

## Risk Factors Comparison 2024-02-29 to 2023-03-02 Form: 10-K

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You should carefully consider the risks described below together with the other information set forth in this report, which could materially affect our business, financial condition and future results. The risks described below are not the only risks facing our company. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results. Risk Factors Related to Our Business We have a history of operating losses and expect to incur significant losses in the future. We have had substantial losses since our inception. We cannot assure you that we will ever become or remain profitable. ~~As of December 31, 2022~~ **2023**, we had an accumulated deficit of \$ ~~682,765~~ **5.4** million. ~~We had an accumulated deficit of \$ 572,586~~ **6.2** million from inception through December 31, ~~2019~~ **2020**, a net loss of \$ ~~13.43~~ **6.2** million in ~~2020~~ **2021**, a net loss of \$ ~~43.53~~ **2.1** million in ~~2021~~ **2022**, and a net loss of \$ ~~53.82~~ **1.8** million in ~~2022~~ **2023**. The likelihood of our success must be considered in light of the expenses, difficulties and delays frequently encountered by companies formed to develop and commercialize new technologies. In particular, our operations to date have focused primarily on research and development of our LBS technology system, including products built around that technology such as our automotive lidar sensor, and development of demonstration units. We are unable to accurately estimate future revenues and operating expenses based upon historical performance. We cannot be certain that we will succeed in obtaining development revenue or commercializing our technology or products **at scale**. In light of these factors, we expect to continue to incur significant losses and negative cash flow at least through ~~2023~~ **2024** and likely thereafter. There is significant risk that we will not achieve positive cash flow at any time in the future. We ~~may~~ **will** require additional capital to fund our operations **and at the level necessary** to implement our business plan. Raising additional capital ~~may~~ **will** dilute the value of current shareholders' investment in us. Based on our current operating plan, we anticipate that we have sufficient cash and cash equivalents to fund our operations for at least the next 12 months. We ~~may~~ **will**, however, require additional capital to fund our operating plan past that time. We ~~may~~ **will** seek to obtain additional capital through the issuance of equity or debt securities, **development revenue**, product sales and / or licensing activities. There can be no assurance that any such efforts to obtain additional capital would be successful. We are currently focused on developing and commercializing our automotive lidar solution. This involves introducing new **technology technologies** into an emerging market which creates significant uncertainty about our ability to accurately project **the amounts and timing of** revenue, costs and cash flows. Our capital requirements will depend on many factors, including, but not limited to, the commercial success of our **technology technologies**, the rate at which OEMs introduce systems incorporating our products and **technology technologies** and the market acceptance and competitive position of such systems. Our expenses ~~have~~ **are expected to increase** ~~increased~~ significantly as a result of the **January 2023** Ibeo acquisition and related headcount increase. If revenues ~~are~~ **continue to be** less than we anticipate, if the mix of revenues and the associated margins vary from anticipated amounts, ~~or~~ **if** expenses exceed the amounts budgeted, we may require additional capital earlier than expected to fund our operations. In addition, our operating plan provides for the development of strategic relationships with suppliers of components, products and systems, and equipment manufacturers that may require additional investments by us. Additional capital may not be available to us or, if available, may not be available on terms acceptable to us or on a timely basis. Raising additional capital may involve issuing securities with rights and preferences that are senior to our common stock and may dilute the value of our current shareholders' investment in us. If adequate capital resources are not available on a timely basis, we may consider limiting our operations substantially and we may be unable to continue as a going concern. This limitation of operations could include reducing investments in our research and development projects, staff, operating costs, and capital expenditures which could jeopardize our ability to achieve our business goals or satisfy our customer requirements. **7-Risks Related to our Financial Statements and Results** Our revenue is generated from ~~one~~ **a small number of customers, and losing a significant** customer ~~will~~ **and losing that customer would** have a negative impact on our revenue. In ~~2022~~ **2023**, one **commercial customer, Customer A accounted for \$ 4. 6 million in revenue, representing 63 % of our total revenue, a second commercial** customer accounted for \$ ~~664~~ **0. 8 million in revenue**, ~~000~~ **representing 11 % of our total revenue and a third commercial customer accounted for \$ 0. 4 million in revenue, representing 5 % of our total revenue. In 2022, Customer A accounted for \$ 0. 7 million** in revenue, representing 100 % of our total revenue. No revenue was recognized from this customer during the second half of 2022 **or for the first three quarters of 2023** as no shipments of our components were reported by the customer during that period. In 2021, ~~the same customer~~ **Customer A** accounted for \$ 2. 5 million in revenue, representing 100 % of our total revenue. ~~In~~ **Subsequent to fiscal year 2020 **2023**, we do not expect to recognize further ~~the same customer~~ **accounted for \$ 3. 0 million in revenue from**; representing 97 % of our total revenue. The loss of our current sole customer **Customer A, which will** ~~or the continued reporting of no shipments would~~ negatively affect our **future** revenue. We have, in the past, identified a material weakness in our internal controls. In the second quarter of 2021, we identified a material weakness in the controls that support our determination of the grant date of equity awards. If we identify further material weaknesses in our internal controls, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in our financial statements and a failure to meet our reporting obligations. Any such failure could cause investors to lose confidence in the accuracy of our financial reports, harm our reputation and adversely affect the market price of our common stock. **The audit of our internal controls over financial reporting for fiscal year 2024 will include controls of our subsidiary, MicroVision GmbH, which became a significant subsidiary upon the closing of our acquisition of assets from Ibeo in 2023. Accordingly, our internal control environment will become more complex and,****

**therefore, the risk of a material weakness in internal controls will be higher.** Our stock price has fluctuated in the past, has recently been **volatile in decline** and may be volatile in the future, and as a result, investors in our common stock could incur substantial losses. Our stock price has fluctuated significantly in the past, **has recently been volatile**, and may ~~continue to be~~ volatile in the future. Over the 52- week period ending February **24-26, 2023-2024**, our common stock has traded at a low of \$ **2-1.44-82** and a high of \$ **5-8.96-20**. We may continue to experience sustained depression or substantial volatility in our stock price in the foreseeable future unrelated to our operating performance or prospects. For the fiscal year ended December 31, **2022-2023**, we incurred a loss per share of \$ (0. **32-45**). As a result of this volatility, investors may experience losses on their investment in our common stock. The market price for our common stock may be influenced by many factors, including the following: **investor reaction to our business strategy; the success of competitive products or technologies; strategic developments; the timing and results of our development and commercialization efforts with respect to our lidar sensors and ADAS solutions; changes in regulatory or industry standards applicable to our technologies; variations in our or our competitors' financial and operating results; developments concerning our collaborations or partners; developments or disputes with any third parties that supply, manufacture, sell or market any of our products; developments or disputes concerning patents or other proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technology; actual or perceived defects in any of our products, if commercialized, and any related product liability claims; our ability or inability to raise additional capital and the terms on which we raise it; declines in the market prices of stocks generally; trading volume of our common stock; sales of our common stock by us or our stockholders; general economic, industry and market conditions; and the effects of other events or factors, including war, terrorism and other international conflicts, public health issues including health epidemics or pandemics, such as the COVID- 19 outbreak, and natural disasters such as fire, hurricanes, earthquakes, tornados or other adverse weather and climate conditions, whether occurring in the United States or elsewhere.** Since the price of our common stock has fluctuated in the past, has suffered recent declines and may be volatile in the future, investors in our common stock could incur substantial losses. In the past, following periods of volatility in the market, securities class- action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management' s attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects. There can be no guarantee that our stock price will remain at current levels or that future sales of our common stock will not be at prices lower than those sold to investors. **8-Additionally, securities of certain companies have in the past few years experienced significant and extreme volatility in stock price due to short sellers of shares of common stock, known as a " short squeeze. " These short squeezes have caused extreme volatility in both the stock prices of those companies and in the market, and have led to the price per share of those companies to trade at a significantly inflated rate that is disconnected from the underlying value of the company. Many investors who have purchased shares in those companies at an inflated rate face the risk of losing a significant portion of their original investment, as in many cases the price per share has declined steadily as interest in those stocks have abated. There can be no assurance that our shares will not be subject to a short squeeze in the future, and investors may lose a significant portion or all of their investment if they purchase our shares at a rate that is significantly disconnected from our underlying value. If we are unable to maintain our listing on The Nasdaq Global Market, it could become more difficult to sell our stock in the public market. Our common stock is listed on The Nasdaq Global Market. To maintain our listing on this market, we must meet Nasdaq' s listing maintenance standards. If we are unable to continue to meet Nasdaq' s listing maintenance standards for any reason, our common stock could be delisted from The Nasdaq Global Market. If our common stock were delisted, we may seek to list our common stock on The Nasdaq Capital Market, the NYSE American or on a regional stock exchange or, if one or more broker- dealer market makers comply with applicable requirements, the over- the- counter (OTC) market. Listing on such other market or exchange could reduce the liquidity of our common stock. If our common stock were to trade in the OTC market, an investor would find it more difficult to dispose of, or to obtain accurate quotations for the price of, the common stock. A delisting from The Nasdaq Global Market and failure to obtain listing on another market or exchange would subject our common stock to so- called penny stock rules that impose additional sales practice and market-making requirements on broker- dealers who sell or make a market in such securities. Consequently, removal from The Nasdaq Global Market and failure to obtain listing on another market or exchange could affect the ability or willingness of broker- dealers to sell or make a market in our common stock and the ability of purchasers of our common stock to sell their securities in the secondary market. On February **24-26, 2023-2024**, the closing price of our common stock was \$ 2. **51-09** per share. Our lack of financial resources relative to our competitors may limit our revenues, potential profits, overall market share or value. Our products and solutions compete with other pureplay lidar developers, many of which have recently gone public through de-SPAC transactions and therefore have substantially greater financial resources than we have. **We also face competition from OEMs and Tier 1 suppliers that have internally developed lidar sensors. All of these OEMs and Tier 1s are significantly larger, more well- resourced, have long operating histories and enjoy relevant brand recognition.** Because of their greater resources, our competitors may develop or commercialize products more quickly than us and have access to more entrenched sales channels. This imbalance in financial resources and access could result for us in reduced revenues, lower margins or loss of market share, any of which could reduce the value of our business. Additionally, for a variety of reasons, customers may choose to purchase from suppliers that have substantially greater financial or other resources than we have. Risks Related to Our Operations Difficulty in qualifying a contract manufacturer, Tier 1 partner, or foundry for our products, or experiencing changes in our supply chain, could cause delays that may result in lost future revenues and damaged customer relationships. Historically, we have relied on single or limited- source suppliers to manufacture our products. Establishing **and maintaining** a relationship with a contract manufacturer, automotive Tier 1 partner, or foundry is a time- consuming process, as our unique **technology technologies** may require significant manufacturing process adaptation to achieve full manufacturing capacity. To the extent that we are not able to establish **or maintain** a relationship with a contract manufacturer, Tier 1 partner, or foundry in a timely**

manner or at prices or on other terms that are acceptable to us, we may be unable to meet contract or production milestones. Moreover, changes in our supply chain could result in increased cost and delay and subject us to risks and uncertainties regarding, but not limited to, product warranty, product liability and quality control standards. The loss of any single or limited-source supplier, the failure of any of these suppliers to perform as expected or the disruption in the supply chain of components from these suppliers could cause significant delays in product deliveries, which could result in lost future revenues and damaged customer relationships. 9-Historically, we have been dependent on third parties to develop, manufacture, sell and market products incorporating our technology. Our business strategy for commercializing our technology in products has historically included entering into development, manufacturing, licensing, sales and marketing arrangements with OEMs, ODMs and other third parties. These arrangements reduce our level of control over production and distribution and may subject us to risks and uncertainties regarding, but not limited to, product warranty, product liability and quality control standards. We cannot be certain that we will be able to negotiate arrangements on acceptable terms, if at all, or that these arrangements will be successful in yielding commercially viable products. If we cannot establish **or maintain** these arrangements, we would require additional capital to undertake such activities on our own and would require extensive manufacturing, sales and marketing expertise that we do not currently possess and that may be difficult to obtain. In addition, we could encounter significant delays in introducing our products and technology or find that the development, manufacture or sale of products incorporating our technology would not be feasible. To the extent that we enter into development, manufacturing, licensing, sales and marketing or other arrangements, our revenues will depend upon the performance of third parties. We cannot be certain that any such arrangements will be successful. We could face lawsuits related to our use of LBS technology or other technologies, which would be costly, and any adverse outcome could limit our ability to commercialize our technology or products. We are aware of several patents held by third parties that relate to certain aspects of light scanning displays, 3D sensing products, and other technologies that are core to our sensor hardware. These patents could be used as a basis to challenge the validity, limit the scope or limit our ability to obtain additional or broader patent rights of our patents. A successful challenge to the validity of our patents could limit our ability to commercialize our technology or products incorporating our LBS technology and, consequently, materially reduce our ability to generate revenues. Moreover, we cannot be certain that patent holders or other third parties will not claim infringement by us with respect to current and future technology. Because U. S. patent applications are held and examined in secrecy, it is also possible that presently pending U. S. applications could eventually be issued with claims that could be infringed by our products or our technology. The defense and prosecution of a patent suit would be costly and time- consuming, even if the outcome were ultimately favorable to us. An adverse outcome in the defense of a patent suit could subject us to significant costs, require others and us to cease selling products incorporating our technology, require us to cease licensing our technology or require disputed rights to be licensed from third parties. Such licenses, if available, would increase our operating expenses. Moreover, if claims of infringement are asserted against our future co- development partners or customers, those partners or customers may seek indemnification from us for any damages or expenses they incur. If we fail to manage expansion effectively, our revenue and expenses could be adversely affected. Our ability to successfully offer products incorporating our **technology technologies** and implement our business plan in a rapidly evolving market requires an effective planning and management process. The growth in business and relationships with customers and other third parties has placed, and will continue to place, a significant strain on our management systems and resources. We will need to continue to improve our financial and managerial controls, reporting systems and procedures, and will need to continue to train and manage our work force. **Following We continue to strengthen our compliance programs, including our compliance programs related to product certifications (in particular, certifications applicable to the automotive market), export controls, privacy and cybersecurity and anti- corruption. We may not be able to implement improvements in an efficient our- or substantial reduction timely manner and may discover deficiencies in existing controls headcount in February 2020, the risks associated with strained resources are heightened programs, systems and procedures, which could have an adverse effect on our business, reputation and financial results.** We target customers that are large companies with substantial negotiating power and potentially competitive internal solutions; if we are unable to sell our products to these customers, our prospects will be adversely affected. Our potential customers, automotive OEMs in particular, are large, multinational companies with substantial negotiating power relative to us and, in some instances, may have internal solutions that are competitive to our products. These large, multinational companies also have significant resources, which may allow them to acquire or develop competitive technologies either independently or in partnership with others. Accordingly, even after investing significant resources to develop a product, we may not secure a series production award or, even after securing a series production award, may not be able to commercialize a product on profitable terms. If our products are not selected by these large companies or if these companies develop or acquire competitive technology or negotiate terms that are disadvantageous to us, it will have an adverse effect on our business prospects. 10-Our technology and products may be subject to environmental, health and safety regulations that could increase our development and production costs. Our technology and products could become subject to environmental, health and safety regulations or amendments that could negatively impact our ability to commercialize our technology and products. Compliance with any such current or new regulations would likely increase the cost to develop and commercialize products, and violations may result in fines, penalties or suspension of production. If we become subject to any environmental, health, or safety laws or regulations that require us to cease or significantly change our operations to comply, our business, financial condition and operating results could be adversely affected. Our operating results may be adversely impacted by worldwide political and economic uncertainties and specific conditions in the markets we address. **In At various times in our history, including in the recent past and currently, general worldwide economic conditions have experienced a downturn downturns** due to slower economic activity, concerns about inflation, increased energy costs, decreased consumer confidence, reduced corporate profits and capital spending, and adverse business conditions. Any continuation or worsening of **the current** global economic and financial conditions could materially adversely affect: (i) our ability to raise, or the cost of, needed capital,

(ii) demand for our current and future products, and (iii) our ability to commercialize products. Additionally, the outbreaks of wars or infectious diseases, as recently experienced, may cause an unexpected ~~downturn~~ **deterioration** in economic conditions. We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery, worldwide, regionally or in the automotive or technology industries. Because we have recently expanded and ~~may plan to~~ continue expanding our international operations and using foreign suppliers **and manufacturers**, our operating results could be harmed by economic, political, regulatory and other factors in foreign countries. During 2021, we established an office in Germany and on January 31, 2023 we completed our acquisition of **certain assets of** Ibeo ~~assets~~, with the result that we now have more employees and operations in Germany than in the U. S. In addition, we currently use foreign suppliers **and partners** and plan to continue to do so to manufacture current and future components and products, where appropriate. These international operations are subject to inherent risks, which may adversely affect us, including, but not limited to: **Political and economic instability, international terrorism and the outbreak of war, such as Russia's invasion and continuing war against Ukraine and the ongoing conflict in Gaza**; **High levels of inflation, as has historically been the case in a number of countries in Asia**; **Burdens and costs of compliance with a variety of foreign laws, regulations and sanctions**; **Foreign taxes and duties**; **Changes in tariff rates or other trade, tax or monetary policies**; **Changes or volatility in currency exchange rates and interest rates**; **Global or regional health crises, such as COVID- 19 or other epidemics**; and **Disruptions in global supply chains**. We have recently and may in the future make acquisitions. If we fail to successfully select, execute or integrate our acquisitions, then our business, results of operations and financial condition could be materially adversely affected. On December 1, 2022, we entered into an Asset Purchase Agreement to acquire certain assets from Ibeo Automotive Systems GmbH. We expended significant management time and effort, as well as capital, identifying, evaluating, negotiating, and executing this transaction and, since the closing of the acquisition on January 31, 2023, we have invested additional time and capital working to integrate our new Hamburg- and Detroit- based teams and operations. We cannot guarantee that these integration efforts will be successful, that the goals of the acquisition will be realized, or that the increase to our operating expenses or cash requirements will be manageable. In the future, we may again undertake acquisitions to add new products and technologies, acquire talent, gain new sales channels or enter into new markets or sales territories. In addition to possible stockholder approval, we may need approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable laws and regulations, which could result in increased delay and costs, and may disrupt our business strategy if we fail to do so. Furthermore, acquisitions and the subsequent integration of new assets, businesses, key personnel, customers, vendors and ~~suppliers~~ require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant. Before our acquisition of assets from Ibeo, we had no experience with acquisitions or the integration of acquired technology and personnel. Failure to successfully identify, complete, manage and integrate acquisitions could materially and adversely affect our business, financial condition and results of operations and could cause our stock price to decline. Our suppliers' **or manufacturing partners'** facilities could be damaged or disrupted by a natural disaster or labor strike, either of which would materially affect our financial position, results of operations and cash flows. A major catastrophe, such as an earthquake, monsoon, flood, infectious disease including the COVID- 19 virus, or other natural disaster, labor strike, or work stoppage at our suppliers' **or manufacturers partners'** facilities or our customers, could result in a prolonged interruption of our business. A disruption resulting from any one of these events could cause significant delays in product shipments and the loss of sales and customers, which could have a material adverse effect on our financial condition, results of operations, and cash flows. If we are unable to obtain effective intellectual property protection for our products, processes and technology, we may be unable to compete with other companies. Intellectual property protection for our products, processes and technology is important and uncertain. If we do not obtain effective intellectual property protection for our products, processes and technology, we may be subject to increased competition. Our commercial success will depend, in part, on our ability to maintain the proprietary nature of our key technologies by securing valid and enforceable patents and effectively maintaining unpatented technology as trade secrets. We protect our proprietary technology by seeking to obtain United States and foreign patents in our name, or licenses to third party patents, related to proprietary technology, inventions, and improvements that may be important to the development of our business. However, our patent position involves complex legal and factual questions. The standards that the United States Patent and Trademark Office and its foreign counterparts use to grant patents are not always applied predictably or uniformly and can change. Additionally, the scope of patents is subject to interpretation by courts and their validity can be subject to challenges and defenses, including challenges and defenses based on the existence of prior art. Consequently, we cannot be certain as to the extent to which we will be able to obtain patents for our new products and technology or the extent to which the patents that we already own, protect our products and technology. Reduction in scope of protection or invalidation of our licensed or owned patents, or our inability to obtain new patents, may enable other companies to develop products that compete directly with ours on the basis of the same or similar technology. We also rely on the law of trade secrets to protect unpatented know- how and technology to maintain our competitive position. We try to protect this know- how and technology by limiting access to the trade secrets to those of our employees, contractors and partners, with a need- to- know such information and by entering into confidentiality agreements with parties that have access to it, such as our employees, consultants and business partners. Any of these parties could breach the agreements and disclose our trade secrets or confidential information, or our competitors might learn of the information in some other way. If any trade secret not protected by a patent were to be disclosed to or independently developed by a competitor, our competitive position could be negatively affected. We could be subject to significant product liability claims that could be time- consuming and costly, divert



management attention and adversely affect our ability to obtain and maintain insurance coverage. We could be subject to product liability claims if any of the product applications are alleged to be defective or cause harmful effects. For example, because some of the scanning modules incorporating our LBS technology could scan a low power beam of colored light into the user's eye, the testing, manufacture, marketing and sale of these products involve an inherent risk that product liability claims will be asserted against us. ~~12-~~ Additionally, any misuse of our technology or products incorporating our technology by end users or third parties that obtain access to our technology, could result in negative publicity and could harm our brand and reputation. Product liability claims or other claims related to our products or our technology, regardless of their outcome, could require us to spend significant time and money in litigation, divert management time and attention, require us to pay significant damages, harm our reputation or hinder acceptance of our products. Any successful product liability claim may prevent us from obtaining adequate product liability insurance in the future on commercially desirable or reasonable terms. An inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our products and technology. Our operations could be adversely impacted by information technology system failures, network disruptions, or cyber security breaches **incidents**. We rely on information technology systems to process, transmit, store, and protect electronic data between our employees, ~~our~~ customers, **manufacturing partners** and ~~our~~ suppliers. Our systems **and the third parties we rely on for related services** are vulnerable to ~~damage~~ **actual or attempted cybersecurity incidents, such as attacks by hackers, acts of vandalism, malware, social engineering, denial or degradation of service attacks, computer viruses, software bugs or vulnerabilities, supply chain attacks, phishing attacks, ransomware attacks, misplaced or lost data, human errors, malicious insiders or other similar events. Such systems are also susceptible to other interruptions disruptions** due to events beyond our control, including, but are not limited to, natural disasters, power loss, ~~and telecommunications failures, computer viruses, hacking, or other cyber security issues~~. Our system redundancy may be inadequate and our disaster recovery planning may be ineffective or insufficient to account for all eventualities. ~~Additionally~~ **As security incidents have become more prevalent across industries we will need to continually examine, modify and update our systems. These updates or improvements may require implementation costs. In addition, we may not be able to monitor and react to all developments in a timely manner. The measures we do adopt may prove ineffective. Any failure, or perceived failure, by us to comply with current and future regulatory or customer-driven privacy, data protection, and information security requirements, or to prevent or mitigate cyber incidents, could harm our business and expose us to potential litigation, liability, remediation costs, investigation costs, loss of revenue, damage to our reputation and loss of customers. While** we maintain insurance coverage to address certain aspects of cyber risks ~~-,~~ ~~Such such~~ insurance coverage may be insufficient to cover all losses or all claims that may arise, should such an event occur. **We, and certain of our third-party vendors, collect and store personal information in connection with human resources operations and other aspects of our business. While we obtain assurances that any third parties we provide data to will protect this information and, where we believe appropriate, monitor the protections employed by these third parties, there is a risk the confidentiality of data held by us or by third parties may be compromised and expose us to liability for such breach**. Loss of any of our key personnel could have a negative effect on the operation of our business. Our success depends on our executive officers and other key personnel and on the ability to attract and retain qualified new personnel. Achievement of our business objectives will require substantial additional expertise in the areas of sales and marketing, research and product development and manufacturing. Competition for qualified personnel in these fields is intense, and the inability to attract and retain additional highly skilled personnel, or the loss of key personnel, could hinder our ability to compete effectively in the automotive or technology markets and adversely affect our business strategy execution and results of operations. ~~COVID-19 has had an adverse effect on our business, and the continuing COVID-19 effects on our financial position and business prospects are uncertain. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the United States and the world. We are unable to fully assess or accurately predict the impact that COVID-19 has had and may continue to have on our operations due to numerous uncertainties. The adverse impacts of the pandemic on our business thus far and on our future financial performance include, but are not limited to: • difficulties in our ability to raise capital, • delays to our technology development plans and timelines, • significant declines or delays in revenue or development efforts due to supply chain disruptions, • obstacles or delays in meeting with potential customers and partners or entering into agreements with them, and • challenges to our operating effectiveness resulting from employees working remotely or hybrid, or being ill and unable to work.~~ Risks Related to Development for the Automotive Industry If our products and solutions are not selected for inclusion in ADAS systems by automotive OEMs or automotive Tier 1 suppliers, our future prospects will be materially and adversely affected. Automotive OEMs and Tier 1 suppliers design and develop ADAS technology over several years, undertaking extensive testing and qualification processes prior to selecting a product such as our lidar ~~sensor~~ **sensors and software** for use in a particular system, product or vehicle model because such products will function as part of a larger system or platform and must meet certain other specifications. We have invested and will continue to invest significant time and resources to have our products considered and possibly selected by OEMs or Tier 1 suppliers for use in a particular system, product or vehicle model, which is known as a “series production win” or a “series production award.” In the case of ADAS technology, a series production award would mean that our lidar sensor and / or ADAS solution had been selected for use in a particular vehicle model. However, if we are unable to achieve a series production award with respect to a particular vehicle model, we may not have an opportunity to supply our products to the automotive OEM for that vehicle model for a period of many years. In many cases, this period can be as long as five to seven or more years. If our products are not selected by an automotive OEM or our suppliers for one vehicle model or if our products are not successful in that vehicle model, it is unlikely that our product will be deployed in other vehicle models of that OEM. If we fail to win a significant number of vehicle models from one or more of automotive OEMs or their suppliers, our future business prospects will be materially and adversely affected. The complexity of our products and the limited visibility

into the various environmental and other conditions under which potential customers may use the products could result in unforeseen delays or expenses from undetected defects, errors or reliability issues in hardware or software which could reduce the market adoption of our products, damage our reputation with prospective customers, expose us to product liability and other claims, and adversely affect our operating costs. Our products are highly technical and complex and require high standards to manufacture and may experience defects, errors or reliability issues at various stages of development. We may be unable to timely manufacture or release products, or correct problems that have arisen or correct such problems to the customer's satisfaction. Additionally, undetected errors, defects or security vulnerabilities could result in serious injury to the end users or bystanders of technology incorporating our products, inability of customers to commercialize technology incorporating our products, ~~13~~litigation against us, negative publicity and other consequences. These risks are particularly prevalent in the highly competitive ADAS market. These problems may also result in claims, including class actions, against us that could be costly to defend. Our reputation or brand may be damaged as a result of these problems and potential customers may be reluctant to buy our products, which could adversely affect our financial results. Adverse conditions in the automotive industry or the global economy more generally could have adverse effects on our results of operations. While we make our strategic planning decisions based on the assumption that the markets we are targeting will grow, our business is dependent, in large part on, and directly affected by, business cycles and other factors affecting the global automobile industry and global economy generally. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, changes in interest rates and credit availability, consumer confidence, fuel costs, fuel availability, environmental impact, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by our automotive OEM customers' ability to continue operating in response to challenging economic conditions and in response to labor relations issues, regulatory requirements, trade agreements and other factors. The volume of automotive production in North America, Europe and the rest of the world has fluctuated, sometimes significantly, from year to year, and we expect such fluctuations to give rise to fluctuations in the demand for our products. Any significant adverse change in any of these factors may result in a reduction in automotive sales and production by our automotive OEM customers and could have a material adverse effect on our business, results of operations and financial condition. Developments in alternative technology may adversely affect the demand for our lidar technology. Significant developments in alternative technologies, such as cameras and radar, may materially and adversely affect our business prospects in ways we do not currently anticipate. Existing and other camera and radar technologies may emerge as OEMs' preferred alternative to our solution, which would result in the loss of competitiveness of our lidar solution. Our R & D efforts may not be sufficient to adapt to these changes in technology and our solution may not compete effectively with these alternative systems. ADAS features may be delayed in adoption by OEMs, which would negatively impact our business prospects. The ADAS market is fast evolving and there is generally a lack of an established regulatory framework. Vehicle regulators globally continue to consider new and enhanced emissions requirements, including electrification, to meet environmental and economic needs as well as pursue new safety standards to address emerging traffic risks. To control new vehicle prices, among other concerns, OEMs may need to dedicate technology and cost additions to new vehicle designs to meet these emissions and safety requirements and postpone the consumer cost pressures of new ADAS features. As additional safety requirements are imposed on vehicle manufacturers, our business prospects may be materially impacted. Because the lidar and ADAS markets are rapidly evolving, it is difficult to forecast customer adoption rates, demand, and selling prices for our products and solutions. We are pursuing opportunities in rapidly evolving markets, including technological and regulatory changes, and it is difficult to predict the timing and size of the opportunities. For example, lidar-based ADAS solutions require complex technology and because these automotive systems depend on technology from many companies, commercialization of ADAS products could be delayed or impaired on account of certain technological components of ours or others not being ready to be deployed in vehicles. In addition, the selling prices we are able to ultimately charge in the future for the products we are currently developing may be less than what we currently project. Our future financial performance will depend on our ability to make timely investments in the correct market opportunities. If one or more of these markets experience a shift in prospective customer demand, our products may not compete as effectively, if at all, and they may not be designed into commercialized products. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand or adoption rates for our products, selling prices or the future growth of our target markets. If demand does not develop or if we cannot accurately forecast it, the size of our markets, inventory requirements or future financial results will be adversely affected. **14 Because lidar is new in the markets we are seeking to enter, our market forecasts may not materialize as anticipated. Our market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not materialize as anticipated. These forecasts and estimates relating to the expected size and growth of the markets for lidar-based technology may prove to be inaccurate. Even if these markets experience the forecasted growth we anticipate, we may not grow our business at similar rates, or at all. Our future growth is subject to many factors, including market adoption of our products, which is subject to many risks and uncertainties. Accordingly, we cannot assure you that these forecasts will not be materially inaccurate. ITEM 1B. UNRESOLVED STAFF COMMENTS**