

Risk Factors Comparison 2025-03-26 to 2024-03-27 Form: 10-K

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In addition to other information in this Annual Report on Form 10-K and in other filings we make with the SEC, the following risk factors should be carefully considered in evaluating our business as they may have a significant impact on our business, operating results and financial condition. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. Because of the following factors, as well as other variables affecting our operating results, past financial performance should not be considered as a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods. Risks Related to Our Business We have incurred losses in the past years. We may not be able to generate sufficient revenue or raise additional financing to fund future losses, and we may not be able to sustain sufficient liquidity, and as a result, our financial condition and operating results could be materially and adversely affected. We have experienced net losses in the past years as we continue to develop new products, applications, and technologies. ~~Some~~ **Most** of our new products and products currently under development ~~have generated lower~~ **are generating stable gross margin margins** as a percentage of revenue ~~than our year over year. Our~~ **mature products also generate stable gross margins** due to the markets that ~~we have targeted, and the they serve larger order quantities associated with these new products~~. Whether we can achieve cash flow levels sufficient to support our operations cannot be accurately predicted, and our investment portfolio is subject to a degree of interest rate and liquidity risk. Unless such cash flow levels are achieved, in addition to the proceeds that we received during Fiscal ~~2023~~ **2024** from the sale of our equity securities, and the credit line we may be able to draw down from Heritage Bank of Commerce, we may need to obtain additional funds through strategic divestiture, or sell debt or equity securities, or some combination thereof, to provide funding for our operations. Such additional funding may not be available on commercially reasonable terms, or at all. If we are unable to generate sufficient sales from our new products or adequate funds are not available when needed, our liquidity, financial condition, and operating results would be materially and adversely affected, and we may not be able to operate our business without significant changes in our operations, or at all. Our future operating results are likely to fluctuate and therefore, may fail to meet expectations, which could materially adversely affect our business, results of operations, and financial condition. Our operating results have varied widely in the past and are likely to do so in the future. In addition, our past operating results may not be an indicator of future operating results. Factors that could cause our operating results to fluctuate include, without limitation: (i) successful development and market acceptance of our products and solutions; (ii) our ability to accurately forecast product volumes and mix, and to respond to rapid changes in customer demand; (iii) changes in sales volume or expected sales volume, product mix, average selling prices, or production variances that affect gross profit; (iv) the effect of end-of-life programs; (v) a significant change in sales to, or the collectability of accounts receivable from, our largest customers; (vi) our ability to adjust our product features, manufacturing capacity and costs in response to economic and competitive pressures; (vii) our reliance on subcontract manufacturers for product capacity, yield and quality; (viii) our competitors' product portfolio and product pricing policies; (ix) timely implementation of efficient manufacturing technologies; (x) errors in applying or changes in accounting and corporate governance rules; (xi) the issuance of equity compensation awards or changes in the terms of our stock plan or employee stock purchase plan; (xii) mergers or acquisitions; (xiii) the impact of import and export laws and regulations; (xiv) the cyclical nature of the semiconductor industry and general economic, market, political, and social conditions in the countries where we sell our products and the related effect on our customers, distributors, and suppliers; and (xv) our ability to obtain capital, debt financing, and insurance on commercially reasonable terms, and **(xvi)** allocations between our operating expenses and cost of sales. Although certain of these factors are out of our immediate control, unless we can anticipate and be prepared with contingency plans that respond to these factors, our business, results of operations, and financial condition could be materially adversely affected, which could cause our stock price to significantly fluctuate or decline. We may also encounter periods of industry-wide semiconductor oversupply, resulting in pricing pressure, as well as undersupply, resulting in a risk that we could be unable to fulfill our customers' requirements. The semiconductor industry has historically been characterized by wide fluctuations in the demand for, and supply of, its products. These fluctuations have resulted in circumstances when supply of and demand for semiconductors has been widely out of balance. An industry-wide semiconductor oversupply could result in severe downward pricing pressure from customers. In a market with an undersupply of manufacturing capacity, we would have to compete with larger foundry and assembly customers for limited manufacturing resources. In such an environment, we may be unable to have our products manufactured in a timely manner, at a cost that generates adequate gross profit or in sufficient quantities. Since we outsource all of our manufacturing and generally have a single source of wafer supply, test, assembly, and programming for our products, we are particularly vulnerable to such supply shortages and capacity limitations. As a result, we may be unable to fulfill orders and may lose customers. Any future industry-wide oversupply or undersupply of semiconductors could therefore, have a material adverse effect on our business, results of operations, and financial condition. **Our margins vary. Our profit margins vary due to a number of factors, which may include customer demand and shipment volume; capital expenditures and resulting depreciation; our manufacturing processes; product mix; inventory levels; tariffs; freight costs; and new accounting pronouncements or changes in existing accounting practices or standards. In addition, we operate in a highly competitive market environment that might adversely affect pricing for our products.** Cyberattacks, like our January 2023 cybersecurity incident that was previously disclosed, can lead to disruption of business, reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position. As demonstrated by our January 2023 cybersecurity incident that was previously disclosed,

security vulnerabilities may arise from our hardware, software, employees, contractors, or policies we have deployed, and which may result in external parties gaining access to our networks, data centers, cloud data centers, corporate computers, manufacturing systems, and / or access to accounts we have at our suppliers, vendors, and customers. Due to the actions of outside parties, employee error, malfeasance, or otherwise, an unauthorized party may gain access to our data or our users' or customers' data or, attack the networks causing denial of service, or attempt to hold our data or systems in ransom. The vulnerability could be caused by inadequate account security practices such as failure to timely remove employee access when terminated. To mitigate these security issues, we have implemented measures throughout our organization, including firewalls, backups, encryption, employee information technology policies, and user account policies. However, there can be no assurance these measures will be sufficient to avoid cyberattacks. If any of these types of security breaches were to occur and we were unable to protect sensitive data, our relationships with our business partners and customers could be materially damaged, our reputation could be materially harmed, and we could be exposed to a risk of litigation and possible significant liability. As previously disclosed, we detected a ransomware infection on January 20, 2023 affecting a limited number of IT systems, including systems that contained personal information of our employees. While we took steps to resolve this issue and believe the incident has not had nor will have a material impact on our business, operations, ability to serve our customers, or financial results, similar cybersecurity incidents could occur in the future. Further, if we fail to adequately maintain our infrastructure, we may have outages and data loss. Excessive outages may affect our ability to timely and efficiently deliver products to customers or develop new products and solutions. Such disruptions and data loss may adversely impact our ability to fulfill orders, patent our intellectual property or protect our source code, and interrupt other processes. Delayed sales or lost customers resulting from these disruptions could adversely affect our financial results, stock price, and reputation. Effective May 25, 2018, the European Union ("EU") implemented the General Data Protection Regulation ("GDPR") a broad data protection framework that expands the scope of current EU data protection law to non-European Union entities that process, or control the processing of, the personal information of EU subjects. The GDPR allows for the imposition of fines and corrective action on entities that improperly use or disclose the personal information of EU subjects, including through a data security breach. The State of California enacted the California Consumer Privacy Act of 2018 ("CCPA") effective on January 1, 2020, which contains requirements similar to GDPR for the handling of personal information of California residents, commencing on January 1, 2020. Further, the California Privacy Rights Act ("CPRA"), which was voted into law by California residents in 2020, became enforceable on July 1, 2023 and amends the CCPA, imposes additional data protection obligations on covered companies doing business in California and creates a new California data protection agency specifically tasked to enforce the law, which will likely result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA went into effect on January 1, 2023 and became enforceable on July 1, 2023. Privacy and security laws, self-regulatory schemes, regulations, standards, and other obligations are constantly evolving, and may conflict with each other, and any such laws, schemes, regulations and standards may have an adverse impact on our business if we are not able to comply or if compliance requires time and resources for implementation. Our company's, collaborators', and contractors' failure to fully comply with GDPR, CCPA and other laws could lead to significant fines and require onerous corrective action. In addition, data security breaches experienced by us, or our collaborators or contractors could result in the loss of trade secrets or other intellectual property, public disclosure of sensitive commercial data, and the exposure of personally identifiable information (including sensitive personal information) of our employees, customers, collaborators, and others. Unauthorized use or disclosure of, or access to, any personal information maintained by us or on our behalf, whether through breach of our systems, breach of the systems of our suppliers or vendors by an unauthorized party, or through employee or contractor error, theft or misuse, or otherwise, could harm our business. If any such unauthorized use or disclosure of, or access to, such personal information was to occur, our operations could be seriously disrupted, and we could be subject to demands, claims, and litigation by private parties, and investigations, related actions, and penalties by regulatory authorities. In addition, we could incur significant costs in notifying affected persons and entities and otherwise complying with the multitude of foreign, federal, state, and local laws and regulations relating to the unauthorized access to, or use or disclosure of, personal information. Finally, any perceived or actual unauthorized access to, or use or disclosure of, such information could harm our reputation, substantially impair our ability to attract and retain customers, and have an adverse impact on our business, financial condition, and results of operations. We may be unable to adequately protect our intellectual property rights and may face significant expenses as a result of future litigation. Protection of intellectual property rights is crucial to our business, since that is how we keep others from copying our innovations and those of third parties that are central to our existing and future products. From time to time, we receive letters alleging patent infringement or inviting us to license other parties' patents. We evaluate these requests on a case-by-case basis. These situations may lead to litigation if we reject the offer to obtain the license. In the past, we have been involved in litigation relating to our alleged infringement of third-party patents or other intellectual property rights. This type of litigation is expensive and consumes large amounts of management time and attention. Because it is critical to our success that we continue to prevent competitors from copying our innovations, we intend to continue to seek patent and trade secret protection for our products. The process of seeking patent protection can be long and expensive, and we cannot be certain that any currently pending or future applications will actually result in issued patents or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. Furthermore, others may develop technologies that are similar or superior to our technology or design around the patents we own. We also rely on trade secret protection for our technology, in part through confidentiality agreements with our employees, consultants, and other third parties. However, these parties may breach these agreements and we may not have adequate remedies for any breach. In any case, others may come to know about or determine our trade secrets through a variety of methods. In addition, the laws of certain territories in which we develop, manufacture, or sell our products may not protect our intellectual property rights to the same extent as the laws of the United States. We may be unable to successfully grow our

business if we fail to compete effectively with others to attract and retain our executive officers, and other key management or technical personnel. We believe our future success depends upon our ability to attract and retain highly competent personnel. Our employees are at-will and not subject to employment contracts. We could potentially lose the services of any of our senior management personnel at any time due to a variety of factors that could include, without limitation, death, incapacity, military service, personal issues, retirement, resignation, or competing employers. Our ability to execute current plans could be adversely affected by such a loss. We may fail to attract and retain qualified technical, sales, marketing, and managerial personnel required to continue to operate our business successfully. Personnel with the expertise necessary for our business are scarce and competition for personnel with proper skills is intense. In addition, new hires frequently require extensive training before they achieve desired levels of productivity. Additionally, attrition in personnel can result from, among other things, changes related to acquisitions, retirement, and disability. We may not be able to retain existing key technical, sales, marketing, and managerial employees or be successful in attracting, developing, or retaining other highly qualified technical, sales, marketing, and managerial personnel, particularly at such times in the future as we may need to fill a key position. If we are unable to continue to develop and retain existing executive officers or other key employees or are unsuccessful in attracting new highly qualified employees, our financial condition, cash flows, and results of operations could be materially and adversely affected. There may be some effects of system outages or data security breaches, which could adversely affect our operations, financial results, or reputation. We face risks from electrical or telecommunications outages, computer hacking, or other general system failures. We rely heavily on our internal information and communications systems and on systems or support services from third parties to manage our operations efficiently and effectively. Any of these are subject to failure. System- or local failures that affect our information processing could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Further, insurance coverage does not generally protect from normal wear and tear, which can affect system performance. Any applicable insurance coverage for an occurrence could prove to be inadequate. Coverage may be or become unavailable or inapplicable to any risks then prevalent. Our company's global operations are subject to risks and uncertainties. Many of our products are manufactured outside of the United States at manufacturing facilities operated by our suppliers in Asia and South Asia. In addition, most of our domestic customers sell their products outside of North America, thereby indirectly exposing us to risks associated with foreign commerce and economic instability. We continue to maintain overseas sales offices. International operations are subject to certain risks inherent in conducting business outside the U. S., such as changes in currency exchange rates, tax laws, price and currency exchange controls, export and import restrictions, environmental regulations, protection of intellectual property rights, nationalization, expropriation, and other governmental action. Accordingly, our operations and revenue are subject to a number of risks associated with foreign commerce, including the following: (i) staffing and managing foreign offices; (ii) managing foreign distributors; (iii) collecting amounts due; (iv) political and economic instability; (v) foreign currency exchange fluctuations; (vi) changes in tax laws, import and export regulations, tariffs and freight rates; (vii) timing and availability of export licenses; (viii) supplying products that meet local environmental regulations; and (ix) inadequate protection of intellectual property rights. In addition, we incur costs in foreign countries that may be difficult to reduce quickly because of employee-related laws and practices in those foreign countries. Our global operations also may be adversely affected by political events and domestic or international terrorist events and hostilities. Current events, including the ongoing conflict in the Middle East, the Russia-Ukraine military conflict, rising tensions with Taiwan, potential disruption caused by pandemics, the United Kingdom's recent exit from the European Union, and potential changes in tariffs, trade restrictions, immigration policies, and tax reform proposals, create a level of uncertainty for multinational companies. As U. S. companies continue to expand globally, increased complexity exists due to the possibility of renegotiated trade deals, revised international tax law treaties, and changes to the U. S. corporate tax code. These uncertainties could have a material adverse effect on our business and our results of operations and financial condition. As we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. We may not be able to achieve the anticipated synergies and benefits from business acquisitions. We continue to seek acquisitions of businesses that we believe can complement our current business activities, both financially and strategically. Acquisitions, involve many complexities, including, but not limited to, risks associated with the acquired business' past activities, difficulties in integrating personnel and human resource programs, integrating technology systems and other infrastructures under our control, unanticipated expenses and liabilities, and the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002. There is no guarantee that our acquisitions will increase the profitability and cash flow of the company Company, and our efforts could cause unforeseen complexities and additional cash outflows, including financial losses. As a result, the realization of anticipated synergies or benefits from acquisitions may be delayed or substantially reduced. Litigation could adversely impact our consolidated financial position. We have been and may be in the future involved in various litigation matters arising in the ordinary course of business, including, but not limited to, litigation relating to employment matters, commercial transactions, intellectual property matters, contracts, environmental matters, and matters related to compliance with governmental regulations. Litigation is inherently uncertain and unpredictable. The potential risks and uncertainties include, but are not limited to, such factors as the costs and expenses of litigation and the time and attention required of management to attend to litigation. An unfavorable resolution of any particular legal claim or proceeding, and / or the costs and expenses incurred in connection with a legal claim or proceeding, could have a material and adverse effect on our results of operations and financial condition. ~~If a Adverse developments affecting financial institutions - institution holding~~, ~~companies in the financial services industry or our funds fails~~ the financial services industry generally, such as actual events ~~we may not be able to pay~~ or ~~our operational expenses~~ concerns involving liquidity, defaults or non-performance ~~make other payments~~, which could adversely affect ~~impact~~ our operations and liquidity and financial performance. ~~Deterioration of financial markets may result in our inability to borrow on favorable terms, which could adversely impact our ability to pursue our growth and other strategic initiatives~~. Actual events involving limited liquidity,

defaults, non-performance, or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds, have in the past (such as with the March 2023 failures of Silicon Valley Bank, Signature Bank, and Silvergate Capital Corp.) and may in the future lead to market-wide liquidity problems. We regularly maintain cash balances at For example, on March 10, 2023, Silicon Valley Bank, or SVB, was closed by the California Department of Financial **financial institutions in amounts exceeding** Protection and Innovation, which appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver **insurance limit**. If a On March 12, 2023, Signature Bank and Silvergate Capital Corp. were closed and placed under receivership. We did not have any direct depository or other financial relationships with the aforementioned closed banks. Although a statement by the U. S. Department of the Treasury, the Federal Reserve, and the FDIC stated that all depositors of these financial institutions **institution in which we** would have access to all of their money after only one business day following the date of closure, including funds held **hold** in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with financial institutions placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. If any of our counterparties to any such instruments that we may enter into in the future were to be placed into receivership, we may be unable to access such funds **fails**. In addition, **if or is subject to significant adverse conditions in the financial or credit markets, we could lose all or a portion of our uninsured funds, or be subject to a delay in accessing all or a portion of our funds. If we are unable to access all or a significant portion of our funds for any extended period of time, we may not be able to pay our operational expenses or make other payments, including to our vendors and employees, and we may be subject to other operational challenges, any of which could adversely impact our liquidity and financial performance.** If any parties with whom we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to pay their obligations to us or to enter into new commercial arrangements requiring additional payments to us could be adversely affected. In this regard, counterparties to these financial institutions' credit agreements and arrangements, and third parties such as beneficiaries of letters of credit, among other, may experience direct impacts from the closure of these financial institutions and uncertainty remains over liquidity concerns in the broader financial services industry. Our access to our cash and cash equivalents in amounts adequate to finance our operations could be significantly impaired by the financial institutions with which we have arrangements directly facing liquidity constraints or failures. In addition, investor concerns regarding the U. S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby, making it more difficult for us to acquire financing on acceptable terms or at all. Any material declines in available funding or our ability to access our cash, cash equivalents, and liquidity resources could adversely impact our ability to meet our operating expenses, financial and contractual obligations, or result in breaches of our contractual obligations or result in violations of federal or state wage and hour laws. Any of these impacts could have material adverse impacts on our operations and liquidity. Our business is subject to political, economic, and health risks, natural disasters, and other catastrophic events, which could have a material adverse effect on our business operations. Our operations and the operations of our suppliers are vulnerable to interruption by fire, earthquake, power loss, flood, terrorist acts, and other catastrophic events beyond our control. In particular, our headquarters are located near earthquake fault lines in the San Francisco Bay Area. In addition, we rely on certain suppliers to manufacture our products and would not be able to qualify an alternate supplier of our products for several quarters. Our suppliers often hold significant quantities of our inventories, which, in the event of a disaster, could be destroyed. If there is an earthquake or other catastrophic event near our headquarters, our customers' facilities, our distributors' facilities, or our suppliers' facilities, our business could be seriously harmed. In addition, any catastrophic event, the failure of our computer systems or networks, including due to computer viruses, security breaches, war, or acts of terrorism, could significantly disrupt our operations. Specifically, any prolonged health threat globally could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could impact our operating results. The occurrence of any of these events could also affect our customers, distributors, and suppliers and produce similar disruptive effects upon their business, which would likely impact our sales and cause a decline in our revenue. We do not maintain sufficient business interruption and other insurance policies to compensate us for all losses that may occur. Any losses or damages incurred by us as a result of a catastrophic event or any other significant uninsured loss could have a material adverse effect on our business. **Our insurance may not adequately cover certain risks and, as a result, our financial condition and results may be adversely affected. We carry insurance customary for companies in our industry, including, but not limited to, liability, property, and casualty; workers' compensation; cyber liability; and business interruption insurance. We also insure our employees for basic medical expenses. In addition, we have insurance contracts that provide director and officer liability coverage for our directors and officers. Other than the specific areas mentioned above, we are self-insured with respect to most other risks and exposures, and the insurance we carry in many cases is subject to a significant policy deductible or other limitation before coverage applies. Based on management's assessment and judgment, we have determined that it is more cost effective to self-insure against certain risks than to incur the insurance premium costs. The risks and exposures for which we self-insure include, but are not limited to, certain natural disasters, certain product defects, certain matters for which we indemnify third parties, political risk, certain theft, patent infringement, and employment practice matters. Should there be a catastrophic loss due to an uninsured event (such as an earthquake) or a loss due to adverse occurrences in any area in which we are self-insured, our financial condition or operating results could be adversely affected.** Pandemics or other widespread public health problems could adversely affect our business, results of operations, and financial condition in a material way. Pandemics, epidemics, or other widespread public health problems, such as the COVID-19 pandemic, could negatively impact our business. Outbreaks have, and could again, result in significant government measures to control the spread of disease, including, among others, restrictions on travel, manufacturing, and the

movement of employees. If, for example, pandemics were to occur in ways that significantly disrupt the manufacture, shipment, and purchasing of our products or the products of our customers, this may materially negatively impact our operating results and our overall business. Disruptions to manufacturing and shipping could also constrain our supplies, leading to operational delays, disruptions, and inflationary pressures. The ultimate impact of a pandemic and its potential effects on our business depends on many factors that are not within our control. This could lead to further disruptions or restrictions on our ability to source, manufacture, or distribute our products, including temporary disruptions to the facilities of our contract manufacturers in China, Taiwan, the Philippines, and Singapore, or the facilities of our suppliers and their contract manufacturers globally. Additionally, multiple countries have imposed and may further impose restrictions on business operations and movement of people and products to limit the spread of a pandemic. Delays in production or delivery of components or raw materials that are part of our global supply chain due to restrictions imposed to limit the spread of a pandemic could delay or inhibit our ability to obtain the supply of components and finished goods. If the impact of a pandemic becomes more severe in the locations where we, our customers, or suppliers conduct business, or we experience more pronounced disruptions in our operations, we may experience constrained supply or curtailed demand that may materially adversely impact our business, cash flows, and results of operations. Changes to existing accounting pronouncements or taxation rules or practices may cause adverse income fluctuations, or affect our reported financial results or how we conduct our business. Generally accepted accounting principles in the United States (“GAAP”) are promulgated by and are subject to the interpretation of the Financial Accounting Standards Board (“FASB”) and the SEC. New accounting pronouncements or taxation rules and varying interpretations of accounting pronouncements or taxation practices have occurred and may occur in the future. Any future changes in accounting pronouncements or taxation rules or practices may have a significant effect on how we report our results and may even affect our reporting of transactions completed before the change is effective. In addition, a review of existing or prior accounting practices may result in a change in previously reported amounts. This change to existing rules, future changes, if any, or the questioning of current practices may adversely affect our reported financial results, our ability to remain listed on the Nasdaq Capital Market, or the way we conduct our business and subject us to regulatory inquiries or litigation. We may have increased difficulty attracting and retaining qualified outside board members. The directors and management of publicly traded corporations are increasingly concerned with the extent of their personal exposure to lawsuits and shareholder claims, as well as governmental and creditor claims that may be made against them in connection with their positions with publicly held companies. Outside directors are becoming increasingly concerned with the availability of directors’ and officers’ liability insurance to pay on a timely basis the costs incurred in defending shareholder claims. Directors’ and officers’ liability insurance is expensive and difficult to obtain. The SEC and the Nasdaq Capital Market have also imposed higher independence standards and certain special requirements on directors of public companies. Accordingly, it may become increasingly difficult to attract and retain qualified outside directors to serve on our board of directors. Risks Related to Our Common Stock We may be unable to accurately estimate quarterly revenue, which could adversely affect the trading price of our stock. Due to our relatively long product delivery cycle and the inability of our customers in the rapidly evolving end markets to confirm product requirements on a timely basis, we may have low visibility to product demand or estimated revenue in any given quarter. If our customers cannot provide us with accurate delivery lead times, we may not be able to deliver products to our customers in a timely fashion. Furthermore, our ability to respond to increased demand is limited to inventories on hand or on order, the capacity available at our contract manufacturers, and our capacity to program products to customer specifications. If we fail to accurately estimate customer demand, or if our available capacity is less than needed to meet customer demand, we may not be able to accurately estimate our quarterly revenue, which may have a material adverse effect on our results of operations and financial condition, and our stock price could be materially fluctuate as a result. If we do not maintain compliance with the listing requirements of the Nasdaq Capital Market, our common stock could be delisted, which could, among other things, reduce the price of our common stock and the levels of liquidity available to our stockholders. Our common stock is listed on the Nasdaq Capital Market (“Nasdaq”). In order to maintain that listing, we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders’ equity, minimum share price, and certain corporate governance requirements. There can be no assurances that we will be able to maintain compliance with the applicable listing standards of Nasdaq. In the event that our common stock is delisted from Nasdaq and is not eligible for quotation on another market or exchange, trading of our common stock could be conducted in the over-the-counter market or on an electronic bulletin board established for unlisted securities, such as the Pink Sheets or the OTC Markets. In such event, it could become more difficult to dispose of, or obtain accurate price quotations for, our common stock, and there would likely also be a reduction in our coverage by securities analysts and the news media, which could cause the price of our common stock to decline further. Also, it may be difficult for us to raise additional capital if we are not listed on a major exchange. The market price of our common stock may fluctuate significantly and could lead to securities litigation. Stock prices for many companies in the technology and emerging growth sectors have experienced wide fluctuations that have often been unrelated to the operating performance of such companies. In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. In the future, we may be the subject of similar litigation. Securities litigation could result in substantial costs and divert management’s attention. Our certificate of incorporation, our bylaws, and Delaware law contain provisions that could discourage a takeover that is beneficial to stockholders. Provisions of our certificate of incorporation, our bylaws, and Delaware law could have the effect of discouraging takeover attempts that certain stockholders might deem to be in their interest. These anti-takeover provisions may make us a less attractive target for a takeover bid or merger, potentially depriving shareholders of an opportunity to sell their shares of common stock at a premium over prevailing market prices as a result of a takeover bid or merger. If, in the future, we conclude our internal control over financial reporting is not effective, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock. As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC

adopted rules requiring public companies to include a report of management on the companies' internal control over financial reporting in their annual reports on Form 10-K, including an assessment by management of the effectiveness of the filing company's internal control over financial reporting. In addition, the independent registered public accounting firm auditing a public company's financial statements must attest to the effectiveness of the company's internal control over financial reporting. There is a risk that in the future, we may identify internal control deficiencies that suggest that our controls are no longer effective. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline and make it more difficult for us to finance our operations.

Risks Related to Our Industry and Global and Economic Conditions The semiconductor industry is highly competitive, and has experienced significant consolidation, and if we are unable to compete effectively or identify attractive opportunities for consolidation, it could materially adversely affect our business and results of operations. Our ability to compete successfully in the highly competitive semiconductor industry depends on elements both within and outside of our control. We face significant competition within each of our product lines from major global semiconductor companies, as well as smaller companies focused on specific market niches. In addition, companies not currently in direct competition with us may introduce competing products in the future. If we are unable to compete effectively, our competitive position could be weakened relative to our peers, which would have a material adverse effect on our business and results of operations. Our future success depends on many factors, including the development of new technologies and effective commercialization and customer acceptance of our products, and our ability to increase our position in our current markets, expand into adjacent and new markets, and optimize operational performance. Products or technologies developed by competitors may render our products or technologies obsolete or noncompetitive. We also may be unable to market and sell our products if they are not competitive on the basis of price, quality, technical performance, features, system compatibility, customized design, innovation, availability, delivery timing, and reliability. If we fail to compete effectively on developing strategic relationships with customers and customer sales and technical support, our sales and revenue may be materially adversely affected. The semiconductor industry has experienced, and may continue to experience, significant consolidation among companies and vertical integration among customers. Larger competitors resulting from consolidations may have certain advantages over us, and we may be at a competitive disadvantage if we fail to identify attractive opportunities to acquire companies to expand our business. Consolidation among competitors and integration among customers could erode our market share, impair our capacity to compete, and require us to restructure operations, any of which could have a material adverse effect on our business. In addition, some of our competitors may receive governmental subsidies or other incentives that give them a competitive advantage over us. For example, the U. S. and the European Union have enacted legislation to provide funding and incentives for semiconductor research, development, and manufacturing in their respective regions. If we are unable to access such funding or incentives, or if our competitors receive more funding or incentives than we do, we may be at a disadvantage in developing and producing new or improved products or technologies, which could adversely affect our market share, revenue, and profitability. The semiconductor business is subject to downward price pressure. Historically, the market for our products has been characterized by declining selling prices. With the recent supply chain shortages and materials price increases, we anticipate that our average selling prices will fluctuate in future periods, although the timing and amount of these fluctuations cannot be predicted with any certainty. The pricing pressure in the semiconductor industry in past years has been due to a large number of factors, many of which were not easily foreseeable, such as industry-wide excess manufacturing capacity, weak economic growth, and at times, the slowdown in capital spending. Similar to past years, recent unfavorable economic conditions have resulted in a tightening of the credit markets. If signs of improvement in the global economy do not progress as expected and global economic conditions worsen, we may experience a decline in our average selling prices. In addition, our competitors have in the past, and may again in the future, lower prices in order to increase their market share. Despite the recent industry-wide price increases being implemented, prices may reduce in the future as the supply chain becomes more normalized again. In that event, downward price pressure in the industry may harm our competitive position and materially and adversely affect our financial condition, cash flows, and results of operations. Global supply chain constraints have not had a material impact on our business. While we have experienced some volatilities with input material costs and supplier costs in accordance with domestic and global economic conditions, none of these have had a material impact to our business during our Fiscal 2023-2024 year. We do not expect material increases in costs over the next twelve months. However, we expect to be subject to continued, broader-based inflationary, labor, and supplier cost increases in alignment with domestic and global economic conditions. We expect any increases in costs to be dilutive to our gross profit and we may be limited in our ability to offset any increased costs with price increases to customers. This may have a negative impact on our results from operations and cash flows. Both we and our customers are subject to laws, regulations, and similar requirements, changes to which may adversely affect our business, results of operations, and financial condition. Both we and our customers are subject to laws, regulations, and similar requirements that affect our business, results of operations, and financial condition, including, but not limited to, the areas of commerce, import and export control, financial disclosures, intellectual property, income and other taxes, anti-trust, anti-corruption, labor, environmental, health, and safety. Our compliance in these areas may be costly, especially in areas where there are inconsistencies between the various jurisdictions in which we operate. While we have implemented policies and procedures to comply with laws and regulations, there can be no assurance that our employees, contractors, suppliers, or agents will not violate such laws and regulations or our policies. Any such violation or alleged violation could materially and adversely affect our business, financial condition, cash flows, and results of operations. Any changes or potential changes to laws, regulations, or similar requirements, or our ability to respond to these changes, may significantly increase our costs to maintain compliance or result in our decision to limit our business, products, or jurisdictions in which we operate, any of which could materially and adversely affect our results of operations and financial condition. Federal and state regulatory agencies, including the United States Federal Communications Commission and the various state public utility commissions and public service

commissions, regulate most of our domestic telecommunications customers. Similar government oversight also exists in the international market. While we may not be directly affected by this legislation, such regulation of our customers may negatively impact our business. For instance, the sale of our products may be affected by the imposition upon certain of our customers of common carrier tariffs and the taxation of telecommunications services. These regulations are continuously reviewed and changed by the various governmental agencies. Changes in current or future laws or regulations, in the United States or elsewhere, could materially and adversely affect our results of operations and financial condition. The Dodd- Frank Wall Street Reform and Consumer Protection Act includes provisions regarding certain minerals and metals, known as conflict minerals, mined from the Democratic Republic of Congo and adjoining countries. These provisions require companies to undertake due diligence procedures and report on the use of conflict minerals in their products, including products manufactured by third parties. Compliance with these provisions has caused and will continue to cause us to incur costs to determine whether our supply chain is conflict- free, and we may face difficulties if our suppliers are unwilling or unable to verify the source of their materials. Our ability to source these minerals and metals may also be adversely impacted. In addition, our customers may require that we provide them with a certification and our inability to do so may disqualify us as a supplier.

Risks Related to Our Products If we fail to successfully develop, introduce, and sell new products and other new solutions or if our design opportunities do not generate the revenue we expect, we may be unable to compete effectively in the future and our future gross margins and operating results will be lower. The market for differentiated IP and semiconductor products is highly competitive and dynamic. To compete successfully, we must obtain access to advanced fabrication capacity and dedicate significant resources to specify, design, develop, manufacture, and sell new or enhanced solutions that provide increasingly higher levels of performance, low power consumption, new features meeting current and emerging industry standards, reliability, and / or cost savings to our customers. Our revenue is subject to fluctuation in a short period of time and our ability to grow our business depends on accelerating our design win activity. We often make significant investments in eFPGA IP development, software and silicon platform development, selling, and marketing, long before we generate revenue, if any, from our efforts. Some of the markets we are targeting typically have higher volumes and greater price pressure than our traditional business. In addition, we quote opportunities in anticipation of future cost reductions and may aggressively price products to gain market share. In order to react quickly to opportunities or to obtain favorable wafer prices, we make significant investments in and commitments to purchase inventories and capital equipment before we have firm commitments from customers. We expect our business growth to be driven by new products, which currently include our eFPGA IP licenses and professional services, EOS™, QuickAI™, SensiML Analytics Toolkit, ArcticLink® III, PolarPro® 3, PolarPro II, PolarPro, and Eclipse II products. The new product revenues growth of our new products needs to be strong enough to achieve profitability. The gross margin associated with our eFPGA IP is generally higher than the gross margin of our devices. Within our device revenue, gross margins of mature products, as well as new products sold to Aerospace and Defense customers, are generally higher than when selling the same products to higher volume IoT and / or Consumer customers. While we expect revenue and gross profit growth from new products will offset the expected decline in revenue and gross profit from our mature products, there is no assurance whether or when this will occur. In order to increase our revenue from its current level, we depend upon increased revenue from our existing new products, especially solutions based on our eFPGA IP, EOS S3, ArcticLink and PolarPro solution platforms, and the development of additional new products and solutions. If (i) we are unable to design, produce, and sell new products and other products and solutions that meet design specifications, address customer requirements, and generate sufficient revenue and gross profit; (ii) market demand for our new products and other products fails to materialize; (iii) we are unable to obtain adequate fabrication capacity on a timely basis; (iv) we are unable to develop new silicon platforms or solutions in a timely manner; or (v) our customers do not successfully introduce products incorporating our hardware products, or choose a competing offering, our revenue and gross margin of the new products will be materially harmed, which could have an overall adverse and potentially disproportionate effect on our business, results of operations, and financial condition. If a market for our new products does not develop, or if our products do not meet customer needs, the loss of or reduction in orders could adversely affect our revenue and harm our business' s financial condition, operating results and cash flows.

eFPGA: We have history and experience in developing, selling, and supporting FPGA products and incorporating FPGA IP developed by us into our platform solutions. The eFPGA market is a developing market with unknown requirements and demand. Our current FPGA architectures and their performance may not be a good fit for the eFPGA Market. eFPGA IP is designed for specific foundry / process node combinations, and the ones we have chosen to target may be different from what our customers require. The software developed by us for eFPGA may be delayed or may not meet the needs of the eFPGA Market. The support required by a customer to incorporate the eFPGA may be much higher than expected which may delay new engagements or lead to higher costs. The incorporated eFPGA IP may have an unexpected result in the customer' s chip leading to compensation demands. The expected NRE and royalty rates we expect to charge for the eFPGA may not be competitive, which may have a material adverse effect on our business, results of operations and financial condition.

~~**SensiML: Mainstream AI runs on powerful processors and large FPGAs. SensiML' s AI solution targets end- point solutions that use low- power processors. The end- point AI market is a developing market with unknown requirements and demand. The current SensiML solution may not be a good fit to the evolving needs of the end- point AI market. The support required for customer evaluations and implementation may be higher than expected, which may delay engagements and lead to higher costs. The expected SaaS licensing fees and royalty rates we expect to charge for the SensiML solutions may not be competitive, which may have a material adverse effect on our business, results of operations and financial condition.**~~ If our AI products are not low touch, the cost of addressing the fragmented AI market will be high, which will delay market penetration, result in reduced revenues, or require increased expenses, any of which could adversely affect our revenue and harm our business financial condition, operating results, and cash flows. The end-point AI market consists of many different use cases, with each individual use case having a modest volume even though the aggregate volume is large. This is quite different from the IoT consumer market, which consists of a few large customers and

use cases. In order to scale in the fragmented AI end- point market, our products will have to be extremely low touch so that the cost of support is low and scalable across many customers. The current EOS S3AI solution and SensiML solutions may not be sufficiently low touch to address this market in a cost- effective manner, or in the volume required. Higher than expected costs, or lower than expected volume may have a material adverse effect on our business, results of operations, and financial condition. Our products are subject to a lengthy sales cycle and our customers may cancel or change their product plans after we have expended substantial time and resources on the design of their products. Our customers often evaluate our products for six months or more before designing them into their systems, and they may not commence volume shipments for up to an additional six to twelve months, if at all. During this lengthy sales cycle, our potential customers may cancel or change their product plans. Customers may also discontinue products incorporating our hardware products at any time or they may choose to replace our products with lower- cost semiconductors. In addition, we are working with leading customers in our target markets to define our future products. If customers cancel, reduce, or delay product orders from us, or choose not to release products that incorporate our hardware products after we have spent substantial time and resources developing products or assisting customers with their product design, our revenue levels may be less than anticipated and our business, results of operations, and financial condition may be materially adversely affected. If we fail to adequately forecast demand for our products, we may incur product shortages or excess product inventories. Our agreements with certain suppliers require us to provide forecasts of our anticipated manufacturing orders and place binding manufacturing commitments in advance of receiving purchase orders from our customers. We are limited in our ability to increase or decrease our forecasts under such agreements. Other manufacturers supply us with products on a purchase order basis. The allocation of capacity is determined solely by our suppliers, over which we have no direct control. Additionally, we may place orders with our suppliers in advance of customer orders to allow us to quickly respond to changing customer demand or to obtain favorable product costs. Furthermore, we provide our suppliers with equipment that is used to program our products to customer specifications. The programming equipment is manufactured to our specifications and has significant order lead times. These factors may result in product shortages or excess product inventories. Obtaining additional supply in the face of product, programming equipment, or capacity shortages may be costly, or not possible, especially in the short- term since most of our products and programming equipment are supplied by a single supplier. If we fail to adequately forecast demand for our products, our business, the relationship with our customers, and our results of operations and financial condition could be materially adversely affected. Our business could be adversely affected by undetected errors or defects in our products. Difficulties encountered during the complex semiconductor manufacturing process can render a substantial percentage of semiconductor hardware products nonfunctional. New manufacturing techniques or fluctuations in the manufacturing process may change the performance, distribution, and yield of our products. We have, in the past, experienced manufacturing runs that have contained substantially reduced or no functioning hardware products, or that generated hardware products with below- normal performance characteristics. Our reliance on third- party suppliers may extend the period of time required to analyze and correct these problems. Once corrected, our customers may be required to redesign or re- qualify their products. As a result, we may incur substantially higher manufacturing costs, shortages of inventories, or reduced customer demand. Yield fluctuations frequently occur in connection with the manufacture of newly introduced products, with changes in product architecture, and with manufacturing at new facilities, on new fabrication processes, or in conjunction with new back- end manufacturing processes. Newly introduced solutions and products are often more complex and more difficult to produce, increasing the risk of manufacturing- related defects. New manufacturing facilities or processes are often more complex and take a period of time to achieve the expected quality levels and manufacturing efficiencies. While we test our products, including our software development tools, they may still contain errors or defects that are found after we have commenced commercial production. Undetected errors or defects may also result from new manufacturing processes or when new intellectual property is incorporated into our products. If our products or software development tools contain undetected or unresolved defects, we may lose market share, experience delays in or loss of market acceptance, reserve or scrap inventories, or be required to issue a product recall. In addition, we would be at risk of product liability litigation if defects in our products were discovered. Although we attempt to limit our liability to end users through disclaimers of special, consequential, and indirect damages and similar provisions, we cannot provide assurance that such limitations of liability will be legally enforceable. We will be unable to compete effectively if we fail to anticipate product opportunities based upon emerging technologies and standards or fail to develop products and solutions that incorporate these technologies and standards in a timely manner. We spend significant resources designing and developing silicon solution platforms, IP, and software and reference designs and adopting emerging technologies. We intend to develop additional products and solutions and to adopt new technologies in the future. If system manufacturers adopt alternative standards or technologies, if an industry standard or emerging technology that we have targeted fails to achieve broad market acceptance, if customers choose low- power offerings from our competitors, or if we are unable to bring the technologies or solutions to market in a timely and cost- effective manner, we may be unable to generate significant revenue from our research and development efforts. As a result, our business, results of operations, and financial condition could be materially adversely affected and we may be required to write off related inventories and long- lived assets. Rising concern of international tariffs, as well as potential export restrictions, could materially and adversely affect our business and results of operations. In addition to recent trade tariffs, if U. S. export controls expand to place new restrictions on the exportation of our products or a subset of our products, such controls could have a material adverse effect on our operating results. Moreover, concerns that U. S. companies may not be reliable suppliers may, in the future, cause some of our customers to replace our products in favor of products from other suppliers. Further, changes in United States trade policy could trigger retaliatory actions by affected countries, which could impose restrictions on our ability to do business in or with affected countries or prohibit, reduce, or discourage purchases of our products by foreign customers, leading to increased costs of products that contain our components, increased costs of manufacturing our products, and higher prices of our products in foreign markets. Changes in, and responses to, United States trade policy could reduce the competitiveness of our products and

cause our sales and revenues to drop, which could materially and adversely impact our business and results of operations. **Our business could suffer as a result of tariffs and trade sanctions or similar actions. The imposition by the United States of tariffs, sanctions or other restrictions on goods exported from the United States or imported into the United States or countermeasures imposed in response to such government actions could adversely affect our operations or our ability to sell our products globally, which could adversely affect our operating results and financial condition. Beginning in 2018, the U. S. government imposed significant additional tariffs on many items imported from China, which have since been raised to between 7.5 % and 100 % on certain products. China responded by imposing significant tariffs on many items imported from the United States. Recently, U. S. government leaders have increased their frequency of discussion of the imposition of stronger tariffs, sanctions, and other restrictions on goods exported from the United States or imported into the United States, and non- U. S. government leaders have increased their discussion of countermeasures. For example, in February 2025, the United States imposed an additional 10 % tariff on imports of Chinese- origin goods and steel and aluminum imports. China announced plans to impose retaliatory tariffs on certain U. S.- origin goods and implemented new trade controls restricting the export of tungsten, tellurium, bismuth, molybdenum, and indium. As the February 2025, U. S. executive order contains provisions allowing for further increases in the scope and amount of tariffs in the event of retaliatory countermeasures, and the future of existing tariffs, and the possibility for new tariffs, remains very uncertain. Such escalations in these trade measures may directly impair our business by increasing trade- related costs or disrupting established supply chains and may indirectly impair our business by causing a negative effect on global economic conditions and financial markets. The ultimate impact of these trade measures is uncertain and may be affected by various factors, including whether and when such trade measures are implemented, the timing when such measures may become effective, and the amount, scope, or nature of such trade measures. Additional changes or threatened changes in U. S. trade measures have affected and may continue to affect trade involving additional countries as well, including Mexico, Canada, Colombia, Taiwan, the United Kingdom, and the member countries of the European Union. Each of these measures or threatened measures may instigate reciprocal countermeasures by affected countries, potentially accelerating further increases in trade measures. If the President were to impose significant new tariffs against the European Union, Taiwan, or any other country or countries, the macroeconomic effect of any such tariffs could be significant. The tariff threatened against Taiwan may specifically target imports of semiconductor products, which, if imposed, could seriously and negatively affect our business and the U. S. economy overall. The materials subject to these tariffs may impact the cost or availability of raw materials used by our suppliers or in our customers' products. The imposition of further tariffs by the United States on a broader range of imports, or further retaliatory trade measures taken in response to additional tariffs, could increase costs in our supply chain or reduce demand of our customers' products, either of which could adversely affect our results of operations. Any increase in trade- related costs associated with such measures may impair the profitability of such international production, may strain our suppliers' ability to reliably provide inputs necessary to produce these items, and may otherwise affect our partners' abilities to provide our products at previously contracted prices. Our business and financial results could be negatively affected as a result.** Exchange rate fluctuations could adversely affect our company' s results of operations and financial condition. We denominate sales of our products to foreign countries exclusively in U. S. dollars. As a result, any increase in the value of the U. S. dollar relative to the local currency of a foreign country will increase the price of our products in that country so that our products become relatively more expensive to customers in their local currency, which may cause sales of our products in that foreign country to decline. If the local currency of a foreign country in which we conduct business strengthens against the U. S. dollar, our payroll and other local expenses will be higher, and since sales are transacted in U. S. dollars, would not be offset by any increase in revenue. To the extent any such risks materialize, our business, results of operations, and financial condition could be materially adversely affected. We have implemented import and export control procedures to comply with United States regulations, but we are still exposed to potential risks from import and export activity. Our products, solutions, technology, and software are subject to import and export control laws and regulations which, in some instances, may impose restrictions on business activities, or otherwise require licenses or other authorizations from agencies such as the U. S. Department of State, U. S. Department of Commerce, and U. S. Department of the Treasury. These restrictions may impact deliveries to customers or limit development and manufacturing alternatives. We have import and export licensing and compliance procedures in place for purposes of conducting our business consistent with U. S. and applicable international laws and regulations, and we periodically review these procedures to maintain compliance with the requirements relating to import and export regulations. If we are not able to remain in compliance with import and export regulations, we might be subject to investigation, sanctions, or penalties by regulatory authorities. Such penalties can include civil, criminal, or administrative remedies such as loss of export privileges. We cannot be certain as to the outcome of an evaluation, investigation, inquiry, or other action or the impact of these items on our operations. Any such action could adversely affect our financial results and the market price of our common stock.

Risks Related to Our Customers and Partners We currently depend on a limited number of significant customers, for a significant portion of our revenue, and the loss of, or reduction in orders from, such significant customers could adversely affect our revenue and harm our business financial condition, operating results, and cash flows. A small number of end- customers represented a significant portion of our total revenue in our Fiscal Year ended December 31, 2023-2024. During our Fiscal Year ended December 31, 2023-2024, one customer accounted for 70-54 % of our total revenue. We expect this high level of customer concentration to decrease as we continue to market our solutions to additional Aerospace and Defense, Industrial, Computing, and Communications customers. As in the past, future demand from this customer may fluctuate significantly from quarter to quarter. Customers typically order products with short, requested delivery lead times, and do not provide a commitment to purchase products past the period covered by purchase orders, which may be rescheduled or canceled. In addition, our manufacturing lead times are longer than the delivery lead times requested by these

customers, and we make significant purchases of inventory and capital expenditures in anticipation of future demand. If revenue from any significant customer were to decline substantially, we may be unable to offset this decline with increased revenue and gross margin from other customers and we may purchase excess inventories. These factors could have a material adverse impact on our business, results of operations, and financial condition. We may make a significant investment in long-lived assets for the production of our products based upon historical and expected demand. If demand for our products or gross margin generated from our products does not meet our expectations or if we are unable to collect amounts due from significant customers, we may be required to write off inventories, provide for uncollectible accounts receivable, or incur charges against long-lived assets, which may have a material adverse effect on our business, results of operations, and financial condition. **Our revenue from U. S. Government contracts depends on the continued availability of funding from the U. S. Government, and, accordingly, we have the risk that funding for our existing contracts may be canceled or diverted to other uses or delayed or that funding for new programs will not be available. We perform work on a number of contracts with the U. S. Department of Defense and other agencies and departments of the U. S. Government including subcontracts with government prime contractors. Sales under contracts with the U. S. Government, including sales under contracts with the U. S. Department of Defense, as prime contractor or subcontractor, represented 54 % of our total net sales in 2024. Performance under government contracts has inherent risks that could have a material effect on our business, results of operations, and financial condition. Government contracts are conditioned upon the continuing availability of Congressional appropriations, and the failure of Congress to appropriate funds for programs in which we participate could negatively affect our results of operations. U. S. Government operation under a continuing resolution could impact the business by preventing new programs from starting as planned and by limiting funding on existing programs. U. S. Government shutdowns have may result in delays in anticipated contract awards and delayed payments of invoices and any new shutdown or increase in shutdowns could have similar or worse effects. Any renewed emphasis on Federal deficit and debt reduction could lead to a further decrease in overall defense spending. Budgetary concerns could result in future contracts being awarded more on price than on other competitive factors, and smaller defense budgets could result in government in-sourcing of programs and more intense competition on programs that are not in-sourced, which could result in lower revenues and profits. The new Presidential administration has announced plans to significantly cut federal spending and the size of the federal government and has taken steps to reduce and reorganize the federal workforce at many agencies. It is unclear how such cuts, if implemented, could impact our current and future business with the U. S. government. If cuts to government personnel lead to staff shortages or disorganization at certain federal agencies, we may experience delays in obtaining contract awards or payments, the loss of current or future contracts, or delays in obtaining necessary permits, licenses or registrations. Rising inflation and other factors also may result in a shift in U. S. defense spending between various programs based on priorities, which may result in a reduction or loss of expected revenues on programs in which we participate. Changes in policy and budget priorities by the U. S. Presidential Administration could impact our business. It is also not uncommon for the U. S. Department of Defense to delay the timing of awards or change orders for major programs for six to twelve months. These delays by the U. S. Government could impact our revenues. Uncertainty over budgets or priorities with the U. S. Presidential Administration could result in further delays in funding and the timing of awards, and changes in funded programs that could have a material impact on our revenues.** We depend upon partnering with other companies to offer voice, motion, and other solutions into our platform. In addition to working directly with our customers, we partner with other companies that are experts in certain technologies to create more complete solutions. The depth of these relationships varies depending on the partner and the dynamics of the end market being targeted, but these relationships are typically a co-marketing relationship that includes joint account calls, promotional activities, and / or engineering collaboration and developments. The proprietary code provided by these partners may be an integral part of the solutions that we offer our customers. If we are unable to obtain competitive pricing (NRE, royalty) and prompt quality support from our partner, our solution may not be competitive. In addition, if the quality of our partner's solution does not meet our customer's requirements, it may delay or prevent the incorporation of our product by the customer. There may also be delays and additional expenses to improve or update the partner's solution to meet current market needs. If we are unable to maintain a close working relationship with our partners, it would hinder our ability to continue to develop and introduce leading solutions effectively in the future, which may have a material adverse effect on our business, results of operations, and financial condition. We depend on our relationships with third parties to manufacture our new hardware products. We depend upon GlobalFoundries, TSMC, SkyWater Technologies, Honeywell Aerospace, Amkor Technology, Inc., Integra Specialty Products, JCET Group Co. Ltd., and Golden Altos Corp. to manufacture our new hardware products. The inability of any one of these companies to continue manufacture of our new hardware products for any reason would require us to identify and qualify a new foundry to manufacture our new hardware products. This would be time-consuming, difficult, and result in unforeseen operational problems. Alternate foundries might not be available to fabricate our new hardware products, or if available, might be unwilling or unable to offer services on acceptable terms and our ability to operate our business or deliver our products to our customers could be severely impaired. We depend upon third parties for silicon IP, RTL, design, physical design, verification and assembly of our silicon platforms and any failure to meet our requirements in a timely fashion may adversely affect our time to market and revenue. Our move to a variable cost or outsourced engineering development model allows us access to the best design resources for developing new silicon platforms. This includes access to leading edge silicon IP, as well as RTL design and physical design expertise. However, outsourcing the design of a complex silicon platform typically involves multiple companies in multiple locations, which may increase the risk of costly design errors. Any delays or errors in the design of our new silicon platforms could significantly increase the cost of development, as well as adversely affect our time to market, which may have a material adverse effect on our business, results of operations, and financial condition. We depend upon partnering with other companies to develop IP, reference platforms,

algorithms, and system software. In addition to working directly with our customers, we partner with other companies that are experts in certain technologies to develop additional intellectual property, reference platforms, algorithms, and system software to provide application solutions. We also work with IoT processor manufacturers and companies that supply sensor, storage, networking or graphics components for embedded systems. The depth of these relationships varies depending on the partner and the dynamics of the end market being targeted but is typically a co-marketing relationship that includes joint account calls, promotional activities, and / or engineering collaboration and developments, such as reference designs. If we are unable to license new technologies or maintain a close working relationship with our partners, fail to continue to develop and introduce leading technologies, or if these technologies fail to generate the revenue we expect, we may not be able to compete effectively in the future, which may have a material adverse effect on our business, results of operations, and financial condition. We depend upon third parties to fabricate, assemble, test, and program our products, and to provide logistics services. Any problems with these third parties could adversely affect our business, results of operations, and financial condition. We contract with third parties to fabricate, assemble, test, and program our hardware products, and vendors for logistics. In general, each of our hardware products is fabricated, assembled, and programmed by a single supplier, and the loss of a supplier, transfer of manufacturing to a new location, expiration of a supply agreement, or the inability of our suppliers to manufacture our products to meet volume, performance, quality, and cost targets could have a material adverse effect on our business. Our relationship with our suppliers could change as a result of a merger or acquisition. If for any reason these suppliers or any other vendor becomes unable or unwilling to continue to provide services of acceptable quality, at acceptable costs, and in a timely manner, our ability to operate our business or deliver our products to our customers could be severely impaired. We would have to identify and qualify substitute suppliers, which could be time-consuming, difficult, and result in unforeseen operational problems, or we could announce an end-of-life program for these products. Alternate suppliers might not be available to fabricate, assemble, test, and program our hardware products or, if available, might be unwilling or unable to offer services on acceptable terms. In addition, if competition for wafer manufacturing capacity increases, if we need to migrate to more advanced wafer manufacturing technology, or if competition for assembly services increases, we may be required to pay or invest significant amounts to secure access to this capacity. The number of companies that provide these services is limited and some of them have limited operating histories and financial resources. In the event our current suppliers refuse or are unable to continue to provide these services to us, or if we are unable to secure sufficient capacity from our current suppliers on commercially reasonable terms, we may be unable to procure services from alternate suppliers in a timely manner, if at all. Moreover, our reliance on a limited number of suppliers subjects us to reduced control over delivery schedules, quality assurance, and costs. This lack of control may cause unforeseen product shortages or may increase our costs to manufacture and test our products. We utilize third-party logistics services, including transportation, warehouse, and shipping services. These service providers are subject to interruptions that affect their ability to service us, including the availability of transportation services, disruptions related to work stoppages, volatility in fuel prices, and security incidents or natural events at manufacturing, shipping, or receiving points, or along transportation routes. In the event any of our third-party suppliers or vendors were to experience financial, operational, production, or quality assurance difficulties resulting in a reduction or interruption in supply or providing services to us, our business, results of operations, and financial condition may be materially adversely affected. We entered into informal partnerships with certain third parties for the development of solutions. Our business could be adversely affected if such informal partnerships fail to grow as we expected. Our approach to developing solutions for potential customers involves developing solutions for and aligning our roadmap with application processor, sensor, and flash memory vendors. We have entered into informal partnerships with other parties that involve the development of solutions that interface with their hardware products or standards. These informal partnerships also may involve joint marketing campaigns and sales calls. If the informal partnerships do not grow as expected or if they are significantly reduced or terminated by acquisition or other means, our business, results of operations, and financial condition could be materially adversely affected, and we may be required to write off related inventories and long-lived assets. Our solutions face competition from suppliers of ASSPs, suppliers of integrated application processors, low-power FPGAs, low-power MCUs, and suppliers of ASICs, and suppliers of eFPGA IP. We face competition from companies that offer ASSPs. While it is difficult to provide a unique solution through the use of ASSPs, ASSPs generally are cost-effective standard products with short lead times. In certain design opportunities, ASSPs can be combined to achieve system design objectives. Manufacturers of integrated application processors often integrate new features when they introduce new products. A system designer could elect the use of an integrated processor that includes the features offered in our solutions and / or a widely accepted feature of our solutions could be integrated into a competitor's ASSP. Some vendors offer low-power FPGAs that can be adopted by an IoT device for hardware differentiation that is similar in functionality, physical size, power consumption, and price to what we offer with our programmable logic-based solutions. We also face competition from low-power MCU companies. While MCUs cannot be customized at the hardware level for product differentiation, they do have the ability to run custom software algorithms written in standard C code, which may yield similar functionality to what we can provide with our products. Companies that supply ASICs, which may be purchased for a lower price at higher volumes, may have greater logic capacity, additional features, and higher performance than our products. In addition, we face competition from companies that provide sensor algorithm software, which may be licensed directly by an OEM, or licensed for use through an MCU company. If we are unable to successfully compete with companies that supply ASSPs, lower power FPGAs, MCUs, ASICs, eFPGA IP, or sensor algorithm software in any of the following areas, our business, results of operations, and financial condition will be materially adversely affected: (i) the development of new products, solutions, and advanced manufacturing technologies; (ii) the quality, power characteristics, performance characteristics, price, and availability of hardware products, programming hardware, and software development tools; (iii) the ability to engage with companies that provide synergistic products and services, including algorithms that may be preloaded into our device at configuration; (iv) the incorporation of industry standards in our products and solutions; (v) the

diversity of product offerings available to customers; and (vi) the quality and cost-effectiveness of design, development, manufacturing and marketing efforts. We may engage in manufacturing, distribution, or technology agreements that involve numerous risks, including the use of cash, erosion of margins due to royalty obligations or revenue sharing, and diversion of resources. We have entered into and, in the future, intend to enter into agreements that involve numerous risks, including the use of significant amounts of our cash; royalty obligations or revenue sharing; diversion of resources from other development projects or market opportunities; our ability to collect amounts due under these contracts; and market acceptance of related products and solutions. If we fail to recover the cost of these or other assets from the cash flow generated by the related products, our assets will become impaired, and our results of operations and financial condition could be materially adversely affected. We have entered and will continue to enter into strategic licensing and collaborative partnerships and relationships with third parties. The anticipated benefits of these partnerships and relationships may never materialize and these partnerships and relationships may instead disrupt our business and harm our financial condition. We have entered into strategic licensing and collaborative partnerships and relationships with third parties and will continue to enter into such partnerships and relationships with the goal of acquiring or gaining access to new and innovative semiconductor products and technologies, as well as other technologies which can be used to add to the differentiation of our emerging products, on a timely basis. Negotiating and performing under these arrangements involves significant time and expense, and we cannot provide assurance that the anticipated benefits of these arrangements will ever materialize or that the products or technologies involved will ever be commercialized or that, as a result, we will not have written down a portion or all of our investment. The arrangements with some third parties contain conditions and contingencies (such as a condition to raise a certain amount of capital), and we cannot provide assurance that we will meet all the conditions under these arrangements. We may end up owing various obligations and commitments to third parties related to these arrangements. Such arrangements can magnify several risks for us, including loss of control over the development and development timeline of products being developed with third parties. Accordingly, we face increased risk that development activities may result in products that are not commercially successful or that are not available in a timely fashion. In addition, any third-party with whom we enter into a development, product collaboration, or technology licensing arrangement may fail to commit sufficient resources to the project, change its policies or priorities, and abandon or fail to perform its obligations related to the collaboration. The failure to timely develop commercially successful products through our development projects or strategic investment activities as a result of any of these and other challenges could have a material adverse effect on our business, results of operations, and financial condition. Other challenges and risks presented by use of strategic partnerships include the acquisition of a partner with which we have a strategic relationship by an unaffiliated third-party that either delays or jeopardizes the original intent of the partnering relationship or investment.