Risk Factors Comparison 2024-03-13 to 2023-03-08 Form: 10-K

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The following risks could materially and adversely affect our business, financial condition, and results of operations, and the trading price of our common stock could decline. These risk factors do not identify all of the risks that we face. Our business operations could also be affected by factors that we currently consider to be immaterial or that are unknown to us at the present time. Investors should also refer to the other information contained or incorporated by reference in this Annual Report on Form 10- K for the year ended December 31, ~~2022~~ **2023**, including our consolidated financial statements and related notes, and our other filings made from time to time with the ~~Securities and Exchange Commission ("~~ SEC ~~")~~. Risks Related to ~~COVID- 19 The ongoing effects of the COVID- 19 pandemic have disrupted and may continue to disrupt our business or the business of our customers or suppliers, and as such, may adversely affect our financial condition. Our business, the businesses of our customers, and the businesses of our suppliers have been affected by the effects of the COVID- 19 pandemic and the related governmental, business and community responses to it. Additionally, the economies and financial markets of many countries have been impacted by the pandemic, and the longevity and significance of the resulting economic impact is currently unknown. A significant economic downturn could materially and adversely affect our end customers, and thus could negatively impact demand for our products and our operating results. For example, beginning in March 2022 and lasting through December 2022, various cities in China imposed lockdowns in response to China' s " zero- COVID " policy, leading to weaker consumer demand which has had, and we anticipate may continue to have, an adverse impact on China' s economy, on our customers and on our business. For example, demand in our Mobile market was down during the second half of 2022, which we believe was largely attributable to the imposed lockdowns in China. More recently, China announced a relaxation of its " zero- COVID " policies, which increases the risk of large outbreaks of COVID- 19 in China, which could have an adverse impact on China' s economy, on our customers and on our business. The spread of COVID- 19 has caused us to modify our business practices from time- to- time, including implementing work- from- home policies and limiting travel by our employees. Our Shanghai and Shenzhen offices have been alternating between full in- person staffing and remote staffing as local ordinances continue to change in response to new outbreaks. Outbreaks and various strict actions by the Chinese government in response have impacted and are expected to continue to impact the ability of our sales team in China to make in- person sales calls to current and potential customers at the same volume as they~~ - **the Global Economy** ~~did prior to the outbreak of the pandemic. While China has relaxed its" zero- COVID" policies, the risk of an outbreak is now higher, which could also require us to change our practices and disrupt our business. Our offices and supply chain partners in Taiwan, and our offices in Japan and North America are fully operational. The Company has taken in the past and may continue to take in the future, certain mitigation measures. For example, and as previously reported, in 2020 the Company implemented several cost- saving measures, including reductions in executive salaries, elimination of bonus programs, and hiring freezes. Since then, the Company has carefully monitored its costs in light of the uncertainty caused by the pandemic. COVID- 19 has, and may continue to, negatively affect the operations of our suppliers and customers, as their own workforces and operations are disrupted by the pandemic, which could result in the interruption of our distribution system, temporary or long- term disruption in our supply chains, or delays in the delivery of our product. For example, the Company experienced some mild supply chain disruption in the first quarter of 2022. The future impact of the pandemic on our business, as well as the business of our suppliers and customers, and the additional measures that may be needed in response to it, including any new cost- saving measures, will depend on many factors beyond our control and knowledge. We will continually monitor the situation to determine what actions may be necessary or appropriate to address the impact of the pandemic, which may include actions mandated or recommended by federal, state or local authorities.~~ The continued uncertain global economic environment and volatility in global credit **, banking** and financial markets could materially and adversely affect our business and results of operations. The state of the global economy continues to be uncertain. **Additionally, recent high- profile global business failures, such as the court- ordered liquidation of Chinese property developer Evergrande Group, have caused general uncertainty and concern regarding the health of the economy of China, which is a major market for our products.** As a result ~~of these conditions~~, **we or** our manufacturers, vendors and customers might experience deterioration of **our or** their businesses, cash flow shortages and difficulty obtaining financing, which could result in interruptions or delays in the performance of any contracts, reductions and delays in customer purchases, delays in or the inability of **the Company or our** customers to obtain financing **or of our customers** to purchase our products, and bankruptcy of customers. Furthermore, the constraints in the capital and credit markets, may **limit our ability to access the capital we need when we need it, on favorable terms or otherwise, or** limit the ability of our customers to meet their liquidity needs, which could result in an impairment of their ability to make timely payments to us and reduce their demand for our products, adversely impacting our results of operations and cash flows. This environment has also made it difficult for us to accurately forecast and plan future business activities. Company Specific Risks If we fail to meet the evolving needs of our markets, identify new products, services or technologies, or successfully compete in our target markets, our revenue and financial results will be adversely impacted. Pixelworks designs, develops and markets visual processing and advanced media processing solutions ~~in~~ **for** the Mobile, Home & Enterprise and Cinema markets. Our success depends to a significant extent on our ability to meet the evolving needs of these markets and to enhance our existing products, solutions and technologies. In addition, our success depends on our ability to identify emerging industry trends and to develop new products, solutions and technologies. Our existing markets and products and new markets and products may require a considerable investment of technical, financial, compliance, sales and marketing resources. We cannot assure you that our strategic direction will result in innovative products and technologies that provide value to our customers and partners. If we fail to anticipate the changing needs of our target markets and emerging technology trends, or adapt that strategy as market conditions evolve, in a timely manner to exploit potential market opportunities our business will be harmed. In addition, if demand for products and solutions from these markets is below our expectations, if we fail to achieve consumer or market acceptance of them or if we are not able to develop these products and solutions in a cost effective or efficient manner, we may not realize benefits from our strategy. Our target markets remain extremely competitive, and we expect competition to intensify as current competitors expand their product and **/ or** service offerings, industry standards continue to evolve and new competitors enter these markets. If we are unable to successfully compete in our target markets, demand for our products, solutions and technologies could decrease, which would cause our revenue to decline and our financial results to suffer. Our product strategy, which is targeted at markets demanding superior video and digital image quality as well as efficient video delivery, may not address the demands of our target customers and may not lead to increased revenue in a timely manner or at all, which could materially adversely affect our results of operations and limit our ability to grow. We have adopted a product strategy that focuses on our core competencies in visual display processing and delivering high levels of video and digital image quality **. With this strategy, we continue to make further investments in the development of our image processor architecture for the projector market, with particular focus on adding increased performance and functionality. For the mobile device market, our strategy focuses on implementing our intellectual property (" IP") to improve the video performance of our customers' image processors through the use of our MotionEngine ® advanced video co- processor integrated circuits** . This strategy is designed to address the needs of the high- resolution and high- quality segment of these markets. Such markets may not develop or may take longer to develop than we expect. We cannot assure you that the products we are developing will adequately address the demands of our target customers, or that we will be able to produce our new products at costs that enable us to price these products competitively. Achieving design wins involves lengthy competitive selection processes that require us to incur significant expenditures prior to generating any revenue or without any guarantee of any revenue related to this business. If we fail to generate revenue after incurring substantial expenses to develop our products, our business and operating results would suffer. We must achieve" design wins" that enable us to sell our semiconductor solutions for use in our customers' products. These competitive selection processes typically are lengthy and can require us to incur significant research and development expenditures and dedicate scarce engineering resources in pursuit of a single customer opportunity. We may not achieve a design win and may never generate any revenue despite incurring significant research and development expenditures. This could cause us to lose revenue and require us to write off obsolete inventory and could weaken our position in future competitive selection processes. Even if our product strategy is properly targeted, we cannot assure you that the products we are developing will lead to an increase in revenue from new design wins. To achieve design wins, we must design and deliver cost- effective, innovative and integrated semiconductors that overcome the significant costs associated with qualifying a new supplier and which make developers reluctant to change component sources. Additionally, potential developers may be unwilling to select our products due to concerns over our financial strength. Further, design wins do not necessarily result in developers ordering large volumes of our products. Developers can choose at any time to discontinue using our products in their designs or product development efforts. A design win is not a binding commitment by a developer to purchase our products, but rather a decision by a developer to use our products in its design process. Even if our products are chosen to be incorporated into a developer' s products, we may still not realize significant revenue from the developer if its products are not commercially successful or it chooses to qualify, or incorporate the products, of a second source. Additionally, even if our product strategy is successful at achieving design wins and increasing our revenue, we may continue to incur operating losses due to the significant research and development costs that are required to develop competitive products **for the projection market and mobile market** . System security and data protection breaches, as well as cyber- attacks, could disrupt our operations, reduce our expected revenue and increase our expenses, which could adversely affect our stock price and damage our reputation. Security breaches, computer malware and cyber- attacks have become more prevalent and sophisticated in recent years. These attacks have occurred on our systems in the past and are expected to occur in the future. Experienced computer programmers, hackers and employees may be able to penetrate our security controls and misappropriate or compromise our confidential information, or that of our employees or third parties. These attacks may create system disruptions or cause shutdowns. For portions of our IT infrastructure, including business management and communication software products, we rely on products and services provided by third parties. These providers may also experience breaches and attacks to their products which may impact our systems. Data security breaches may also result from non- technical means, such as actions by an employee with access to our systems. Actual or perceived breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our partners, our customers or third parties could expose the parties affected to a risk of loss, or misuse of this information, resulting in litigation and potential liability, damage to our brand and reputation or other harm to our business. Our efforts to prevent and overcome these challenges could increase our expenses and may not be successful. We may experience interruptions, delays, cessation of service and loss of existing or potential customers. Such disruptions could adversely impact our ability to fulfill orders and interrupt other critical functions. Delayed sales, lower margins or lost customers as a result of these disruptions could adversely affect our financial results, stock price and reputation. If we fail to retain or attract the specialized technical and management personnel required to successfully operate our business, it could harm our business and may result in lost sales and diversion of management resources. Our success depends on the continued services of our executive officers and other key management, engineering, and sales and marketing personnel and on our ability to continue to attract, retain and motivate qualified personnel. Competition for skilled engineers and management personnel is intense within our industry, and we may not be successful in hiring and retaining qualified individuals. For example, we have experienced, and may continue to experience, difficulty and increased compensation expense in order to hire and retain qualified engineering personnel in our Shanghai design center. The loss of, or inability to hire, key personnel could limit our ability to develop new products and adapt existing products to our customers' requirements, and may result in lost sales and a diversion of management resources. Any transition in our senior management team may involve a diversion of resources and management attention, be disruptive to our daily operations or impact public or market perception, any of which could have a negative impact on our business or stock price. We may not fully realize the estimated savings from our restructurings in a timely manner or at all, and our restructuring programs may result in business disruptions and decrease productivity. Any of the foregoing would negatively affect our financial condition and results of operations. From time to time, we may have the need to execute restructuring plans to make the operation of the Company more efficient. We may not be able to implement our restructuring programs as planned, and we may need to take additional measures to fulfill the objectives of our restructuring. The anticipated expenses associated with our restructuring programs may differ from or exceed our expectations, and we might not be able to realize the full amount of estimated savings from the restructuring programs in a timely manner or at all. Additionally, our restructuring plans may result in business disruptions or decreases in productivity. As a result, our restructuring plans could have an adverse impact on our financial condition or results of operations. We have significantly fewer financial resources than most of our competitors, which limits our ability to implement new products or enhancements to our current products and may require us to implement additional future restructuring plans, which in turn could adversely affect our future sales and financial condition. Financial resource constraints could limit our ability to execute our product strategy or require us to implement additional restructuring plans, particularly if we are unable to generate sufficient cash from operations or obtain additional sources of financing. Any future restructuring actions may slow our development of new or enhanced products by limiting our research and development and engineering activities. Our cash balances are also lower than those of our competitors, which may limit our ability to develop competitive new products on a timely basis or at all. If we are unable to successfully introduce new or enhanced products, our sales, operating results and financial condition will be adversely affected. If we are not profitable in the future, we may be unable to continue our operations. We have incurred operating losses each fiscal year since 2010 and have an accumulated deficit of $ ~~451~~ **477** . 0 million as of December 31, ~~2022~~ **2023** . If and when we achieve profitability depends upon a number of factors, including our ability to develop and market innovative products, accurately estimate inventory needs, contract effectively for manufacturing capacity and maintain sufficient funds to finance our activities. We cannot assure our investors that we will ever achieve annual profitability, or that we will be able to maintain profitability if achieved. If we are not profitable in the future, we may be unable to continue our operations. A significant amount of our revenue comes from a limited number of customers and distributors and from time to time we may enter into exclusive deals with customers, exposing us to increased credit risk and subjecting our cash flow to the risk that any of our customers or distributors could decrease or cancel ~~its~~ **their** orders. The display manufacturing market is highly concentrated and we are, and will continue to be, dependent on a limited number of customers and distributors for a substantial portion of our revenue. Sales to our top distributor represented **48 % and** 29 ~~% and 27~~ % of revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. If any of our distributors ceases to do business with us, it may be difficult for us to find adequate replacements, and even if we do, it may take some time. The loss of any of our top distributors could negatively affect our results of operations. Additionally, revenue attributable to our top five end customers represented **87 % and** 76 % of revenue for ~~both~~ the years ended December 31, **2023 and** 2022 ~~and~~ **, respectively. As of December 31,** ~~2021~~ **2023 , we had two accounts that each represented 10 % or more of accounts receivable** . As of December 31, 2022, we had four accounts that each represented 10 % or more of accounts receivable. ~~As~~ **All** of ~~December 31, 2021, we had three~~ -- **the** ~~accounts that each represented 10 % or more of accounts receivable. Orders~~ **orders** included in our backlog **are** ~~may be fully or partially cancellable~~ - **cancelable** . A reduction, delay or cancellation of orders from one or more of our significant customers, or a decision by one or more of our significant customers to select products manufactured by a competitor or to use its own internally- developed semiconductors, would significantly and negatively impact our revenue. Further, the concentration of our accounts receivable with a limited number of customers increases our credit risk. The failure of these customers to pay their balances, or any customer to pay future outstanding balances, would result in an operating expense and reduce our cash flows. We generally do not have long- term purchase commitments from our customers and if our customers cancel or change their purchase commitments, our revenue and operating results could suffer. Substantially all of our sales to date have been made on a purchase order basis. We generally do not have long- term commitments with our customers. As a result, our customers may cancel, change or delay product purchase commitments, which could cause our revenue to decline and materially and adversely affect our results of operations. Our revenue and operating results can fluctuate from period to period, which could cause our share price to decline. Our revenue and operating results have fluctuated in the past and may fluctuate from period to period in the future due to a variety of factors, many of which are beyond our control. Factors that may contribute to these fluctuations include those described in this" Risk Factors" section of this report, such as the timing, changes in or cancellation of orders by customers, market acceptance of our products and our customers' products and the timing and extent of product development costs. Additionally, our business is subject to seasonality related to the markets we serve and the location of our customers. For example, we have historically experienced higher revenue from the ~~digital~~ projector ~~component of the Home & Enterprise~~ market in the third quarter of the year, and lower revenue in the first quarter of the year. As a result of these and other factors, the results of any prior quarterly or annual periods should not be relied upon as indications of our future revenue or operating performance. Fluctuations in our revenue and operating results could cause our share price to decline. If we are unable to generate sufficient cash from operations and are forced to seek additional financing alternatives, or in the event we acquire or make an investment in companies that complement our business, our working capital may be adversely affected and our shareholders may experience dilution or our operations may be impaired. We may be unable to generate or sustain positive cash flow from operating activities and would then be required to use existing cash and cash equivalents to support our working capital and other cash requirements. Additionally, from time to time, we may evaluate acquisitions of, or investments in, businesses, products or technologies that complement our business. Any transactions, if consummated, may consume a material portion of our working capital or require the issuance of equity securities that may result in dilution to existing shareholders **. In addition, any proceeds received by PWSH, one of our Chinese subsidiaries, from the private placement of shares (including the transaction that closed in August of 2021) or in connection with the future potential listing of PWSH shares on the STAR Market in Shanghai, are subject to certain PRC laws and regulations that may make it difficult, if not impossible, to use such proceeds to fund those operations of Pixelworks that are not part of PWSH. As a result, it is unlikely that funds raised or generated by PWSH will be readily distributable to Pixelworks** . If additional funds are required to support our working capital requirements, acquisitions or other purposes, we may seek to raise funds through debt and equity financing or from other sources. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders could be significantly diluted, and these newly- issued securities may have rights, preferences or privileges senior to those of existing shareholders. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operating flexibility, and would also require us to incur interest expense. We can provide no assurance that additional financing will be available at all or, if available, that we would be able to obtain additional financing on terms favorable to us. We license our intellectual property, which exposes us to risks of infringement or misappropriation, and may cause fluctuations in our operating results. We have licensed certain intellectual property to third parties and may enter into additional license arrangements in the future. We cannot assure you, however, that others will be interested in licensing our intellectual property on commercially favorable terms or at all. We also cannot ensure that licensees will honor agreed- upon market restrictions, not infringe upon or misappropriate our intellectual property or maintain the confidentiality of our proprietary information. IP license agreements are complex and earning and recognizing revenue under these agreements depends upon many factors, including completion of milestones, allocation of values to delivered items and customer acceptances. Many of these factors require significant judgments. Also, generating revenue from these arrangements is a lengthy and complex process that may last beyond the period in which efforts begin and, once an agreement is in place, the timing of revenue recognition may depend on events such as customer acceptance of deliverables, achievement of milestones, our ability to track and report progress on contracts, customer commercialization of the licensed technology and other factors, any or all of which may or may not be achieved. The accounting rules associated with recognizing revenue from these transactions are complex and subject to interpretation. Due to these factors, the amount of licensing revenue recognized in any period, if any, and our results of operations, may differ significantly from our expectations. Finally, because licensing revenue typically has a higher margin compared to product sales, licensing revenue can have a disproportionate impact on our gross profit and results of operations. There is no assurance that we will be able to maintain a consistent level of licensing revenue or mix of licensing revenue and revenue from product sales, which could result in wide fluctuations in our results of operations from period to period, making it difficult to accurately measure the performance of our business. Our net operating loss carryforwards may be limited or they may expire before utilization. As of December 31, ~~2022~~ **2023** , we had federal, state and foreign net operating loss carryforwards of approximately $ ~~155~~ **154. 5 million, $ 16. 3 million, and $ 89** . 0 ~~million, $ 9. 6 million, and $ 42. 7~~ million, respectively, which will begin to expire in 2024. These net operating loss carryforwards may be used to offset future taxable income and thereby reduce our income taxes otherwise payable. However, we cannot assure you that we will have taxable income in the future before all or a portion of these net operating loss carryforwards expire. Additionally, our federal net operating losses may be limited by Section 382 of the Internal Revenue Code of 1986, as amended (the" Code"), which imposes an annual limit on the ability of a corporation that undergoes an" ownership change" to use its net operating loss carryforwards to reduce its tax liability. An ownership change is generally defined as a greater than 50 % increase in equity ownership by 5 % shareholders in any three- year period. In the event of certain changes in our shareholder base, we may at some time in the future experience an" ownership change" and the use of our federal net operating loss carryforwards may be limited. In addition, the Tax Cuts and Jobs Act (the" TCJA"), limits the deduction for net operating loss carryforwards to 80 percent of taxable income for losses arising in taxable years beginning after December 31, 2020. We face a number of risks as a result of the concentration of our operations and customers in Asia. Many of our customers are located in Japan, China, or Taiwan. Sales outside the U. S. accounted for approximately **99. 7 % and** 95 **. 1** ~~% and 97~~ % of revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. We anticipate that sales outside the U. S. will continue to account for a substantial portion of our revenue in future periods. In addition, customers who incorporate our products into their products sell a substantial portion of their products outside of the U. S. All of our products are also manufactured outside of the U. S. and most of our current manufacturers are located in Taiwan. Furthermore, most of our employees are located in China, Japan and Taiwan. Our Asian operations require significant management attention and resources, and we are subject to many risks associated with operations in Asia, including, but not limited to: • outbreaks of health epidemics in China or other parts of Asia, ~~including~~ **such as the recent** COVID- 19 **pandemic** ; • difficulties in managing international distributors and manufacturers due to varying time zones, languages and business customs; • compliance with U. S. laws affecting operations outside of the U. S., such as the Foreign Corrupt Practices Act; • reduced or limited protection of our IP, particularly in software, which is more prone to design piracy; • difficulties in collecting outstanding accounts receivable balances; • changes in tax rates, tax laws and the interpretation of those laws; • difficulties regarding timing and availability of export and import licenses; • ensuring that we obtain complete and accurate information from our Asian operations to make proper disclosures in the United States; • political and economic instability **and tensions** , including tensions between China and each of the U. S., Taiwan and Japan; • difficulties in maintaining sales representatives outside of the U. S. that are knowledgeable about our industry and products; • changes in the regulatory environment in China, Japan and Taiwan that may significantly impact purchases of our products by our customers or our customers' sales of their own products; • imposition of new tariffs, quotas, trade barriers and similar trade restrictions on our sales; • varying employment and labor laws; and • greater vulnerability to infrastructure and labor disruptions than in established markets. Any of these factors could require a disproportionate share of management' s attention, result in increased costs or decreased revenues, and could materially affect our product sales, financial condition and results of operations. Our operations in Asia expose us to heightened risks due to natural disasters. The risk of natural disasters in the Pacific Rim region is significant. Natural disasters in countries where our manufacturers or customers are located could result in disruption of our manufacturers' and customers' operations, resulting in significant delays in shipment of, or significant reductions in orders for, our products. There can be no assurance that we can locate additional manufacturing capacity or markets on favorable terms, or find new customers, in a timely manner, if at all. Natural disasters in this region could also result in: • reduced end user demand due to the economic impact of any natural disaster; • a disruption to the global supply chain for products manufactured in areas affected by natural disasters that are included in products purchased either by us or by our customers; • an increase in the cost of products that we purchase due to reduced supply; and • other unforeseen impacts as a result of the uncertainty resulting from a natural disaster. Our international operations expose us to risks resulting from the fluctuations of foreign currencies. We are exposed to risks resulting from the fluctuations of foreign currencies, primarily those of Japan, Taiwan, China and Canada. We sell our products to OEMs that incorporate our products into other products that they sell outside of the U. S. While sales of our products to OEMs are denominated in U. S. dollars, the products sold by OEMs are denominated in foreign currencies. Accordingly, any strengthening of the U. S. dollar against these foreign currencies will increase the foreign currency price equivalent of our products, which could lead to a change in the competitive nature of these products in the marketplace. This, in turn, could lead to a reduction in revenue. In addition, a portion of our operating expenses, such as employee salaries and foreign income taxes, are denominated in foreign currencies. Accordingly, our operating results are affected by changes in the exchange rate between the U. S. dollar and those currencies. Any future strengthening of those currencies against the U. S. dollar will negatively impact our operating results by increasing our operating expenses as measured in U. S. dollars **. Our cash reserves (including those of PWSH) may be held in part in foreign currencies in amounts that could materially impact the value of those reserves if the U. S. dollar strengthens or weakens against such currencies. In such an event, the corresponding income or expense that is dictated by U. S. GAAP accounting may impact our financial results** . We may engage in financial hedging techniques in the future as part of a strategy to address potential foreign currency exchange rate fluctuations. These hedging techniques, however, may not be successful at reducing our exposure to foreign currency exchange rate fluctuations and may increase costs and administrative complexity. Failure to comply with anti- bribery, anti- corruption, and anti- money laundering laws could subject us to penalties and other adverse consequences. We are subject to the Foreign Corrupt Practices Act (" FCPA") and other anti- corruption, anti- bribery and anti- money laundering laws in various jurisdictions. From time to time, we may leverage third parties to help conduct our businesses abroad. We and our third- party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state- owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these third- party business partners and intermediaries, our employees, representatives, contractors, channel partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, we cannot assure you that all of our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any violation of the FCPA or other applicable anti- bribery, anti- corruption laws, and anti- money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U. S. government contracts, all of which may have an adverse effect on our reputation, our business, results of operations and financial condition. Our reported financial results may be materially and adversely affected by changes in accounting principles generally accepted in the United States. Generally accepted accounting principles in the United Sates are subject to interpretation by the Financial Accounting Standards Board (" FASB"), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could materially and adversely affect the transactions completed before the announcement of a change. Additionally, the adoption of new or revised accounting principles may require that we make significant changes to our systems, processes and controls. If we are unable to maintain effective disclosure controls and internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our common stock may be materially and adversely affected. If we are unable to maintain effective disclosure controls and internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports. For example, in the second quarter of 2019, we identified a material weakness in our internal controls over financial reporting related to the review of aged liabilities for possible extinguishment due to the expiration of the statute of limitation, which was remediated as of December 31, 2019. Additionally, if any new internal control procedures which may be adopted or our existing internal control procedures are deemed inadequate, or if we identify additional material weaknesses in our disclosure controls or internal controls over financial reporting in the future, we will be unable to assert that our internal controls are effective. If we are unable to do so, or if our auditors are unable to attest to the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our common stock to decline. As we have limited insurance coverage, any incurred liability resulting from uncovered claims could adversely affect our financial condition and results of operations. Our insurance policies may not be adequate to fully offset losses from covered incidents, and we do not have coverage for certain losses. For example, we do not have earthquake insurance related to our Asian operations because adequate coverage is not offered at economically justifiable rates. If our insurance coverage is inadequate to protect us against catastrophic losses, any uncovered losses could adversely affect our financial condition and results of operations. Our dependence on selling to distributors and integrators increases the complexity of managing our supply chain and may result in excess inventory or inventory shortages. Selling to distributors and OEMs that build display devices based on specifications provided by branded suppliers, also referred to as integrators, reduces our ability to forecast sales accurately and increases the complexity of our business. Our sales are generally made on the basis of customer purchase orders rather than long- term purchase commitments. Our distributors, integrators and customers may cancel or defer purchase orders at any time, but we must order wafer inventory from our contract manufacturers three to four months in advance. The estimates we use for our advance orders from contract manufacturers are based, in part, on reports of inventory levels and production forecasts from our distributors and integrators, which act as intermediaries between us and the companies using our products. This process requires us to make numerous assumptions concerning demand and to rely on the accuracy of the reports and forecasts of our distributors and integrators, each of which may introduce error into our estimates of inventory requirements. Our failure to manage this challenge could result in excess inventory or inventory shortages that could materially impact our operating results or limit the ability of companies using our semiconductors to deliver their products. If we overestimate demand for our products, it could lead to significant charges for obsolete inventory. On the other hand, if we underestimate demand, we could forego revenue opportunities, lose market share and damage our customer relationships. We may be unable to successfully manage any future growth, including the integration of any acquisition or equity investment, which could disrupt our business and severely harm our financial condition. If we fail to effectively manage any future internal growth, our operating expenses may increase more rapidly than our revenue, adversely affecting our financial condition and results of operations. To manage any future growth effectively in a rapidly evolving market, we must be able to maintain and improve our operational and financial systems, train and manage our employee base and attract and retain qualified personnel with relevant experience. We could spend substantial amounts of time and money in connection with expansion efforts for which we may not realize any profit. Our systems, procedures, controls or financial resources may not be adequate to support our operations and we may not be able to grow quickly enough to exploit potential market opportunities. In addition, we may not be able to successfully integrate the businesses, products, technologies or personnel of any entity that we might acquire in the future, or we may fail to realize the anticipated benefits of any such acquisition. The successful integration of any acquired business as well as the retention of personnel may require significant attention from our management and could divert resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not achieve the anticipated benefits we expect due to a number of factors including: unanticipated costs or liabilities associated with such acquisition, including in the case of acquisitions we may make outside of the United States, difficulty in operating in foreign countries or complying with foreign regulatory requirements, incurrence of acquisition- related costs, harm to our relationships with existing customers as a result of such acquisition, harm to our brand and reputation, the loss of key employees in the acquired businesses, use of resources that are needed in other parts of our business, and use of substantial portions of our available cash to consummate any such acquisition. Any failure to successfully integrate any entity we may acquire or any failure to achieve the anticipated benefits of any such acquisition could disrupt our business and seriously harm our financial condition. Continued compliance with regulatory and accounting requirements will be challenging and will require significant resources. We spend a significant amount of management time and external resources to comply with changing laws, regulations and standards relating to corporate governance and public disclosure, including evolving SEC rules and regulations, Nasdaq Global Market rules, the Dodd- Frank Wall Street Reform and Consumer Protection Act and the Sarbanes- Oxley Act of 2002, which requires management' s annual review and evaluation of internal control over financial reporting. Failure to comply with these laws and rules could lead to investigation by regulatory authorities, de- listing from the Nasdaq Global Market, or penalties imposed on us. Regulations related to conflict minerals may adversely impact our business. The SEC has adopted disclosure and reporting rules intended to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo (" DRC") and adjoining countries. These rules require us to conduct a reasonable inquiry to determine the origin of certain materials used in our products and disclose whether our products use any materials containing conflict minerals originating from the DRC and adjoining countries. Since we do not own or operate a semiconductor fabrication facility and do not manufacture our products internally, we are dependent on the information provided by third- party foundries and production facilities regarding the materials used and the supply chains for the materials. Further, there are costs associated with complying with these rules, including costs incurred to conduct inquiries to determine the sources of any materials containing conflict minerals used in our products, to fulfill our reporting requirements and to develop and implement potential changes to products, processes or sources of supply if it is determined that our products contain or use any conflict minerals from the DRC or adjoining countries. **The implementation of these rules could also affect the sourcing, supply and pricing of materials used in our products. For example,** ~~There~~ **there** may only be a limited number of suppliers offering " conflict free " materials and we cannot be sure that we will be able to obtain necessary" conflict free" materials from such suppliers in sufficient quantities or at reasonable prices. In addition, we may face reputational challenges if we determine that any of our products contain minerals that are not conflict free or if we are unable to sufficiently verify the origins for all materials containing conflict minerals used in our products through the procedures we may implement. Our effective income tax rate is subject to unanticipated changes in, or different interpretations of, tax rules and regulations, and forecasting our effective income tax rate is complex and subject to uncertainty. As a global company, we are subject to taxation by a number of taxing authorities and as such, our tax rates vary among the jurisdictions in which we operate. Unanticipated changes in our tax rates could affect our future results of operations. Our effective tax rates could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in tax laws or the interpretation of tax laws either in the U. S. or abroad, or by changes in the valuation of our deferred tax assets and liabilities. The ultimate outcomes of any future tax audits are uncertain, and we can give no assurance as to whether an adverse result from one or more of them would have a material effect on our operating results and financial position. The computation of income tax expense is complex as it is based on the laws of numerous tax jurisdictions and requires significant judgment on the application of complicated rules governing accounting for tax provisions under U. S. generally accepted accounting principles. Income tax expense for interim quarters is based on our forecasted tax rate for the year, which includes forward looking financial projections, including the expectations of profit and loss by jurisdiction, and contains numerous assumptions. For these reasons, our tax rate may be materially different than our forecast. We rely upon certain critical information systems for the operation of our business, and the failure of any critical information system may result in serious harm to our business. We maintain and rely upon certain critical information systems for the effective operation of our business. These information systems include telecommunications, the Internet, our corporate intranet, various computer hardware and software applications, network communications and e- mail. These information systems are subject to attacks, failures and access denials from a number of potential sources including viruses, destructive or inadequate code, power failures, and physical damage to computers, communication lines and networking equipment. To the extent that these information systems are under our control, we have implemented security procedures, such as virus protection software and firewall monitoring, to address the outlined risks. Security procedures for information systems cannot be guaranteed to be failsafe and our inability to use or access these information systems at critical times could compromise the timely and efficient operation of our business. Additionally, any compromise of our information security could result in the unauthorized publication of our confidential business or proprietary information, cause an interruption in our operations, result in the unauthorized release of customer or employee data, result in a violation of privacy or other laws, or expose us to a risk of litigation or damage our reputation, any or all of which could harm our business and operating results. Environmental laws and regulations may cause us to incur significant expenditures to comply with applicable laws and regulations, and we may be assessed considerable penalties for noncompliance. We are subject to numerous environmental laws and regulations. Compliance with current or future environmental laws and regulations could require us to incur substantial expenses which could harm our business, financial condition and results of operations. We have worked, and will continue to work, with our suppliers and customers to ensure that our products are compliant with enacted laws and regulations. Failure by us or our contract manufacturers to comply with such legislation could result in customers refusing to purchase our products and could subject us to significant monetary penalties in connection with a violation, either of which would have a material adverse effect on our business, financial condition and results of operations. Increasing attention on environmental, social and governance (" ESG ") matters may have a negative impact on our business, impose additional costs on us, and expose us to additional risks. Companies are facing increasing attention from investors, customers, partners, consumers and other stakeholders relating to ESG matters, including environmental stewardship, social responsibility, diversity and inclusion, racial justice and workplace conduct. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to negative investor sentiment toward the Company, which could have a negative impact on our stock price and our access to and costs of capital. We have established corporate social responsibility programs aligned with sound environmental, social and governance principles. These programs reflect our current initiatives and are not guarantees that we will be able to achieve them. Our ability to successfully execute these initiatives and accurately report our progress presents numerous operational, financial, legal, reputational and other risks, many of which are outside our control, and all of which could have a material negative impact on our business. Additionally, the implementation of these initiatives imposes additional costs on us. If our ESG initiatives fail to satisfy investors, customers, partners and our other stakeholders, our reputation, our ability to sell products and services to customers, our ability to attract or retain employees, and our attractiveness as an investment, business partner or acquirer could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also have similar negative impacts and expose us to government enforcement actions and private litigation. Company Risks Related to the Semiconductor Industry and Our Markets Dependence on a limited number of sole- source, third- party manufacturers for our products exposes us to possible shortages based on low manufacturing yield, errors in manufacturing, uncontrollable lead- times for manufacturing, capacity allocation, price increases with little notice, volatile inventory levels and delays in product delivery, any of which could result in delays in satisfying customer demand, increased costs and loss of revenue. We do not own or operate a semiconductor fabrication facility and do not have the resources to manufacture our products internally. We rely on a limited number of foundries and assembly and test vendors to produce all of our wafers and for completion of finished products. Our wafers are not fabricated at more than one foundry at any given time and our wafers typically are designed to be fabricated in a specific process at only one foundry. Sole sourcing each product increases our dependence on our suppliers. We have limited control over delivery schedules, quality assurance, manufacturing yields, potential errors in manufacturing and production costs. We do not have long- term supply contracts with our third- party manufacturers, so they are not obligated to supply us with products for any specific period of time, quantity or price, except as may be provided in a particular purchase order. Our suppliers can increase the prices of the products we purchase from them with little notice, which may cause us to increase the prices to our customers and harm our competitiveness. Because our requirements represent only a small portion of the total production capacity of our contract manufacturers, they could reallocate capacity to other customers during periods of high demand for our products, as they have done in the past. We expect this may occur again in the future. Establishing a relationship with a new contract manufacturer in the event of delays or increased prices would be costly and burdensome. The lead time to make such a change would be at least nine months, and the estimated time for us to adapt a product' s design to a particular contract manufacturer' s process is at least four months. Additionally, we have chosen, and may continue to choose new foundries to manufacture our wafers which in turn, may require us to modify our design methodology flow for the process technology and intellectual property cores of the new foundry. If we have to qualify a new foundry or packaging, assembly and testing supplier for any of our products or if we are unable to obtain our products from our contract manufacturers on schedule, at costs that are acceptable to us, or at all, we could incur significant delays in shipping products, our ability to satisfy customer demand could be harmed, our revenue from the sale of products may be lost or delayed and our customer relationships and ability to obtain future design wins could be damaged. Shortages of materials used in the manufacturing of our products and other key components of our customers' products may increase our costs, impair our ability to ship our products on time and delay our ability to sell our products. We have in the past **and may from time- to- time** ~~faced~~ - **face** shortages of components and materials that are critical to the manufacture of our products and our customers' products. Such critical components and materials may include semiconductor wafers and packages, double data rate memory die, display components, analog- to- digital converters, digital receivers, video decoders and voltage regulators. These shortages may **result in additional** ~~happen again and if so, could increase our~~ costs **to** ~~and prevent~~ us ~~from shipping~~ **and we may be unable to ship** our products to our customers in a timely fashion, ~~both of~~ which could harm our business and adversely affect our results of operations. Our highly integrated products and high- speed mixed signal products are difficult to manufacture without defects and the existence of defects could result in increased costs, delays in the availability of our products, reduced sales of products or claims against us. The manufacture of semiconductors is a complex process and it is often difficult for semiconductor foundries to produce semiconductors free of defects. ~~Some~~ **Because many** of our products **are** ~~can be~~ more highly integrated than other semiconductors and ~~can~~ incorporate mixed signal analog and digital signal processing, multi- chip modules and embedded memory technology, ~~making them~~ **they are** even more difficult to produce without defects. Defective products can be caused by design or manufacturing difficulties. Identifying quality problems can be performed only by analyzing and testing our semiconductors in a system after they have been manufactured. The difficulty in identifying defects is compounded because the process technology is unique to each of the multiple semiconductor foundries we contract with to manufacture our products. Despite testing by both our customers and us, errors or performance problems may be found in existing or new semiconductors. Failure to achieve defect- free products may result in increased costs and delays in the availability of our products. Defects may also divert the attention of our engineering personnel from our product development efforts to find and correct the issue, which would delay our product development efforts. Additionally, customers could seek damages from us for their losses, and shipments of defective products may harm our reputation with our customers. If a product liability claim is brought against us, the cost of defending the claim could be significant and would divert the efforts of our technical and management personnel and harm our business. Further, our business liability insurance may be inadequate or future coverage may be unavailable on acceptable terms, which could adversely impact our financial results. We experience a small number of semiconductor field failures infrequently in certain customer applications that required us to institute additional testing. As a result of these field failures, we have incurred warranty costs due to customers returning potentially affected products and have experienced reductions in revenues due to delays in production. Our customers have also experienced delays in receiving product shipments from us that resulted in the loss of revenue and profits. Additionally, shipments of defective products could cause us to lose customers or to incur significant replacement costs, either of which would harm our reputation and our business. Any defects, errors or bugs could also interrupt or delay sales of our new products to our customers, which would adversely affect our financial results. The development of new products is extremely complex and we may be unable to develop our new products in a timely manner, which could result in a failure to obtain new design wins and / or maintain our current revenue levels. In addition to the inherent difficulty of designing complex integrated circuits, product development delays may result from: • difficulties in hiring and retaining necessary technical personnel; • difficulties in reallocating engineering resources and overcoming resource limitations; • difficulties with contract manufacturers; • changes to product specifications and customer requirements; • changes to market or competitive product requirements; and • unanticipated engineering complexities. If we are not successful in the timely development of new products, we may fail to obtain new design wins and our financial results will be adversely affected. Intense competition in our markets may reduce sales of our products, reduce our market share, decrease our gross profit and result in large losses. We compete with specialized and diversified electronics and semiconductor companies that offer display processors or scaling components including: Actions Microelectronics Co., Ltd., ARM Holdings PLC, Dolby Laboratories, Inc., ~~Egis~~ **EGiS** ~~Technology~~ **Technologies ,** Inc., ~~Hisilicon~~ **HiSilicon** Technologies Co., Ltd., i- Chips Technology Inc., Lattice Semiconductor Corporation, MediaTek Inc., Novatek Microelectronics Corp., NVIDIA Corporation, Qualcomm Incorporated, Realtek Semiconductor Corp ~~., Renesas Electronics America Inc~~ ., Socionext Inc., Solomon Systech (International) Ltd., STMicroelectronics N. V., Sunplus Technology Co., Ltd., Synaptics Incorporated, Texas Instruments Incorporated, Unisoc ~~Communications~~ **(Shanghai) Technologies Co.** , ~~Inc~~ **Ltd** ., and other companies. Potential and current competitors may include diversified semiconductor manufacturers and the semiconductor divisions or affiliates of some of our customers, including: Apple Inc., Broadcom Inc., LG Electronics, Inc., MegaChips Corporation, Mitsubishi Digital Electronics America, Inc., NEC Corporation, Panasonic Corporation, Samsung Electronics Co., Ltd., Socionext Inc., ON Semiconductor Corporation, Seiko Epson Corporation, Sharp ~~Electronics~~ Corporation, Sony **Group** Corporation, and Toshiba America, Inc. In addition, start- up companies may seek to compete in our markets. Many of our competitors have longer operating histories and greater resources to support development and marketing efforts than we do. Some of our competitors operate their own fabrication facilities. These competitors may be able to react more quickly and devote more resources to efforts that compete directly with our own. Additionally, any consolidation in the semiconductor industry may impact our competitive position. Our current or potential customers have developed, and may continue to develop, their own proprietary technologies and become our competitors. Increased competition from both competitors and our customers' internal development efforts could harm our business, financial condition and results of operations by, for example, increasing pressure on our profit margin or causing us to lose sales opportunities. For example, frame rate conversion technology similar to that used in our line of MotionEngine ® advanced video co- processors continues to be integrated into the SoC and display timing controller products of our competitors. We cannot assure you that we can compete successfully against current or potential competitors. **Although our TrueCut Motion product is the first motion grading solution for the cinematic market, competitive solutions could arise rapidly. These competitive solutions could come from several sources, including companies that provide solutions for other post- processing needs (such as Dolby Laboratories, Inc., Epic Games, Inc., Unity Technologies, Adobe Inc., Soluciones Gráficas por Ordenador S. L. (SGO), The Foundry Visionmongers Limited, and Autodesk, Inc.) as well as visual effects studios that use digital effects to reduce artifacts before they are created (such as Wētā FX, DNEG Plc, Pixar Animation**

Studios, Digital Domain, and Industrial Light & Magic (ILM)). If we are not able to respond to the rapid technological changes and evolving industry standards in the markets in which we compete, or seek to compete, our products may become less desirable or obsolete. The markets in which we compete or seek to compete are subject to rapid technological change and miniaturization capabilities, frequent new product introductions, changing customer requirements for new products and features and evolving industry standards. The introduction of new technologies and emergence of new industry standards could render our products less desirable or obsolete, which could harm our business and significantly decrease our revenue. Examples ~~of changing industry standards~~ include **the increased adoption of artificial intelligence in visual processing systems,** the growing use of broadband to deliver video content, increased display resolution and size, faster screen refresh rates, video capability such as High Dynamic Range, the proliferation of new display devices and the drive to network display devices together. Our failure to predict market needs accurately or to timely develop new competitively priced products or product enhancements that incorporate new industry standards and technologies, including integrated circuits with increasing levels of integration and new features, using smaller geometry process technologies, may harm market acceptance and sales of our products. Our products are incorporated into our customers' products, which have different parts and specifications and utilize multiple protocols that allow them to be compatible with specific computers, video standards and other devices. If our customers' products are not compatible with these protocols and standards, consumers will return, or not purchase these products and the markets for our customers' products could be significantly reduced. Additionally, if the technology used by our customers becomes less competitive due to cost, customer preferences or other factors relative to alternative technologies, sales of our products could decline. We use a customer- owned tooling process for manufacturing most of our products, which exposes us to the possibility of poor yields and unacceptably high product costs. We build most of our products on a customer-owned tooling basis, whereby we directly contract the manufacture of our products, including wafer production, assembly and testing. As a result, we are subject to increased risks arising from wafer manufacturing yields and risks associated with coordination of the manufacturing, assembly and testing process. Poor product yields result in higher product costs, which could make our products less competitive if we increase our prices to compensate for our higher costs or could result in lower gross profit margins if we do not increase our prices. We depend on **the** manufacturers of our semiconductor products not only to respond to changes in technology and industry standards but also to continue the manufacturing processes on which we rely. To respond effectively to changes in technology and industry standards, we depend on our contracted foundries to implement advanced semiconductor technologies and our operations could be adversely affected if those technologies are unavailable, delayed or inefficiently implemented. In order to increase performance and functionality and reduce the size of our products, we are continuously developing new products using advanced technologies that further miniaturize semiconductors and we are dependent on our foundries to develop and provide access to the advanced processes that enable such miniaturization. We cannot be certain that future advanced manufacturing processes will be implemented without difficulties, delays or increased expenses. Our business, financial condition and results of operations could be materially adversely affected if advanced manufacturing processes are unavailable to us, substantially delayed or inefficiently implemented. Creating the capacity for new technological changes may cause manufacturers to discontinue older manufacturing processes in favor of newer ones. We must then either retire the affected part or port (develop) a new version of the part that can be manufactured with a newer process technology. In the event that a manufacturing process is discontinued, our current suppliers may be unwilling or unable to manufacture our current products. We may not be able to place last time buy orders for the old technology or find alternate manufacturers of our products to allow us to continue to produce products with the older technology while we expend the significant costs for research and development and time to migrate to new, more advanced processes. Because of our long product development process and sales cycles, we may incur substantial costs before we earn associated revenue and ultimately may not sell as many units of our products as we originally anticipated. We develop products based on anticipated market and customer requirements and incur substantial product development expenditures, which can include the payment of large up-front, third- party license fees and royalties, prior to generating the associated revenue. Our work under these projects is technically challenging and places considerable demands on our limited resources, particularly on our most senior engineering talent. Additionally, the transition to smaller geometry process technologies continues to significantly increase the cost and complexity of new product development, particularly with regards to tooling, software tools, third party IP and engineering resources. Because the development of our products incorporates not only our complex and evolving technology, but also our customers' specific requirements, a lengthy sales process is often required before potential customers begin the technical evaluation of our products. Our customers typically perform numerous tests and extensively evaluate our products before incorporating them into their systems. The time required for testing, evaluation and design of our products into a customer' s system can take nine months or more. It can take an additional nine months or longer before a customer commences volume shipments of systems that incorporate our products, if at all. Because of the lengthy development and sales cycles, we will experience delays between the time we incur expenditures for research and development, sales and marketing and inventory and the time we generate revenue, if any, from these expenditures. Furthermore, we have entered into and may in the future enter into, co- development agreements that do not guarantee future sales volumes and limit our ability to sell the developed products to other customers. The exclusive nature of these development agreements increases our dependence on individual customers, particularly since we are limited in the number of products we are able to develop at any one time. If actual sales volumes for a particular product are substantially less than originally anticipated, we may experience large write- offs of capitalized license fees, software development tools, product masks, inventories or other capitalized or deferred product- related costs, any of which would negatively affect our operating results. Our developed software may be incompatible with industry standards and challenging and costly to implement, which could slow product development or cause us to lose customers and design wins. We provide our customers with software development tools and with software that provides basic functionality for our integrated circuits and enables enhanced connectivity of our customers' products. Software development is a complex process and we are dependent on software development languages and operating systems from vendors that may limit our ability to design software in a timely manner. Also, as software tools and interfaces change rapidly, new software languages introduced to the market may be incompatible with our existing systems and tools, requiring significant engineering efforts to migrate our existing systems in order to be compatible with those new languages. Software development disruptions could slow our product development or cause us to lose customers and design wins. The integration of software with our products adds complexity, may extend our internal development programs and could impact our customers' development schedules. This complexity requires increased coordination between hardware and software development schedules and increases our operating expenses without a corresponding increase in product revenue. This additional level of complexity lengthens the sales cycle and may result in customers selecting competitive products requiring less software integration. The competitiveness and viability of our products could be harmed if necessary licenses of third- party technology are not available to us on terms that are acceptable to us or at all. We license technology from independent third parties that is incorporated into our products or product enhancements. Future products or product enhancements may require additional third- party licenses that may not be available to us on terms that are acceptable to us or at all. In addition, in the event of a change in control of one of our licensors, it may become difficult to maintain access to its licensed technology. If we are unable to obtain or maintain any third- party license required to develop new products and product enhancements, we may have to obtain substitute technology with lower quality or performance standards, or at greater cost, either of which could seriously harm the competitiveness of our products. Our limited ability to protect our IP and proprietary rights could harm our competitive position by allowing our competitors to access our proprietary technology and to introduce similar products. Our ability to compete effectively with other companies depends, in part, on our ability to maintain the proprietary nature of our technology, including our semiconductor designs and software code. We provide the computer programming code for our software to customers in connection with their product development efforts, thereby increasing the risk that customers will misappropriate our proprietary software. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to help protect our proprietary technologies ~~.~~ As of December 31, ~~2022~~ **2023** , we held ~~291~~ **280** patents and had ~~17~~ **18** patent applications pending for protection of our significant technologies. Competitors in both the U. S. and foreign countries, many of whom have substantially greater resources than we do, may apply for and obtain patents that will prevent, limit or interfere with our ability to make and sell our products, or they may develop similar technology independently or design around our patents. Effective patent, copyright, trademark and trade secret protection may be unavailable or limited in foreign countries and, thus, make the possibility of piracy of our technology and products more likely in these countries. We cannot assure you that the degree of protection offered by patent or trade secret laws will be sufficient. Furthermore, we cannot assure you that any patents will be issued as a result of any pending applications or that any claims allowed under issued patents will be sufficiently broad to protect our technology. We may incur significant costs to stop others from infringing our patents. In addition, it is possible that existing or future patents may be invalidated, diluted, circumvented, challenged or licensed to others. Others may bring infringement or indemnification actions against us that could be time- consuming and expensive to defend. We may become subject to claims involving patents or other intellectual property rights. In recent years, there has been significant litigation in the U. S. and in other jurisdictions involving patents and other intellectual property rights. This litigation is particularly prevalent in the semiconductor industry, in which a number of companies aggressively use their patent portfolios to bring infringement claims. In recent years, there has been an increase in the filing of so- called" nuisance suits," alleging infringement of intellectual property rights. These claims may be asserted initially or as counterclaims in response to claims made by a company alleging infringement of intellectual property rights. These suits pressure defendants into entering settlement arrangements to quickly dispose of such suits, regardless of merit. We may also face claims brought by companies that are organized solely to hold and enforce patents. In addition, we may be required to indemnify our customers against IP claims related to their usage of our products as certain of our agreements include indemnification provisions from third parties relating to our intellectual property. IP claims could subject us to significant liability for damages and invalidate our proprietary rights. Responding to such claims, regardless of their merit, can be time- consuming, result in costly litigation, divert management' s attention and resources and cause us to incur significant expenses. As each claim is evaluated, we may consider the desirability of entering into settlement or licensing agreements. No assurance can be given that settlements will occur or that licenses can be obtained on acceptable terms or that litigation will not occur. In the event there is a temporary or permanent injunction entered prohibiting us from marketing or selling certain of our products, or a successful claim of infringement against us requiring us to pay damages or royalties to a third- party and we fail to develop or license a substitute technology, our business, results of operations or financial condition could be materially adversely affected. Any IP litigation or claims also could force us to do one or more of the following: • stop selling products using technology that contains the allegedly infringing IP; • attempt to obtain a license to the relevant IP, which may not be available on terms that are acceptable to us or at all; • attempt to redesign those products that contain the allegedly infringing IP; or • pay damages for past infringement claims that are determined to be valid or which are arrived at in settlement of such litigation or threatened litigation. If we are forced to take any of the foregoing actions, we may incur significant additional costs or be unable to manufacture and sell our products, which could seriously harm our business. In addition, we may not be able to develop, license or acquire non- infringing technology under reasonable terms. These developments could result in an inability to compete for customers or otherwise adversely affect our results of operations. Our products are characterized by average selling prices that can decline over relatively short periods of time, which will negatively affect our financial results unless we are able to reduce our product costs or introduce new products with higher average selling prices. Average selling prices for our products can decline over relatively short periods of time, while many of our product costs are relatively fixed. When our average selling prices decline, our gross profit declines unless we are able to sell more units or reduce the cost to manufacture our products. We have experienced declines in our average selling prices and expect that we will continue to experience them in the future, although we cannot predict when they may occur or how severe they will be. Our financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs, adding new features to our existing products or developing new or enhanced products in a timely manner with higher selling prices or gross profits. The cyclical nature of the semiconductor industry may lead to significant variances in the demand for our products and could harm our operations. In the past, the semiconductor industry has been characterized by significant downturns and wide fluctuations in supply and demand. Also, the industry has experienced significant fluctuations in anticipation of changes in general economic conditions, including economic conditions in Asia, Europe and North America. The cyclical nature of the semiconductor industry has also led to significant variances in product demand and production capacity. We have experienced, and may continue to experience, periodic fluctuations in our financial results because of changes in industry- wide conditions. **Our business is subject to the risks of earthquakes, fire, power outages, floods, and other catastrophic events, and to interruption by man- made problems such as acts of war and terrorism. A significant natural disaster, such as an earthquake, fire, a flood, or significant power outage could have a material adverse impact on our business, operating results, and financial condition. Such events could result in physical damage to one or more facilities, the temporary closure of one or more facilities or those of our suppliers, a temporary lack of an adequate work force in a market, a temporary or long- term disruption in the supply of products from local and overseas suppliers, which may impact quality assurance, product costs, and product supply and timing. In the event our or our suppliers’ information technology systems or manufacturing or logistics abilities are hindered by any of the events discussed above, shipments could be delayed, resulting in missed financial targets, such as revenue and shipment targets, and our operations could be disrupted for the affected quarter or quarters. In addition, large- scale cybersecurity attacks, acts of war or terrorism, global pandemics such as the COVID- 19 pandemic, or other geo- political unrest could cause disruptions in our business or the business of our supply chain, manufacturers, suppliers, partners, or customers or the economy as a whole. Any disruption in the business of our supply chain, manufacturers, suppliers, partners or customers that impacts sales at the end of a quarter could have a significant adverse impact on our quarterly results. All of the aforementioned risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, or the delay in the manufacture, deployment or shipment of our products, our business, financial condition and operating results would be adversely affected.** Risks Related to Our Operations in China We face additional risks associated with our operations in China, including the risk of changes in China ~~'~~**’** s political, economic or social conditions or changes in U. S.- China relations, as well as liquidity risks, any of which may adversely and materially affect our results of operations, financial position and value of our securities. We have, and expect to continue to have, ~~significant~~ **more than a majority of our** operations in China as **PWSH, one of** our Chinese ~~subsidiary~~ **subsidiaries** ~~, Pixelworks Semiconductor Technology (Shanghai) Co., Ltd (“ PWSH ”)~~, is a full profit- and- loss center underneath the Company for our Mobile and Home & Enterprise businesses. The economy of China differs from the economies of the United States in important respects such as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, self- sufficiency, rate of inflation, foreign currency flows and balance of payments position, among others. There can be no assurance that China’ s economic policies will be consistent or effective and because **more than** a **majority** ~~significant portion~~ of our operations are in China, our results of operations, financial position and value of our securities may be materially harmed by changes in China’ s political, economic or social conditions. Additionally, the political and economic relationship between the U. S. and China is uncertain, and any changes in policy as a result may adversely affect our business. For example, recent statements and actions by the United States regarding the export of certain semiconductor technology, although not applicable to our technology or products, could result in responsive actions taken by China that could adversely impact our operations, financial position, or the value of our securities. In addition, the Company faces certain liquidity risks from its operations in China. PWSH has, in the past, and may decide in the future, to sell shares of its stock, such as in a private placement similar to that which closed in August 2021, in an initial public offering on a stock exchange located in China, such as the STAR Market ~~in Shanghai~~, or otherwise. In addition, PWSH may, in the future, become profitable. Any proceeds raised or generated by PWSH are subject to certain PRC laws and regulations that may make it difficult, if not impossible, for the Company to use such proceeds to fund its operations outside of China. For example, China ~~'~~**’** s government imposes control over the convertibility of RMB into foreign currencies, which can cause difficulties converting cash held in RMB to other currencies. It is therefore unlikely that funds raised or generated by PWSH will be readily distributable to the Company or its U. S. shareholders **. To date, no dividends or distributions have been made by PWSH to either the Company or its U. S. investors** . Additionally, cash is transferred through the Company between entities through settling cash owed between one entity and another, for example for services rendered, through intercompany agreements **, and the Company intends to continue settling amounts owed in the ordinary course of business in this manner. During the fiscal years ended December 31, 2022 and December 31, 2023, an aggregate of $ 8. 6 million in cash was transferred from the Company to PWSH, and $ 14. 2 million from PWSH to the Company as part of such settlements** . While currently the Company has been able to settle cash owed between PWSH and other entities within the Company, PRC laws and regulations could change so as to make it more difficult, if not impossible, to make such transfers in the future, which in turn would adversely affect our results of operations. We face legal and operational risks related to the PRC legal system, including uncertainties regarding the enforcement of laws, and sudden or unexpected changes in laws, required approvals and permissions, and regulations in China, which could adversely affect us and limit the legal protections available to the Company and its ~~stockholders~~ **shareholders** , as well as materially and adversely affect our business and value of our securities. While the overall effect of legislation over the past two decades has significantly enhanced the protections afforded to various foreign investments in China, China has not developed a fully integrated legal system based on the rule of law, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Because the PRC legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to the Company. Uncertainties due to evolving laws and regulations could also impede the ability of an entity based in China, such as ~~PWSH~~ **our Chinese subsidiaries** , to obtain or maintain permits or licenses required to conduct business in China. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other PRC government authorities (including local government authorities), thus making strict compliance with all regulatory requirements impractical, or in some circumstances impossible. In addition, China' s legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the violation occurs. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Further, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings. These uncertainties may also impede our ability to enforce the contracts entered into by ~~PWSH~~ **our Chinese subsidiaries** and could materially and adversely affect our business and results of operations. The PRC government at times will exercise significant oversight and discretion over the conduct of business in the PRC and may intervene or influence business operations as the government deems appropriate to further regulatory, political and societal goals. ~~PWSH is~~ **Our Chinese subsidiaries are** required to obtain certain permits and licenses from certain PRC government agencies to operate businesses in China, such as business licenses from the ~~State Administration for Market Regulation ("~~ SAMR ~~")~~ , registrations with PRC tax authorities, filings with PRC customs for carrying out export and import business activities and registrations with China' s State Administration of Foreign Exchange (SAFE) for the ability to receive funds from offshore entities and transfer funds to offshore entities. ~~We~~ **The Company has determined, in consultation with its general counsel, that we** are not currently required to obtain permissions or approvals from the ~~Cyberspace Administration of China ("~~ CAC ~~")~~ **. The Company is also not currently required to obtain permissions** or **approvals from the** ~~China Securities Regulatory Commission ("~~ CSRC ~~")~~ , but would need to obtain approval from CSRC if PWSH applies for ~~a listing on The Shanghai Exchange' s Science and Technology Innovation Board, known as~~ the ~~STAR Market (the "~~ Listing ~~")~~ , and as a listed company PWSH would continue to be subject to CSRC rules and regulations. As of the date of this ~~report~~ **filing** , ~~PWSH has~~ **our Chinese subsidiaries have** obtained the required business licenses from the SAMR and complied with registration and filing requirements of other Chinese government agencies, and ~~has~~ **have** not been denied such registrations or filings by any PRC authority, however, if we do not receive or maintain the necessary permissions or approvals, inadvertently conclude that such permissions or approvals are not required, or applicable laws, regulations or interpretations change and we become required to obtain such permissions or approvals in the future and we fail to do so, we may be subject to investigations, fines, penalties, suspensions in operations, or other punitive action which could result in a material adverse change in our PRC operations and our results of operation, which in turn could cause our stock price to be materially and adversely affected. Additionally, rules and regulations in China can change quickly and with little advance notice. For example, the PRC government has recently initiated a series of regulatory actions and made a number of public statements on the regulation of businesses in China with little advance notice, including enhancing supervision over China- based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews, and expanding efforts in anti- monopoly enforcement. While we do not believe we are subject to these regulatory actions or statements, as we have not implemented the kind of monopolistic behavior that is the target of these rules, and our business does not involve large-scale collection of user data, implicate cybersecurity, or involve any other type of restricted industry, and therefore these regulatory actions and statements do not impact our ability to conduct our business, accept foreign investments into PWSH, or list our PWSH shares on the STAR Market, there is no guarantee that the PRC government will refrain from releasing regulations or policies regarding the Company' s industry that could adversely affect our business, financial condition, results of operations or ability to list PWSH shares on the STAR ~~market~~ **Market** . If we are unable to implement our strategy to expand our PRC operations, including the positioning of **PWSH** ~~our subsidiary~~ to qualify and seek an initial public offering on the STAR Market, our ability to access capital, customers, and talent in China could suffer, which in turn may materially and adversely affect our worldwide growth and revenue potential. In August 2021 **,** we announced our strategic plan to transform PWSH into a profit center for our Mobile and Home & Enterprise businesses to improve our access to capital, customers, and talent in China. As part of this strategic plan, we intend to qualify PWSH to file an application for an initial public offering on the ~~Shanghai Stock Exchange' s Science Technology Innovation Board, known as the~~ STAR Market ~~(the " Listing ")~~ to further improve our access to capital markets and to fund growth. We may not be successful in the implementation of our strategic plan, and we may not be able to complete the Listing for a number of reasons, including those related to the risks we face associated with our operations in China as detailed separately above, many of which are outside our control. With respect to the Listing, PWSH must succeed in obtaining PRC governmental approvals required to permit the Listing, and one or more of those approvals may be denied, or significantly delayed, by the PRC regulators for reasons outside our control or unknown to us, or may be conditioned on requirements that we deem would result in an undue burden or material adverse impact on our business. Similarly, the Listing application may be denied or delayed by the **SSE** ~~Shanghai Stock Exchange~~ in its discretion. Further, the COVID - 19 outbreak, the tensions between the United States and China, or other geopolitical forces, including war, could negatively impact our currently planned projects and investments in the PRC, including the Listing. Additionally, pursuant to our August 2021 Capital Increase Agreement and the agreements for the employee- owned entities that have invested in PWSH (~~the~~ " ESOP "), PWSH agreed to attempt to complete all requirements to qualify for a Listing such that the Listing is consummated prior to a certain date (for the private equity and strategic investors (" Investors"), June 30, 2024, and for the ~~employee- owned entities ("~~ ESOP ~~")~~ , December 31, 2024). If PWSH has not consummated the Listing before those dates, or if it seriously violates certain other restructuring actions required by the Capital Increase Agreement such that a Listing by such dates becomes impossible, the respective purchasers may elect to require that we repurchase the purchaser' s respective equity interest for a price equal to the initial purchase price paid by the purchaser (and for the ESOP, plus annual simple interest at a rate of 5 %). As noted above, various elements in the Listing process are outside our control or may be subject to conditions that are unacceptable to us, and if we fail to obtain the Listing, the provisions of the Capital Increase Agreement would require a use of cash for purposes not otherwise planned for, which in turn would negatively impact our plans for growth and our cash position. ~~If we~~ **The CSRC and the SSE have recently tightened the standards for the STAR Market and** are **currently advising companies that are** ~~unable to successfully implement our strategic plan, including the Listing, we may~~ not **yet profitable under** ~~realize the advantages to our PRC operations contemplated by our business strategy, including improving our access to capital markets, customers, and talent in~~ China **generally accepted accounting principles, or China GAAP, standards against filing an IPO application in the present environment** . ~~Because~~ **The Company believes this is in large part due to the current economic conditions in China and the recent performance of companies already listed on the STAR Market that were not profitable at the time of their IPO. PWSH is not currently profitable under China GAAP standards. The CSRC and the SSE may relax the standards, but there is no guarantee that this will happen in any particular time frame. The Company continues to prepare our application so** it ~~may be several years before we know whether the Listing will be completed, we may, in the interim, forego or postpone other alternative actions to strengthen our market position and operations in the PRC. PRC companies are critical to the global semiconductor industry, and our current business~~ is **ready** ~~substantially concentrated in the PRC market. Our inability~~ to **file once the situation changes** ~~build, or any delay in growing, our~~ - **or** PRC- based operations over the next....... If the Listing is completed, PWSH **achieves profitability under China GAAP standards** will have broad discretion in the use...... an application for the Listing in 2023 , but there can be no assurances that the Listing will occur ~~in that timeframe, if~~ at all. In the interim, PWSH may require additional funding ~~from Pixelworks~~ to augment its PRC operations, and we cannot give any assurance that such capital will be available ~~from Pixelworks~~ on terms acceptable to us. Any such inability to obtain funds ~~from Pixelworks or other sources~~ may impair the ability of PWSH to grow its operations, which could have a material adverse effect on our consolidated operating results and on the price of our common stock. ~~PRC.If the Listing is completed,PWSH~~ will have broad discretion in the use of the proceeds from the initial sales of shares to PWSH investors,and it may not spend or invest those proceeds in a manner that results in our operating success or with which the common shareholders of Pixelworks agree.Our failure to successfully leverage the completion of the Listing to enhance our access to new capital markets and expand our PRC business could result in a decrease in the price of our common stock,and we cannot assure you that the success of PWSH will have an associated positive effect on the price of our common stock. ~~If~~ **We currently intend to file an application for** the Listing **in 2023** PWSH' s status as a publicly traded company **in China** that is controlled, but less than wholly owned, by Pixelworks could have an adverse effect on us. PWSH is not currently a wholly owned subsidiary of Pixelworks, and following the Listing, other holders may hold as much as 30 % of the subsidiary. The interests of PWSH may diverge from the interests of Pixelworks and its other subsidiaries in the future. We may face conflicts of interest in managing, financing, or engaging in transactions with PWSH, or allocating business opportunities between our subsidiaries, including future arrangements for operating subsidiaries other than PWSH to license and use our intellectual property. Pixelworks will retain majority ownership of PWSH after the Listing, but PWSH will be managed by a separate board of directors and officers and those directors and officers will owe fiduciary duties to the various stakeholders of PWSH, including shareholders other than Pixelworks. In the operation of PWSH' s business, there may be situations that arise whereby the directors and officers of PWSH, in the exercise of their fiduciary duties, take actions that may be contrary to the best interests of Pixelworks or its shareholders. Additionally, because PWSH will be managed by a separate board of directors and officers, our organizational structure will become more complex, which may in turn require substantial financial, operational, and management resources. In the future, PWSH may issue options, restricted shares, and other forms of share-based compensation to its directors, officers, and employees, which could dilute Pixelworks' ownership in PWSH. In addition, PWSH may engage in capital raising activities in the future that could further dilute Pixelworks' ownership interest. The STAR Market is relatively new, and as a result, it is difficult to predict the effect of the proposed Listing, which may in turn negatively affect the price of our common stock on the Nasdaq Global Market. The ~~China Securities Regulatory Commission, or the~~ CSRC ~~,~~ initially launched the STAR Market in June 2019 and trading on that market began in July 2019. No assurance can be given regarding the effect of the Listing on the market price of PWSH shares or on the price of our common stock on the Nasdaq Global Market. The market price of the PWSH shares and Pixelworks common stock may be volatile or may decline for reasons other than the risk and uncertainties described above, as the result of investor negativity or uncertainty with respect to the proposed Listing. If the Listing is completed, Pixelworks and PWSH both will be public reporting companies, but each will be subject to separate, and potentially inconsistent, accounting and disclosure requirements, which may lead to investor confusion or uncertainty that could cause decreased demand for, or fluctuations in the price of, one or both of the companies' publicly traded shares. If PWSH completes the Listing, it will be subject to accounting, disclosure, and other regulatory requirements of **the CSRC and** the STAR Market. At the same time, Pixelworks will remain subject to accounting, disclosure, and other regulatory requirements of the SEC and the Nasdaq Global Market. As a result, Pixelworks and PWSH periodically will disclose information simultaneously pursuant to differing laws and regulations. The information disclosed by the two companies will differ, and may differ materially from time to time, due to the distinct, and potentially inconsistent, accounting standards applicable to the two companies and disclosure requirements imposed by securities regulatory authorities, as well as differences in language, culture, and expression habit, in composition of investors in the United States and PRC, and in the capital markets of the United States and the PRC. Differing disclosures could lead to confusion or uncertainty among investors in the publicly traded shares of one or both companies. Differences between the price of PWSH shares on the STAR Market and the price of Pixelworks common stock on Nasdaq Global Market could lead to increased volatility, as some investors seek to arbitrage price differences. Additionally, news about PWSH may affect the price of Pixelworks' common stock, and vice versa, creating additional uncertainty and volatility. General Risks The price of our common stock has and may continue to fluctuate substantially. Our stock price and the stock prices of technology companies similar to Pixelworks have been highly volatile. The price of our common stock may decline and the value of our shareholders' investment may be reduced regardless of our performance. The daily trading volume of our common stock has historically been relatively low, although, in the three most recent years, trading volume increased compared to historical levels. As a result of the historically low volume, our shareholders may be unable to sell significant quantities of common stock in the public trading markets without a significant reduction in the price of our common shares. Additionally, market fluctuations, as well as general economic and political conditions, including recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. Other factors that could negatively impact our stock price include: • actual or anticipated fluctuations in our operating results; • changes in or failure to meet expectations as to our future financial performance; • changes in or failure to meet financial estimates of securities analysts; • announcements by us or our competitors of technological innovations, design wins, contracts, standards, acquisitions or divestitures; • the operating and stock price performance of other comparable companies; • issuances or proposed issuances of equity, debt or other securities by us, or sales of securities by our security holders; and • changes in market valuations of other technology companies. Any inability or perceived inability of investors to realize a gain on an investment in our common stock could have an adverse effect on our business, financial condition and results of operations by potentially limiting our ability to retain our customers, to attract and retain qualified employees and to raise capital. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company' s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management' s attention and resources. The interest of our current or potential significant shareholders may conflict with other shareholders and they may attempt to effect changes or acquire control, which could adversely affect our results of operations and financial condition. Our shareholders may from time to time engage in proxy solicitations, advance shareholder proposals, acquire control or otherwise attempt to effect changes, including by directly voting their shares on shareholder proposals. Campaigns by shareholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short- term shareholder value through actions such as financial restructuring, increased debt, special dividends, stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist shareholders can be costly and time- consuming, disrupting our operations and diverting the attention of our Board of Directors and senior management from the pursuit of business strategies. Additionally, uncertainty over our direction and leadership may negatively impact our relationship with our customers and make it more difficult to attract and retain qualified personnel and business partners. As a result, shareholder campaigns could adversely affect our results of operations and financial condition. Future sales of our equity could result in significant dilution to our existing shareholders and depress the market price of our common stock. It is likely that we will need to seek additional capital in the future and from time to time. If this financing is obtained through the issuance of equity securities, debt convertible into equity securities, options or warrants to acquire equity securities or similar instruments or securities, our existing shareholders will experience dilution in their ownership percentage upon the issuance, conversion or exercise of such securities and such dilution could be significant. For example, in December 2020, we completed a private placement of 3, 200, 000 shares of common stock to certain accredited investors at a purchase price of $ 2. 071 per share. The issuance and sale of the shares in the private placement had a dilutive impact on our existing ~~stockholders~~ **shareholders** . Additionally, also in December 2020, we completed the sale of 4, 900, 000 shares of common stock in an underwritten registered offering and an additional 735, 000 shares were issued pursuant to the 30- day over- allotment option exercised by the underwriter, at a price to the public of $ 2. 45 per share. Additionally, pursuant to our “ at the market ” equity offering program, we may sell shares of our common stock having aggregate sales proceeds of up to $ 25 **. 0** million from time to time through Cowen and Company, LLC, as our agent. Through December 31, ~~2022~~ **2023** , we sold an aggregate of 1, 808, 484 shares of our common stock under this at the market offering. The issuance and sale of additional shares of our common stock pursuant to our “ at the market ” equity offering program or otherwise will have a dilutive impact on our existing ~~stockholders~~ **shareholders** . Additionally, any new equity securities issued by us could have rights, preferences or privileges senior to those of our common stock. Further, the issuance and sale of, or the perception that we may issue and sell, additional shares of common stock pursuant to our “ at the market ” equity offering program or an additional private placement or another offering could have the effect of depressing the market price of our common stock or increasing the volatility thereof. Any issuance by us or sales of our securities by our security holders, including by any of our affiliates, or the perception that such issuances or sales could occur, could negatively impact the market price of our securities. For example, a number of shareholders own significant blocks of our common stock. If one or more of these large shareholders were to sell large portions of their holdings in a relatively short time, for liquidity or other reasons, the prevailing market price of our common stock could be negatively affected. This could result in further potential dilution to our existing shareholders and the impairment of our ability to raise capital through the sale of equity, debt or other securities. We may be unable to maintain compliance with Nasdaq Marketplace Rules which could cause our common stock to be delisted from the Nasdaq Global Market. This could result in the lack of a market for our common stock, cause a decrease in the value of our common stock, and adversely affect our business, financial condition and results of operations. Under the Nasdaq Marketplace Rules our common stock must maintain a minimum price of $ 1. 00 per share for continued inclusion on the Nasdaq Global Market. Our stock price was ~~previously below~~ $ ~~1~~ **2** . ~~00~~ **91** on ~~May 6~~ **March 8** , **2024** ~~2009 and was $ 1. 22 on February 12, 2016~~ and we cannot guarantee that our stock price will remain at or above $ 1. 00 per share. If the price ~~again~~ drops below $ 1. 00 per share, our stock could become subject to delisting, and we may seek shareholder approval for a reverse stock split, which in turn could produce adverse effects and may not result in a long- term or permanent increase in the price of our common stock. Further, for continued listing on the Nasdaq Global Market we must have at least 400 total shareholders. In addition to the minimum $ 1. 00 per share and 400 total shareholders requirements, the Nasdaq Global Market has other continued listing requirements, and we must meet all of the criteria under at least one of the following three standards: (i) a minimum of $ 50. 0 million in total asset value and $ 50. 0 million in revenues in the latest fiscal year or in two of the last three fiscal years, at least 1. 1 million publicly held shares, at least $ 15. 0 million in market value of publicly held shares and at least four registered and active market makers (as such term is defined by the Nasdaq Marketplace Rules); (ii) a minimum of $ 50. 0 million in market value of listed securities, at least 1. 1 million publicly held shares, at least $ 15. 0 million in market value of publicly held shares and at least four registered and active market makers; or (iii) a minimum of $ 10. 0 million in shareholders' equity, at least 750, 000 publicly held shares, at least $ 5. 0 million in market value of publicly held shares and at least two registered and active market makers. As of December 31, ~~2022~~ **2023** , we were in compliance with these listing requirements. Our stock price is volatile and we believe that we continue to remain susceptible to the market value of our listed securities and / or the market value of our publicly held securities falling below $ 50. 0 million and $ 5. 0 million, respectively. Accordingly, we cannot assure you that we will be able to continue to comply with Nasdaq Global Market' s listing requirements. Should we be unable to remain in compliance with these requirements, our stock could become subject to delisting. If our common stock is delisted, trading of the stock will most likely take place on an over- the- counter market established for unlisted securities. An investor is likely to find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock on an over- the- counter market, and many investors may not buy or sell our common stock due to difficulty in accessing over- the- counter markets, or due to policies preventing them from trading in securities not listed on a national exchange or other reasons. For these reasons and others, delisting would adversely affect the liquidity, trading volume and price of our common stock, causing the value of an investment in us to decrease and having an adverse effect on our business, financial condition and results of operations by limiting our ability to attract and retain qualified executives and employees and limiting our ability to raise capital. The anti- takeover provisions of Oregon law and in our articles of incorporation could adversely affect the rights of the holders of our common stock, including by preventing a sale or takeover of us at a price or prices favorable to the holders of our common stock. Provisions of our articles of incorporation and bylaws and provisions of Oregon law may have the effect of delaying or preventing a merger or acquisition of us, making a merger or acquisition of us less desirable to a potential acquirer or preventing a change in our management, even if our shareholders consider the merger, acquisition or change in management favorable or if doing so would benefit our shareholders. In addition, these provisions could limit the price that investors would be willing to pay in the future for shares of our common stock. The following are examples of such provisions: • if the number of directors is fixed by the board at eight or more, our board of directors is divided into three classes serving staggered terms, which would make it more difficult for a group of shareholders to quickly replace a majority of directors; • our board of directors is authorized, without prior shareholder approval, to create and issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us or to effect a change of control, commonly referred to as" blank check" preferred stock; • members of our board of directors can be removed only for cause and at a meeting of shareholders called expressly for that purpose, by the vote of 75 percent of the votes then entitled to be cast for the election of directors; • our board of directors may alter our bylaws without obtaining shareholder approval; and shareholders are required to provide advance notice for nominations for election to the board of directors or for proposing matters to be acted upon at a shareholder meeting; • Oregon law permits our board to consider other factors beyond ~~stockholder~~ **shareholder** value in evaluating any acquisition offer (so- called" expanded constituency" provisions); and • a supermajority (67 %) vote of shareholders is required to approve certain fundamental transactions.