapidly changing nature of technology, we may not become aware in advance of the emergence of new competitors into our markets. The emergence of new competitors ~~into~~ **in our** markets ~~targeted by us~~ could result in the loss of existing customers **or programs** and may have a negative impact on our ability to win future business ~~opportunities~~ . Perceptions of Mercury as a high- cost provider **or for late deliveries** could cause us to lose existing customers **or programs** or fail to win new business. Further, our lack of strong engagements with important government- funded laboratories (e. g. DARPA, MIT Lincoln Labs, MITRE) may inhibit our ability to become subsystem solution design partners with our defense prime customers. Our products are often designed for operating under physical constraints such as limited space, weight **,** and electrical power. Furthermore, these products are often designed to be " rugged, " that is, to withstand enhanced environmental stress such as extended temperature range, shock, vibration **,** and exposure to sand or salt spray. Historically these requirements have often precluded the use of less expensive, readily available commodity- type systems typically found in more benign non- military settings. With continued microprocessor evolution, low- end systems could become adequate to meet the requirements of an increased number of the lesser- demanding applications within our target markets. Commercial server manufacturers and other low- end single- board computer, or new competitors, may attempt to penetrate the high- performance market for **aerospace and** defense electronics systems. Factors that may increase the acceptability of commodity- type products in some **aerospace and** defense platforms ~~that we serve~~ include improvements in the physical properties and durability of such alternative products, combined with the relaxation of physical and ruggedness requirements by the military due to either a reevaluation of those requirements or the installation of products in a more highly environmentally isolated setting. These developments could negatively impact our revenues and have a material adverse effect on our business and operating results. Competition from existing or new companies could cause us to experience downward pressure on prices, fewer customer orders, reduced margins, the inability to take advantage of new business opportunities and the loss of market share. We compete in highly competitive industries, and our customers generally extend the competitive pressures they face throughout their respective supply chains. Additionally, our markets are facing increasing industry consolidation, resulting in larger competitors who have more market share putting more downward pressure on prices and offering a more robust portfolio of products and services. We are subject to competition based upon product design, performance, pricing, quality, on time delivery **,** and support services. Our product performance, engineering expertise **,** and product quality have been important factors in our growth. While we try to maintain competitive pricing on those products that are directly comparable to products manufactured by others, in many instances our products will conform to more exacting specifications and carry a higher price than analogous products. Many of our customers and potential customers have the capacity to design and internally manufacture products that are similar to our products. We face competition from research and product development groups and the manufacturing operations of current and potential customers, who continually evaluate the benefits of internal research, product development **,** and manufacturing versus outsourcing. Our defense prime contractor customers could decide to pursue one or more of our product development areas as a core competency and insource that technology development and production rather than purchase that capability from us as a supplier. This competition could result in fewer customer orders and a loss of market share. We may be unable to obtain critical components from suppliers, which could disrupt or delay our ability to deliver products to our customers. Several components used in our products are currently obtained from sole- source suppliers. We are dependent on key vendors such as Xilinx, Inc., Intel Corporation and Microsemi for Field Programmable Gate Arrays (" FPGA "), on NXP Semiconductor for Application- Specific Integrated Circuits (" ASICs "), Intel Corporation and NXP Semiconductor for processors, Micron Technology, Inc. for specific memory products and in general any sole- source microelectronics suppliers. Generally, suppliers may terminate their contracts with us without cause upon 30 days' notice and may cease offering their products upon 180 days' notice. If any of our sole- source suppliers limits or reduces the sale of these components, we may be unable to fulfill customer orders in a timely manner or at all. These sole- source and other suppliers are each subject to quality and performance issues, materials shortages, excess demand, reduction in capacity **,** and other factors that may disrupt the flow of goods to us or to our customers, which would adversely affect our business and customer relationships. There can be no assurance that these suppliers will continue to meet our requirements. If supply arrangements are interrupted, we may not be able to find another supplier on a timely or satisfactory basis. We may incur significant set- up costs and delays in manufacturing should it become necessary to replace any key vendors due to work stoppages, shipping delays, financial difficulties, natural or manmade disasters or other factors. In addition, our industry, along with many others, is ~~facing~~ **continuing to face** a ~~significant~~ shortage of semiconductors **as well as extended lead times** . We have experienced and are experiencing meaningful levels of semiconductor impact. The continuing shortage of semiconductors and other key components can cause a significant disruption to our production schedule. Unprecedented material lead times and supplier decommits have increased volatility in our operating and financial results, including lower revenue and higher inventory and unbilled receivables, as well as decreased cash flow. Carrying increased levels of inventory also increases our potential risk of future inventory obsolescence. We may not be able to effectively manage our relationships with contract manufacturers. We may not be able to effectively manage our relationship with contract manufacturers, and the contract manufacturers may not meet future requirements for timely delivery. We rely on contract manufacturers to build hardware sub- assemblies for certain of our products in accordance with our specifications. During the normal course of business, we may provide demand forecasts to contract manufacturers several months prior to scheduled delivery of our products to customers. If we overestimate requirements, the contract manufacturers may assess cancellation penalties or we may be left with excess inventory, which may negatively impact our earnings. If we underestimate requirements, the contract manufacturers may have inadequate inventory, which could interrupt manufacturing of our products and result in delays in shipment to customers and revenue recognition. Contract manufacturers also build products for other companies, and they may not have sufficient quantities of inventory available or sufficient internal resources to fill our orders on a timely basis or at all. We currently rely primarily on two contract manufacturers, Benchmark Electronics, Inc. and Omega Electronics Manufacturing Services. The failure of these contract manufacturers to fill our orders on a timely basis or in accordance with our customers' specifications could result in a loss of revenues and damage to our reputation. We are exposed to risks associated with international operations and markets. We market and sell products in international markets ~~,~~ **and** have sales offices and **manufacturing and / or engineering facilities and** subsidiaries in **Switzerland, Spain,** the United Kingdom ~~, Japan and France and we have manufacturing and / or engineering facilities and subsidiaries in Switzerland, Spain~~ and Canada. Revenues from international operations accounted for **5 %,** 4 % ~~,~~ **and** 5 ~~% and 7~~ %, of our total net revenues in fiscal **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. We also ship directly from our U. S. operations to international customers. There are inherent risks in transacting business internationally, including: • changes in applicable laws and regulatory requirements; • export and import restrictions, including export controls relating to technology and sanctioned parties; • tariffs and other trade barriers; • less favorable intellectual property laws; • difficulties in staffing and managing foreign operations; • longer payment cycles; • problems in collecting accounts receivable; • adverse economic conditions in foreign markets; • political instability; • fluctuations in currency exchange rates, which may lead to lower operating margins, or may cause us to raise prices which could result in reduced revenues; • expatriation controls; and • potential adverse tax consequences. There can be no assurance that one or more of these factors will not have a material adverse effect on our future international activities and, consequently, on our business and results of operations. We have a pension plan (the " Plan ") for Swiss employees, mandated by Swiss law. Since participants of the Plan are entitled to a defined rate of interest on contributions made, the Plan meets the criteria for a defined benefit plan under U. S. GAAP. The Plan, an independent pension fund, is part of a multi- employer plan with unrestricted joint liability for all participating companies and the economic interest in the Plan' s overfunding or underfunding is allocated to each participating company based on an allocation key determined by the Plan. U. S. GAAP requires an employer to recognize the funded status of the defined benefit plan on the balance sheet, which we have presented in other long- term liabilities on our Consolidated Balance Sheets at ~~July 1~~ **June 30** , ~~2022~~ **2023** . The funded status may vary from year to year due to changes in the fair value of the Plan' s assets and variations on the underlying assumptions in the Plan and we may have to record an increased liability as a result of fluctuations in the value of the Plan' s assets. As of ~~July 1~~ **June 30** , ~~2022~~ **2023** , we had a liability of $ 4. ~~7~~ **2** million in Other non- current liabilities representing the net under- funded status of the Plan. In addition, we must comply with the Foreign Corrupt Practices Act, or the FCPA, and the anti- corruption laws of the countries in which we operate. Those laws generally prohibit the giving of anything of value to win business. The FCPA also generally requires companies to maintain adequate record- keeping and internal accounting practices to accurately reflect the transactions of the company and prohibits U. S. companies and their intermediaries from making corrupt payments to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment. Under these anti- corruption laws, U. S. companies may be held liable for actions taken by strategic or local partners or representatives. If we or our intermediaries fail to comply with the requirements of international applicable anti- corruption laws, governmental authorities in the United States or the countries in which we operate could seek to impose civil and criminal penalties, or restrict or limit our ability to do business, which could have a material adverse effect on our business, results of operations, financial ~~conditions~~ - **condition,** and cash flows. If we are unable to respond to technological developments and changing customer needs on a timely and cost- effective basis, our results of operations may be adversely affected. Our future success will depend in part on our ability to enhance current products and to develop new products on a timely and cost- effective basis to respond to technological developments and changing customer needs. Defense customers demand frequent technological improvements as a means of gaining military advantage. Military planners have historically funded significantly more design projects than actual deployments of new equipment, and those systems that are deployed tend to contain the components of the subcontractors selected to participate in the design process. **To** ~~In order to~~ participate in the design of new defense electronics systems, we must demonstrate the ability to deliver superior technological performance on a timely and cost- effective basis. There can be no assurance that we will secure an adequate number of design wins in the future, that the equipment in which our products are intended to function will eventually be deployed in the field, or that our products will be included in such equipment if it eventually is deployed. The design- in process is typically lengthy and expensive, and there can be no assurance that we will be able to continue to meet the product specifications of customers in a timely and adequate manner. In addition, any failure to anticipate or respond adequately to changes in technology, customer preferences and future order demands, or any significant delay in product developments, product introductions, or order volume, could negatively impact our financial condition and results of operations, including the risk of inventory obsolescence. Because of the complexity of our products, we have experienced delays from time to time in completing products on a timely basis. Our need for continued or increased investment in R & D may increase expenses and reduce our profitability. Our business is characterized by the need for continued investment in R & D. If we fail to invest sufficiently in R & D, our products could become less attractive to potential customers and our business and financial condition could be materially and adversely affected. As a result of the need to maintain ~~or increase~~ spending levels in this area and the difficulty in reducing costs associated with R & D, our operating results could be materially harmed if our R & D efforts fail to result in new products or if revenues fall below expectations. As a result of our commitment to invest in R & D, spending levels of R & D expenses as a percentage of revenues may fluctuate in the future. In addition, defense prime contractors could increase their requirement for subcontractors, like us, to increase their share in the R & D costs for new programs and design wins. Our results of operations are subject to fluctuation from period to period and may not be an accurate indication of future performance. While our revenues are generated through the sale of products and services across more than 300 programs with no single program contributing more than 10 % of our annual revenues, we have experienced fluctuations in operating results due to shifts in timing or quantities across certain of our larger programs. Customers specify delivery date requirements that coincide with their need for our products and services on the programs in which we participate. Because these customers may use our products and services in connection with a variety of defense programs or other projects with different sizes and durations, a customer' s orders for one quarter generally do not indicate a trend for future orders by that customer or on that program. As such, we cannot always accurately plan our manufacturing, inventory and working capital requirements. As a result, if orders and shipments differ from what we predict, we may incur additional expenses and build excess inventory, which may require additional reserves and allowances and reduce our working capital and operational flexibility. Any significant change in our customers' purchasing patterns could have a material adverse effect on our operating results and reported earnings per share for a particular quarter. Results of operations in any period should not be considered indicative of the results to be expected for any future period. High quarterly book- ship ratios pressure our inventory and cash flow management, necessitating increased inventory balances to ensure quarterly revenue attainment. Increased inventory balances tie up additional capital, limiting our operational flexibility. Some of our customers may have become conditioned to wait until the end of a quarter to place orders in the expectation of receiving a discount. Customers conditioned to seek quarter- end discounts increase risk and uncertainty in our financial forecasting and decrease our margins and profitability. Our quarterly results may be subject to fluctuations resulting from other factors, including: • delays in completion of internal product development projects; • delays in shipping hardware and software **or licensing design intellectual property** ; • delays in acceptance testing by customers; • a change in the mix of products sold; • changes in customer or program order patterns; • production delays due to quality problems; • **failure to achieve or maintain quality certifications, such as AS9100; •** inability to scale quick reaction capability products due to low product volume; • shortages and increased costs of components; • delays due to the implementation of new tariffs or other trade barriers; • the timing of product line transitions; • declines in quarterly revenues from previous generations of products following announcement of replacement products containing more advanced technology; and • changes in estimates of completion on fixed price engagements, which represent a substantial **and increasing** percentage of our business. In addition, from time to time, we have entered into contracts, referred to as development contracts, to engineer a specific solution based on modifications to standard products. Gross margins from development contract revenues are typically lower than gross margins from standard product revenues. We intend to continue to enter into development contracts and anticipate that the gross margins associated with development contract revenues will continue to be lower than gross margins from standard product sales. **Many of our contracts require that our facilities remain certified at the AS91000 or ISO9001 level in order to ship products from the relevant facility. Failure to obtain or maintain the required certification may require a waiver by the customer for shipments to continue until the certification is obtained. There can be no assurance that we will receive any customer waivers if a required certification is lost or delayed.** Another factor contributing to fluctuations in our quarterly results is the fixed nature of expenditures on personnel, facilities, information technology and marketing programs. Expense levels for these programs are based, in significant part, on expectations of future revenues. If actual quarterly revenues are below management' s expectations, our results of operations could be adversely affected. Further, the preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The percentage of our total revenue using over time revenue accounting has increased in recent years due to M & A transactions and the movement in our business toward subsystem development. Over time revenue recognition is more reliant on estimates than the accounting for our component sales. Actual results could differ from those estimates, and changes in estimates in subsequent periods could cause our results of operations to fluctuate. We rely on the significant experience and specialized expertise of our senior management, engineering and operational staff and must retain and attract qualified and highly skilled personnel to grow our business successfully. Our performance is substantially dependent on the continued services and performance of our senior management and our highly qualified team of engineers and operational staff, many of whom have numerous years of experience, specialized expertise in our industry and security clearances required for certain defense projects. If we are not successful in hiring and retaining such employees, we may not be able to extend or maintain our engineering and operational expertise and our future product development efforts could be adversely affected. Competition for hiring these employees is intense, especially individuals with specialized skills and security clearances required for our business, and we may be unable to hire and retain enough staff to implement our growth strategy or to perform on our existing commitments. Like our defense prime contractor customers, we face the potential for knowledge drain due to the ~~impending~~ **continuing** retirement of the older members of our engineering and operations workforce in the coming years. To the extent that we lose experienced personnel, it is critical that we develop other employees, hire new qualified personnel and successfully manage the short and long- term transfer of critical knowledge and skills. We compete with commercial technology companies outside of the aerospace and defense industry for qualified technical positions as the number of qualified domestic engineers is decreasing and the number of available professionals is not keeping up with demand. To the extent that these companies grow at a faster rate or face fewer cost and product pricing constraints, they may be able to offer more attractive compensation and other benefits to candidates, including in the recruitment of our existing employees. In cases where the demand for skilled personnel exceeds supply, we could experience higher labor, recruiting or training costs ~~in order~~ to attract and retain such employees. We also must manage leadership development and succession planning throughout our business. While we have processes in place for management transition and the transfer of knowledge and skills, the loss of key personnel, coupled with an inability to adequately train other personnel, hire new personnel, or transfer knowledge and skills, could significantly impact our ability to perform under our contracts and execute on new or growing programs. Beginning with the pandemic, a significant portion of our workforce began working remotely and we expect a significant portion will continue to work a hybrid schedule **even as we transition more employees back to onsite work over time**. We see many benefits to remote and hybrid work and have adopted new tools and processes to support the workforce. However, if we are unable to effectively adapt to this hybrid work environment long term, then we may experience a less cohesive workforce, increased attrition, reduced program performance and less innovation. ~~During fiscal 2022~~ **In recent years**, we **have** experienced unusually high employee attrition and our costs to retain employees increased **. Our challenges in retaining key employees may be impacted by the termination of the Company’ s announced strategic review initiative in June 2023 and any unanticipated challenges with the transition of the Company’ s Chief Executive Officer and Chief Financial Officer roles, as we have recently appointed a new President and Chief Executive Officer and our new Chief Financial Officer joined us in mid July 2023. The decline in our stock price during 2023 may also increase employee retention risks**. If we experience a disaster or other business continuity problem, we may not be able to recover successfully, which could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability. If we experience a local or regional disaster or other business continuity problem, such as an earthquake, terrorist attack, pandemic or other natural or man- made disaster, our continued success will depend, in part, on the availability of our personnel, our facilities and the proper functioning of our network, telecommunication and other business systems and operations. As we grow our operations, the potential for natural or man- made disasters, political, economic, or infrastructure instabilities, or other country- or region- specific business continuity risks increases. We face various risks related to health pandemics such as COVID ~~- 19~~. We face ~~adverse~~ **secondary and tertiary** effects related to the ~~COVID- 19~~ pandemic, including disruptions in our supply chain, **particularly** ~~limitations on our operations and increased costs~~ for **long lead** ~~health and safety measures. We expect the COVID- 19 pandemic to adversely affect our operations and financial position if significant portions of our workforce are unable to work effectively due to illness, quarantines, government actions, facility closures, or other restrictions. To- date, our operations and production activities in the U. S. and globally have remained operational during the COVID- 19 pandemic. Our facilities are considered essential activities and have been exempt from closure directives. However, our manufacturing sites are subject to various local and national directives curtailing operations, requiring work from home and social distancing which otherwise could impact the efficiency of our operations. Such directives could change at any~~ time **semiconductors**. We continue to monitor the situation, assessing possible implications on our operations, supply chain, liquidity and cash flow and will continue taking actions to mitigate adverse consequences. Risks Related to ~~Our Growth Strategy, Our 1MPACT Value Creation Plan and~~ M & A **and Acquisition Integration** Implementation of our growth strategy ~~and 1MPACT value creation plan~~ may not be successful, which could affect our ability to increase revenues and profits. Our growth strategy includes developing new products, adding new customers and programs within our existing markets **,** and entering new markets both domestically and internationally, developing our manufacturing capabilities, as well as identifying and integrating acquisitions and achieving revenue and cost synergies and economies of scale. Our ability to compete in new markets will depend upon **several** ~~a number of~~ factors including, among others: • our ability to create demand for products in new markets; • our ability to respond to changes in our customers’ businesses by updating existing products and introducing, in a timely fashion, new products which meet the needs of our customers; • our ability to increase our market visibility and penetration with prime defense contractors, government agencies and government funded laboratories; • the quality of our new products; • our ability to respond rapidly to technological changes; • our ability to increase our in- house manufacturing capacity and utilization as well as our ability to deliver on schedule and on budget; and • our ability to successfully integrate acquisitions and achieve revenue and cost synergies and economies of scale. The failure to do any of the foregoing could have a material adverse effect on our business, financial condition **,** and results of operations. In addition, we may face competition in these new markets from various companies that may have substantially greater research and development resources, marketing and financial resources, manufacturing capability and / or customer support organizations. ~~Our 1MPACT value creation plan is designed to enable us to achieve our full growth and value creation potential, both organically and through M & A, to position us to scale beyond our cumulative acquisitions over recent years. 1MPACT includes streamlining procurement and our supply chain, increasing the efficiency and effectiveness of R & D and manufacturing operations and further scaling through common processes and systems. Our ability to enhance value and to mitigate risk through 1MPACT is subject to risks including: anticipated benefits not being realized or not at the levels anticipated; that implementation will be materially delayed or will be more difficult than expected; challenges of hiring and retaining key employees to drive the value creation plan; and initiatives being more expensive to complete than anticipated, including as a result of unexpected factors or events. In addition, there is a risk that 1MPACT will divert management’ s attention from ongoing organic business operations and M & A opportunities.~~ Acquisitions may adversely affect our financial condition. As part of our strategy for growth, we **may** ~~expect to continue to~~ explore acquisitions or strategic alliances, which ultimately may not be completed or be beneficial to us. While we expect ~~our~~ **any** acquisitions to result in synergies and other financial and operational benefits, we may be unable to realize these synergies or other benefits in the timeframe that we expect or at all. The integration process may be complex, costly and time consuming. Acquisitions may pose risks to our business, including: • problems and increased costs in connection with the integration of the personnel, operations, technologies, or products of the acquired businesses; • layering of integration activity due to multiple overlapping acquisitions; • unanticipated issues, expenses, charges, or liabilities related to the acquisitions; • failure to implement our business plan for the combined business or to achieve anticipated increases in revenues and profitability; • diversion of management' s attention from our organic business; • adverse effects on business relationships with suppliers and customers, including the failure to retain key customers; • acquired assets becoming impaired as a result of technical advancements or worse- than- expected performance by the acquired company; • failure to rationalize supply chain, manufacturing capacity, locations, logistics and operating models to achieve anticipated economies of scale, or disruptions to supply chain, manufacturing, or product design operations during the combination of facilities; • failure to rationalize business, information and communication systems and to expand the IT infrastructure and security protocols throughout the enterprise; • volatility associated with accounting for earn- outs in a given transaction; • entering markets in which we have no, or limited, prior experience; • environmental liabilities at current or previous sites of the acquired business; • poor compliance programs pre- acquisition at acquired companies, which may lead to liabilities for violations, or impact the business acquired when placed under our compliance programs; • unanticipated changes in applicable laws or regulations; • potential loss of key employees; • the impact of any assumed legal proceedings; and • adverse effects on our internal control over financial reporting before the acquiree' s complete integration into our control environment. In addition, in connection with any acquisitions or investments we could: • issue stock that would dilute our existing shareholders ~~' ownership percentages~~ ; • incur debt and assume liabilities; • obtain financing on unfavorable terms, or not be able to obtain financing on any terms at all; • incur amortization expenses related to acquired intangible assets or incur large and immediate write- offs; • incur large expenditures related to office closures of the acquired companies, including costs relating to the termination of employees and facility and leasehold improvement charges resulting from our having to vacate the acquired companies' premises; and • reduce the cash that would otherwise be available to fund operations or for other purposes. We may not be able to maintain the levels of revenue, earnings, or operating efficiency that we and our prior acquisitions had achieved or might achieve separately. You should not place undue reliance on any anticipated synergies. In addition, our competitors could try to emulate our ~~acquisition~~ strategy, leading to greater competition for acquisition targets which could lead to larger competitors if they succeed in emulating our strategy. We may incur substantial indebtedness. On February 28, 2022, we amended our existing revolving credit facility (" the Revolver ") to increase and extend the borrowing capacity to a $ 1. 1 billion, 5- year revolving credit line, with the maturity extended to February 28, 2027. As of ~~July 1~~ **June 30** , ~~2022~~ **2023** , we had $ ~~451~~ **511** . 5 million of outstanding borrowings on the Revolver. The Revolver accrues interest, at our option, at floating rates tied to Secured Overnight Financing Rate (" SOFR") or the prime rate plus an applicable percentage. The applicable percentage is set at SOFR plus 1. 25 % and is established pursuant to a pricing grid based on our total net leverage ratio. We may be exposed to the impact of interest rate changes primarily through our borrowing activities. Subject to the limits contained in the Revolver, we may incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our debt could intensify. Specifically, our debt could have important consequences to our investors, including the following: • making it more difficult for us to satisfy our obligations under our debt instruments, including, without limitation, the Revolver; and if we fail to comply with these requirements, an event of default could result; • limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions, or other general corporate requirements; • requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes; • increasing our vulnerability to general adverse economic and industry conditions; • exposing us to the risk of increased interest rates as certain of our borrowings may have variable interest rates, which could increase the cost of servicing our financial instruments and could materially reduce our profitability and cash flows; • limiting our flexibility in planning for and reacting to changes in the industry in which we compete; • placing us at a disadvantage compared to other, less leveraged competitors; and • increasing our cost of borrowing. In addition, the Revolver contains restrictive covenants that may limit our ability to engage in activities that are in our long **-** term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt. And, if we were unable to repay the amounts due and payable, the lenders under the Revolver could proceed against the collateral granted to them to secure that indebtedness. Increases in interest rates would increase the cost of servicing our financial instruments with exposure to interest rate risk and could materially reduce our profitability and cash flows. Assuming that we had $ 100. 0 million of floating rate debt outstanding, our annual interest expense would change by approximately $ 1. 0 million for each 100 basis point increase in interest rates. We may also incur costs related to interest rate hedges, including the termination of any such hedges. **As of June 30, 2023, we had a swap agreement in effect that fixed $ 300. 0 million of the total $ 511. 5 million of outstanding borrowings under the Revolver at a rate of 3. 79 %. The movement of interest rates would affect the value of such swap agreement.** Our recent negative free cash flow, if not improved, could eventually lead to challenges in servicing our debt. We have a significant amount of goodwill and intangible assets on our consolidated financial statements that are subject to impairment based upon future adverse changes in our business or prospects. At ~~July 1~~ **June 30** , ~~2022~~ **2023** , the carrying values of goodwill and identifiable intangible assets on our balance sheet were $ ~~937~~ **938** . ~~9~~ **1** million and $ ~~351~~ **298** . ~~5~~ **1** million, respectively. We evaluate indefinite lived intangible assets and goodwill for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Indefinite lived intangible assets are impaired and goodwill impairment is indicated when their book value exceeds fair value. We also review finite- lived intangible assets and long- lived assets when indications of potential impairment exist, such as a significant reduction in undiscounted cash flows associated with the assets. Should the fair value of our long- lived assets decline because of reduced operating performance, market declines, or other indicators of impairment, a charge to operations for impairment may be necessary. The value of goodwill and intangible assets from the allocation of purchase price from our acquisitions will be derived from our business operating plans and is susceptible to an adverse change in demand, input costs or general changes in our business or industry and could require an impairment charge in the future. Risks Related to Legal, Regulatory and Compliance Matters We face risks and uncertainties associated with defense- related contracts Whether our contracts are directly with the U. S. government, a foreign government, or one of their respective agencies, or indirectly as a subcontractor or team member, our contracts and subcontracts are subject to special risks. For example: • Our contracts with the U. S. and foreign governments and their defense prime contractors and subcontractors are subject to termination either upon default by us or at the convenience of the government or contractor if, among other reasons, the program itself has been terminated. Termination for convenience provisions generally only entitle us to recover costs incurred, settlement expenses and profit on work completed prior to termination. • Because we contract to supply goods and services to the U. S. and foreign governments and their prime and subcontractors, we compete for contracts in a competitive bidding process. We may not be awarded the contract if the pricing or product offering is not competitive, either at our level or the prime or subcontractor level. In the event we are awarded a contract, we are subject to protests by losing bidders of contract awards that can result in the reopening of the bidding process and changes in governmental policies or regulations and other political factors. We may be subject to multiple rebid requirements over the life of a defense program ~~in order~~ to continue to participate in such program, which can result in the loss of the program or significantly reduce our revenue or margin. Requirements for more frequent technology refreshes on defense programs may lead to increased costs and lower long- term revenues. • Consolidation among defense industry contractors has resulted in a few large contractors with increased bargaining power relative to us. • Our customers include U. S. government contractors who must comply with and are affected by laws and regulations relating to the formation, administration and performance of U. S. government contracts. When we contract with the U. S. government, we must comply with these laws and regulations. A violation of these laws and regulations could result in the imposition of fines and penalties to us or our customers or the termination of our or their contracts with the U. S. government. As a result, there could be a delay in our receipt of orders from our customers, a termination of such orders, or a termination of contracts between us and the U. S. government. • We sell certain products and services to U. S. and international defense contractors or directly to the U. S. government on a commercial item basis, eliminating the requirement to disclose and certify cost data. To the extent that there are interpretations or changes in the Federal Acquisition Regulations (" FAR ") regarding the qualifications necessary to sell commercial items, there could be a material impact on our business and operating results. For example, there have been legislative proposals to narrow the definition of a " commercial item " (as defined in the FAR) or to require cost and pricing data on commercial items that could limit or adversely impact our ability to contract under commercial item terms. Changes could be accelerated due to changes in our mix of business, in ~~Federal~~ **federal** regulations, or in the interpretation of ~~Federal~~ **federal** regulations, which may subject us to increased oversight by the Defense Contract Audit Agency (" DCAA ") for certain of our products or services. Such changes could also trigger contract coverage for a larger percentage of our contracts under the Cost Accounting Standards (" CAS "), further impacting our commercial operating model and requiring compliance with a defined set of business systems criteria. Failure to comply with applicable CAS requirements could adversely impact our ability to win future CAS- type contracts. • We are subject to the Department of Defense Cybersecurity Maturity Model Certification (" CMMC ") in connection with our defense work for the U. S. government and defense prime contractors. Inability to meet the qualifications to the CMMC and any amendments may increase our costs or delay the award of contracts if we are unable to certify that we satisfy such cybersecurity requirements at our Company level and into our supply chain. • The U. S. government or a defense prime contractor customer could require us to relinquish data rights to a product in connection with performing work on a defense contract, which could lead to a loss of valuable technology and intellectual property in order to participate in a government program. • The U. S. government or a defense prime contractor customer could require us to enter into cost reimbursable contracts that could offset our cost efficiency initiatives. • We anticipate that sales to our U. S. prime defense contractor customers as part of foreign military sales (" FMS ") programs will be an increasing part of our business going forward. These FMS sales combine several different types of risks and uncertainties highlighted above, including risks related to government contracts, risks related to defense contracts, timing and budgeting of foreign governments and approval from the U. S. and foreign governments related to the programs, all of which may be impacted by macroeconomic and geopolitical factors outside of our control. • We must comply with security requirements pursuant to **32 CFR Part 117, formerly known as** the National Industrial Security Program Operating Manual, or NISPOM, and other U. S. government security protocols when accessing sensitive information. Many of our facilities maintain a facility security clearance and many of our employees maintain a personal security clearance to access sensitive information necessary to the performance of our work on certain U. S. government contracts and subcontracts. Failure to comply with **such** ~~the NISPOM or other~~ security requirements may subject us to civil or criminal penalties, loss of access to sensitive information, loss of a U. S. government contract or subcontract, or potentially debarment as a government contractor. • We may need to invest additional capital to build out higher level security infrastructure at certain of our facilities to capture new design wins on defense programs with higher level security requirements. In addition, we may need to invest in additional secure laboratory space to integrate efficiently subsystem level solutions and maintain quality assurance on current and future programs. If we are unable to continue to obtain U. S. government authorization regarding the export of our products, or if current or future export laws limit or otherwise restrict our business, we could be prohibited from shipping our products to certain countries, which would harm our ability to generate revenue. We must comply with U. S. laws regulating the export of our products and technology. In addition, we are required to obtain a license from the U. S. government to export certain of our products and technical data as well as to provide technical services to foreign persons related to such products and technical data. We cannot be sure of our ability to obtain any licenses required to export our products or to receive authorization from the U. S. government for international sales or domestic sales to foreign persons including transfers of technical data or the provision of technical services. Likewise, our international operations are subject to the export laws of the countries in which they conduct business. Moreover, the export regimes and the governing policies applicable to our business are subject to change. If we cannot obtain required government approvals under applicable regulations in a timely manner or at all, we could be delayed or prevented from selling our products in certain jurisdictions, which could adversely affect our business and financial results. Our income tax provision and other tax liabilities may be insufficient if taxing authorities are successful in asserting tax positions that are contrary to our position. Increases in tax rates could impact our financial performance. From time to time, we are audited by various ~~Federal~~ **federal** , state, local and foreign authorities regarding income tax matters. Significant judgment is required to determine our provision for income taxes and our liabilities for other taxes. Although we believe our approach to determining the appropriate tax treatment is supportable and in accordance with relevant authoritative guidance it is possible that the final tax authority will take a tax position that is materially different than that which is reflected in our income tax provision. Such differences could have an adverse effect on our income tax provision or benefit, in the reporting period in which such determination is made and, consequently, on our results of operations, financial position and / or cash flows for such period. Further, future increases in tax rates may adversely affect our financial results. Our products are complex, and undetected defects may increase our costs, harm our reputation with customers or lead to costly litigation. Our products are extremely complex and must operate successfully with complex products of our customers and their other vendors. Our products may contain undetected errors when first introduced or as we introduce product upgrades. The pressures we face to be the first to market new products or functionality and the elapsed time before our products are integrated into our customer' s systems increases the possibility that we will offer products in which we or our customers later discover problems. We have experienced new product and product upgrade errors in the past and expect similar problems in the future. These problems may cause us to incur significant warranty costs and costs to support our service contracts and divert the attention of personnel from our product development efforts. Also, hostile third parties or nation states may try to install malicious code or devices into our products or software. Undetected errors may adversely affect our product' s ease of use and may create customer satisfaction issues. If we are unable to repair these problems in a timely manner, we may experience a loss of or delay in revenue and significant damage to our reputation and business prospects. Many of our customers rely upon our products for mission- critical applications. Because of this reliance, errors, defects, or other performance problems in our products could result in significant financial and other damage to our customers. Our customers could attempt to recover those losses by pursuing products liability claims against us which, even if unsuccessful, would likely be time- consuming and costly to defend and could adversely affect our reputation. Risks Related to Information Technology and Intellectual Property We may need to invest in new information technology systems and infrastructure to scale our operations. We may need to adopt new information technology systems and infrastructure to scale our business and obtain the synergies from prior ~~and future~~ acquisitions as well as organic growth. Our information technology and business systems and infrastructure could create product development or production work stoppages, unnecessarily increase our inventory, negatively impact product delivery times and quality and increase our compliance costs. In addition, an inability to maximize the utility and benefit of our current information technology and business tools could impact our ability to meet cost reduction and planned efficiency and operational improvement goals. If we suffer ransomware breaches, data breaches, or phishing diversions involving the designs, schematics, or source code for our products or other sensitive information, our business and financial results could be adversely affected. Our business is subject to heightened risks of cyber intrusion as nation- state hackers seek access to technology used in U. S. defense programs and criminal enterprise hackers, which may or may not be affiliated with foreign governments, use ransomware attacks to disable critical infrastructure and extort companies for ransom payments. We are also targeted by spear phishing attacks in which an email directed at a specific individual or department is disguised to appear to be from a trusted source to obtain sensitive information. Like all DoD contractors that process, store, or transmit controlled unclassified information, we must meet minimum security standards or risk losing our DoD contracts. A breach, whether physical, electronic or otherwise, of the systems on which this sensitive data is stored could lead to damage or piracy of our products or to the shutdown of business systems. If we experience a data security breach from an external source or **a data exfiltration** from an insider threat, we may have a loss in sales or increased costs arising from the restoration or implementation of additional security measures, either of which could adversely affect our business and financial results. Other potential costs could include damage to our reputation, loss of brand value, incident response costs, loss of stock market value, regulatory inquiries, litigation and management distraction. A security breach that involves classified information could subject us to civil or criminal penalties, loss of a government contract, loss of access to classified information, or debarment as a government contractor. Similarly, a breach that involves loss of customer- provided data could subject us to loss of a customer, loss of a **program or** contract, litigation costs and legal damages and reputational harm. We may be unsuccessful in protecting our intellectual property rights which could result in the loss of a competitive advantage. If we become subject to intellectual property infringement claims, we could incur significant expenses and could be prevented from selling specific products. Our ability to compete effectively against other companies in our industry depends, in part, on our ability to protect our current and future proprietary technology under patent, copyright, trademark, trade secret and unfair competition laws. We cannot assure you that our means of protecting our proprietary rights in the United States or abroad will be adequate, or that others will not develop technologies similar or superior to our technology or design around our proprietary rights. In addition, we may incur substantial costs in attempting to protect our proprietary rights. Also, despite the steps taken by us to protect our proprietary rights, it may be possible for unauthorized third parties to copy or reverse- engineer aspects of our products, develop similar technology independently, or otherwise obtain and use information from our supply chain that we regard as proprietary **,** and we may be unable to successfully identify or prosecute unauthorized uses of our technology. Further, with respect to our issued patents and patent applications, we cannot assure you that any patents from any pending patent applications (or from any future patent applications) will be issued, that the scope of any patent protection will exclude competitors or provide competitive advantages to us, that any of our patents will be held valid if subsequently challenged or that others will not claim rights in or ownership of the patents (and patent applications) and other proprietary rights held by us. We may become subject to claims that we infringe the intellectual property rights of others. We cannot assure you that, if made, these claims will not be successful. Any claim of infringement could cause us to incur substantial costs defending against the claim even if the claim is invalid and could distract management from other business. Any judgment against us could require substantial payment in damages and could also include an injunction or other court order that could prevent us from offering certain products. Risks Related to Our Common Stock The trading price of our common stock may continue to be volatile, which may adversely affect our business, and investors in our common stock may experience substantial losses. Our stock price, like that of other technology and aerospace and defense companies, ~~can~~ **has been and may continue to** be volatile ~~. The stock market in general and technology companies in particular may continue to experience volatility~~ . The stock prices for companies in the aerospace and defense industry may continue to remain volatile given uncertainty and timing of funding for defense programs. This volatility may or may not be related to our operating performance. Our operating results, from time to time, may be below the expectations of public market analysts and investors, which could have a material adverse effect on the market price of our common stock. Market rumors or the dissemination of false or misleading information may impact our stock price. When the market price of a stock has been volatile, holders of that stock will sometimes file securities class action litigation against the company that issued the stock. If any shareholders were to file a lawsuit, we could incur substantial costs defending the lawsuit ~~. Also~~ , **which** ~~the lawsuit~~ could **also** divert the time and attention of management. ~~The market~~ **During fiscal 2023, we experienced stock** price ~~of our common stock may decline~~ **declines following** ~~because of~~ our **earnings releases in August 2022 and May 2023** ~~M & A activity. The market price of our common stock may decline~~ as **well as after** ~~a result of our merger and acquisition activity if, among other~~ -- **the announcement that** ~~things, we are unable to achieve~~ the ~~expected growth~~ **Board of Directors had concluded its review of strategic alternatives** in **June 2023** ~~revenue and earnings~~ , ~~or if the operational cost savings estimates~~ in ~~connection~~ **each case** with **law firms announcing investigations after** the **event** ~~integration of acquired businesses are not realized. The market price of our common stock also may decline if we do not achieve the perceived benefits of the acquisitions as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the acquisitions on our financial results is not consistent with the expectations of financial or industry analysts~~ . We have never paid cash dividends on our common stock and we do not anticipate paying any dividends in the foreseeable future. We have not declared or paid cash dividends on any of our classes of capital stock to date and we currently intend to retain our future earnings, if any, to fund the development and growth of our business and for future mergers and acquisitions. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future. We may need additional capital and may not be able to raise funds on acceptable terms, if at all. In addition, any funding through the sale of additional common stock or other equity securities could result in additional dilution to our stockholders and any funding through indebtedness could restrict our operations. We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary principally depending on the timing of new product and service launches, investments and / or acquisitions and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain a larger credit facility. The sale of additional equity securities or securities convertible into our common shares could result in additional dilution to our stockholders. The incurrence of additional indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or to reduce our growth to a level that can be supported by our cash flow. Provisions in our organizational documents and Massachusetts law and other actions we have taken could make it more difficult for a third party to acquire us. Provisions of our articles of organization and by- laws could have the effect of discouraging a third party from making a proposal to acquire us and could prevent certain changes in control, even if some shareholders might consider the proposal to be in their best interest. These provisions include a classified board of directors, advance notice to our board of directors of shareholder proposals and director nominations, and limitations on the ability of shareholders to remove directors and to call shareholder meetings. In addition, we may issue shares of any class or series of preferred stock in the future without shareholder approval upon such terms as our board of directors may determine ~~, such as those underlying the shareholder rights agreement we adopted in December 2021~~ . ~~On~~ **For example, on** December 27, 2021, the ~~board~~ **Board** of ~~directors~~ **Directors** ~~of the Company~~ adopted a Shareholder Rights Plan which, as amended, ~~will expire~~ **expired** on the date of ~~the~~ **our** ~~Annual~~ **annual** ~~Meeting~~ **meeting of shareholders** in October 2022. The rights of holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any such class or series of preferred stock that may be issued. We also are subject to the Massachusetts General Laws which, subject to certain exceptions, prohibit a Massachusetts corporation from engaging in a broad range of business combinations with any " interested shareholder " for a period of three years following the date that such shareholder becomes an interested shareholder. The Massachusetts Business Corporation Act permits directors to look beyond the interests of shareholders and consider other constituencies in discharging their duties. In determining what the director of a Massachusetts corporation reasonably believes to be in the best interests of the corporation, a director may consider the interests of the corporation' s employees, suppliers, creditors, and customers, the economy of the state, the region, and the nation, community and societal considerations and the long- term and short- term interests of the corporation and its shareholders, including the possibility that these interests may be best served by the continued independence of the corporation. Shareholder activism could cause us to incur significant expense, disrupt our business, result in a proxy contest or litigation and impact our stock price. We have been subject to shareholder activism and may be subject to such activism in the future, which could result in substantial costs and divert management' s and our Board' s attention and resources from our business. Such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our employees, customers, or suppliers and make it more difficult to attract and retain qualified personnel. We may be required to incur significant fees and other expenses related to activist shareholder matters, including for third ~~–~~ party advisors.

We may be subjected to a proxy contest or to litigation by activist investors ~~, including litigation related to any shareholder rights agreement or " poison pill " that our Board adopts, such as the Shareholder Rights Plan adopted on December 27, 2021~~ . Our stock price **has been and** could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism. JANA Partners LLC filed a Schedule 13D on December 23, 2021, and Starboard Value LP filed a Schedule 13D on January 13, 2022. Both JANA and Starboard indicated that they intended to engage with Mercury' s management ~~. Starboard also wrote an open letter to Mercury' s Board of Directors dated January 13, 2022, requesting that the limited duration rights agreement be withdrawn or amended~~ . On June 23, 2022, we entered into settlement agreements with each of JANA and Starboard that covered the appointment of two directors to our Board and an amendment to our shareholder rights plan **, which has since expired as of our 2022 annual meeting of shareholders** . The **JANA and Starboard** settlement agreements ~~also contain~~ **contained** customary standstill provisions that ~~end~~ **expired in June 2023. On June 15, 2023, Starboard filed an amended Schedule 13D indicating that it owned** approximately **4. 6 %** ~~30 days prior to the expiration~~ of ~~the advance notice period for the nomination~~ **our outstanding shares. On July 6, 2023, JANA filed a new Schedule 13D indicating that it owned approximately 8 %** of ~~directors~~ **our outstanding shares, and we announced that Scott Ostfeld, a managing partner** at **JANA, was being appointed to** our **Board** ~~2023 annual meeting~~ of ~~shareholders~~ **Directors** .