Risk Factors Comparison 2024-03-08 to 2023-03-15 Form: 10-K

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You should carefully consider the risks and uncertainties described below, as well as the other information in this Annual Report, including our consolidated financial statements and the related notes, and the section titled " Management' s Discussion and Analysis of Financial Condition and Results of Operations, " in evaluating our Company. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations **,** and growth prospects. Additional risks and uncertainties not currently known to us or that we currently believe are not material may also impair our business, financial condition, results of operations **,** and growth prospects. Risks Related to Our Business and Industry Our quarterly results of operations have fluctuated and may continue to fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts, which could cause our stock price to decline. Our quarterly net sales and results of operations have fluctuated and may continue to fluctuate as a result of a variety of factors, many of which are outside ~~of~~ our control. If our quarterly net sales ~~or~~ **,** results of operations **, or profitability** fall below the consensus expectations of investors or securities analysts ~~in the future~~ , ~~the price of~~ our common stock **price** could decline, perhaps substantially. Fluctuations in our results of operations may be due to a number of factors, including but not limited to: • Demand for and market acceptance of our solutions; • Our ability ~~to continue~~ to develop and maintain relationships with productive independent integrators and incentivize them to continue to market, sell, install **,** and support our solutions; • The ability of our contract manufacturers to continue to manufacture high- quality products ~~,~~ and to supply sufficient products to meet our demand; • The timing and success of future acquisitions, new product ~~introductions~~ **and service releases** or upgrades by us **,** or ~~by~~ our competitors; • The strength of regional, national **,** and global economies; • The strength of the U. S. dollar relative to other currencies and the impact this has **on** both ~~on~~ our margins and ~~on~~ the margins of our integrators and distributors and their ability to competitively sell our solutions to end consumers; • The impact of harsh seasonal weather, natural disasters **,** or ~~manmade~~ **man made** problems such as war or terrorism; • Changes in our business and pricing policies, or those of our competitors; • Competition, including entry into the industry by new competitors and new offerings by existing competitors; • Macroeconomic conditions adversely affecting integrators' businesses; • The impact of seasonality on our business and / or the business of integrators; • A systemic impairment or failure of one or more of our solutions that erodes **investor,** integrator **,** and / or end **-** consumer confidence; • Changes in applicable tax and tariff rates; • Changes in interest rates; • Inflationary pressures on costs and customer demand; • Political or regulatory changes in the markets in which we operate, particularly current political tensions in Asia **, Eastern Europe, and the Middle East** ; • The cost and availability of **raw materials or** component parts used in our solutions; • The cost and availability of third- party products that we distribute but do not manufacture; • Aggressive business tactics by our competitors, including: selling at a discount, offering products on a bundled basis at no charge, extensive marketing efforts **,** and providing financing incentives; • The amount and timing of expenditures, including those related to expanding our operations, increasing research and development, introducing new solutions or costs related to disputes and litigation; • Temporary discounts or permanent changes in the price or payment terms for our solutions; and • ~~The~~ **Our** ability to retain key people ~~in the Company~~ given the ~~Company' s~~ **decline in our** stock price. Due to the foregoing factors and ~~the~~ other risks discussed herein, you should not rely on quarter- to- quarter comparisons of our results of operations as an indication of our future performance, nor should you consider any net sales growth or results of operations in any quarter to be indicative of our future performance. If we are unable to manage our business growth and diverse and complex operations, our reputation in the market and our ability to generate net sales from new or existing integrators and end consumers may be harmed. Because our operations are geographically diverse and complex, our personnel resources and infrastructure could become strained and our reputation in the market and our ability to successfully implement our business plan may be harmed. The growth in the size, complexity **,** and diverse nature of our business and the expansion of our product lines and customer base, including through additional acquisitions, have placed increased demands on our management and operations, and further growth, if any, may place additional strains on our resources ~~in the future~~ . Our ability to effectively compete and to manage our operations may depend on, among other things: • Maintaining institutional knowledge by retaining and expanding the core competencies critical to our operations in our senior management and key personnel; • Increasing the productivity and efficiency of our existing employees and attracting new talent; • Maintaining existing productive relationships and developing new productive relationships with independent contract manufacturers, integrators, and third- party products suppliers; • Improving our operational, financial **,** and management controls; and • Improving our information reporting systems and procedures. If we do not manage the size, complexity **,** and diverse nature of our business effectively, we could experience delayed product releases and longer response times by our integrators in assisting our end consumers in implementing our solutions, and could lack adequate resources to support ~~our~~ end consumers on an ongoing basis, any of which could harm our reputation in the market, our ability to successfully implement our business plan **,** and our ability to generate net sales from new or existing end consumers. The markets in which we participate are highly competitive and many companies, including large technology companies, retailers, electronics distributors, broadband and security service providers, as well as other managed service providers, are actively targeting our markets. Our failure to differentiate ourselves and compete successfully against these companies would make it difficult for us to add and retain end consumers, and our sales and profitability could be adversely affected. The markets for our solutions are highly competitive and continually evolving. We face direct competition from companies that sell technology solutions to professional integrators, such as **ADI,** Crestron **,** and Savant. In addition, a number of technology companies, including industry leaders such as Amazon, Apple, ~~Google~~ **Alphabet** , Honeywell, Lutron, Sonos **,** and Samsung, offer devices with capabilities similar to many of our products and services and are engaged in ongoing development efforts to address even broader segments of various markets, including our core professionally installed electronics markets. These large technology companies already have broad customer awareness and sell a variety of devices for home and business, and end consumers may choose their offerings instead of ours, even if we offer differentiating features such as broader interoperability or remote management and control services, as well as superior products and services. Additionally, these and other companies may further expand into our industry by developing additional solutions or by acquiring other providers. Similarly, many managed service providers, such as cable TV, telephone and security companies, are offering products and services that may compete directly with our solutions, including remote management, automation, and control features. For example, Vivint and ADT have made significant efforts to market smart - home services that incorporate these companies' traditional security offerings. These managed service providers have the advantage of leveraging their existing customer base, network of installation and support technicians , and name recognition to gain traction in our core markets. In addition, end consumers may prefer the monthly service fee with little to no upfront cost offered by some of these managed service providers over a larger upfront cost with little to no monthly service fees. We expect **increased** competition from these large technology companies, retailers, managed service providers , and other companies ~~to increase in the future~~ . This increased competition could result in pricing pressure, reduced sales, lower margins , or the failure of our solutions to achieve or maintain broad market acceptance. To remain competitive and ~~to~~ maintain our position as a leading provider of professionally installed electronics solutions for connected homes and businesses, we will need to invest continuously in product **and platform** development, marketing, integrator service and support, and product - delivery infrastructure. We may not have sufficient resources to continue to make the investments in all ~~of the~~ areas needed to maintain our competitive position. In addition, many of our competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing , and other resources than us, which may provide them with an advantage in developing, marketing or servicing new solutions. Increased competition could reduce our market share, net sales , and operating margins, increase our operating costs, harm our competitive position , or otherwise harm our business and results of operations. In addition, we believe it is likely that some of our existing competitors will consolidate or be acquired. Some ~~of our~~ competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, distributors, third- party consulting firms , or other parties. Additional consolidations, acquisitions, alliances , or cooperative relationships, or new product introductions ~~by companies in our industry~~ , could lead to pricing pressure, reduce our market share or result in a competitor with greater financial, technical, marketing, service , and other resources than ours, all of which may have a material adverse effect on our business, results of operations , and financial condition. If we are unable to develop new solutions, sell our solutions into new markets ~~,~~ or further penetrate our existing markets, or if we fail to make optimal strategic investment decisions, our net sales may not grow as expected or ~~they~~ may decline. Our ability to increase sales will **largely** depend ~~in large part~~ on our ability to enhance and improve our solutions **in response to evolving customer needs and emerging technological trends** , to introduce new solutions in a timely manner, to sell into new markets , and to further penetrate ~~our~~ existing markets. The success of any ~~enhancement or~~ new ~~product~~ or **enhanced** solution depends on several factors, including the timely completion, introduction , and market acceptance of enhanced or new solutions ~~,~~ ; the ability to attract, retain , and effectively train product development, sales , and marketing personnel (among others) ~~,~~ ; the ability to retain and expand our offered third- party solutions ~~,~~ ; the ability to develop relationships with independent integrators ; and the effectiveness of our marketing programs. Any new ~~product~~ or **enhanced** solution we develop, distribute , or acquire may not be introduced in a timely or cost- effective manner ~~,~~ and may not achieve the broad - market acceptance necessary to generate significant net sales. Any new markets into which we attempt to sell our solutions, including new vertical markets, new local distribution locations, and new countries or regions, may not be receptive. Our ability to further penetrate our existing markets depends on the quality of our solutions and our ability to design ~~our~~ solutions to meet customer demand. Moreover, we are frequently required to enhance and update our solutions as a result of changing standards and technological developments, which makes it difficult to recover ~~the cost of~~ development **costs** and forces us to continually qualify new solutions with our end consumers and may render our solutions obsolete. In addition, we expect to derive an increasing portion of our net sales in the future from subscription- based solutions. This subscription model may give rise to risks that could harm our business. For example, we may be unable to predict subscription uptake, renewal or upgrade rates and the impact these rates may have on our future net sales and operating results. If we are unable to successfully develop, distribute, or acquire new solutions, **or to** enhance our existing solutions to meet customer requirements in a timely manner, **our net sales may not grow as expected or may decline. Further, if we are unable to** sell solutions into new markets ~~,~~ or sell our solutions to additional end consumers in our existing markets, or ~~if we fail~~ to make optimal strategic decisions in selecting and executing on our acquisition opportunities, our net sales may not grow as expected or ~~they~~ may decline. End consumers may choose to adopt products that provide discrete functionality or Do- It- Yourself (" DIY ") solutions rather than adopt our professionally installed **Do- It- For- Me (" DIFM ")** solutions. If we are unable to increase market acceptance of the benefits of our professionally installed **DIFM** solutions, our net sales may **stagnate** ~~not continue to grow,~~ or ~~they may~~ decline. Many vendors have emerged, and may continue to emerge, to provide point products with advanced functionality for use in home and commercial applications, such as thermostats, lighting, power distribution units, doorbells , or surveillance systems that can be controlled by an application on a smartphone or control panel. We expect more ~~and more~~ consumer electronics and appliance products to be network aware and connected — each ~~very~~ likely to have its own smart device (phone or tablet) application. Examples of DIY solutions include, but are not limited to, networking, remote monitoring, and audio and audiovisual distribution products that do not require professional assistance to deploy. End consumers may be attracted to the relatively low costs and ease of installation of these DIY products and the ability to expand solutions over time with minimal upfront costs, despite the disadvantages of this approach. While we have built our solutions to be flexible and in many cases support integration of third- party DIY products in our solutions, the adoption of these products may reduce the revenue we receive for each installation. It is therefore important that we provide attractive top- quality solutions in many areas, such as networking, lighting, audio, video, thermostats, surveillance, security, power, and remote monitoring and management, and establish broad market awareness and acceptance of these **DIFM** solutions as well as the advantages of integrating them in a unified solution supported by a professional integrator. If a significant number of end consumers in our target markets choose to rely solely on the functionality included in DIY solutions rather than acquiring our unified solutions, then our business, financial condition **,** and results of operations may be harmed, and we may not be able to achieve sustained growth or our business may decline. We have limited visibility regarding the end consumers who ultimately purchase our solutions, and we often rely on information from third- party distributors and integrators to help us manage our business. If we are unable to obtain timely or accurate information, our ability to quickly react to market changes and effectively manage our business may be harmed. We sell our solutions **primarily** through independent businesses, including integrators ~~and~~ **,** distributors **, and other commercial partners (collectively " integrators ")** . These integrators ~~and distributors~~ work with end consumers to design, install, update **,** and maintain their systems. While we are able to track orders from integrators and have access to certain information about the configurations of our systems they install that we receive through our subscription and platform services such as OvrC and Control4, we also rely on these integrators to provide us with information about customer behavior, product and system feedback, customer demographics, buying patterns **,** and information about our competitors. We use this channel sell- through data, along with other metrics, to assess customer demand for our solutions, develop new solutions, adjust pricing **,** and make other strategic business decisions. Our channel sell- through data is subject to limitations due to collection methods and the third- party nature of the data and thus may not be complete or accurate. In addition, from time to time we collect information directly from end consumers through surveys ~~that we conduct~~ and other methods, but the end consumers who choose to participate self- select and vary by geographic region and from period to period, which may impact the usefulness of the results. Customer information is further limited in certain of our business models where a large portion of solutions we sell may not be installed with our platforms and thus further limit our visibility into end consumer behavior, including local distribution ~~,~~ and third- party products sales. If we do not receive customer information on a timely or accurate basis, or if we do not properly interpret this information, our ability to quickly react to market changes and effectively manage our business may be harmed. In addition, because the production of certain of our products requires long lead times, we enter into agreements for the manufacture and purchase of certain of our products well in advance of the time in which those products will be sold. These contracts are based on our best estimates of our near- term product needs. If we underestimate customer demand, we may forego revenue opportunities, lose market share **,** and damage our relationships. Conversely, if we overestimate customer demand, we may purchase more inventory than we are able to sell at any given time, or at all. If we fail to accurately estimate demand for our solutions, we could have excess or obsolete inventory, resulting in a decline in the value of our inventory, which would increase our costs of net sales and reduce our liquidity. Our failure to accurately manage inventory relative to demand would adversely affect our results of operations. Our growth strategy includes pursuing acquisitions, and our potential inability to identify good opportunities and to successfully integrate newly acquired technologies, assets, businesses, or personnel may harm our financial results and ability to grow. We believe part of our growth will be driven by additional acquisitions of other companies or their technologies, assets and businesses, but we may not be able to acquire the targeted technologies, assets and businesses we identify as desirable for a price we consider to be reasonable or at all. Recent acquisitions include Staub Electronics, LTD (" Staub "), Clare Controls, LLC (" Clare "), and Remote Maintenance Systems **LP, doing business as Parasol** (~~dba~~ **"** Parasol **"**) in 2022; ANLA, LLC. (" Access Networks ") in 2021; and Control4 Corporation (" Control4 "), Custom Plus Distributing **,** and MRI Premium Distributing Services in 2019. These acquisitions and any future acquisitions we evaluate and complete will give rise to risks, including: • Incurring higher- than- anticipated capital expenditures and operating expenses; • Failing to assimilate the operations and personnel, or failing to retain ~~the~~ key personnel of the acquired company or business; • Failing to integrate the acquired technologies **into our solutions** , or incurring significant expense to **do so** ~~integrate acquired technologies into our solutions~~ ; • Disrupting our ongoing business; • Dissipating or diverting our management resources; • Failing to maintain uniform standards, controls **,** and policies; • Incurring significant costs and accounting charges; • Impairing relationships with employees, integrators, distributors, partners **,** or end consumers; • Finding that the acquired technology, assets or business does not further our business strategy, that we overpaid for the technology, assets or business, or that we may be required to write off acquired assets or investments partially or entirely; • Failing to realize the expected synergies of the transaction; • Being exposed to unforeseen liabilities and contingencies that were not identified and mitigated during diligence conducted prior to acquiring the company, including but not limited to the risk that the products or services of the acquired company violate third- party intellectual property rights or regulatory standards or contain other vulnerabilities; • Requiring us to use equity capital or obtain additional debt to finance the acquisition, which may not be available on advantageous terms; • To the extent that we pursue acquisitions in non- U. S. markets, becoming subject to new regulatory regimes in which we have limited experience; ~~and~~ • Being unable to generate sufficient net sales from acquisitions to offset the associated acquisition costs ~~.~~ **; •** Fully integrating acquired technology, assets, business, or personnel into our operations may take a significant amount of time and resources ~~.~~ **; and •** Acquisitions could include significant goodwill and intangible assets. The amortization of such intangible assets would reduce our profitability and there may be future impairment charges that would reduce our stated earnings. In addition, we may pursue business opportunities that diverge from our current business model, including expanding our solutions into lines of business with which we have minimal experience, investing in new and unproven technologies, and expanding our existing sales channels or adding new sales channels. We can offer no assurance that any such new business opportunities will prove to be successful. Among other negative effects, our pursuit of such business opportunities could reduce operating margins and require more working capital, or may have a material adverse effect on our business, results of operations **,** and financial condition. Acquisitions also could impact our financial position and capital needs, or ~~could~~ cause fluctuations in our quarterly and annual results of operations. To the extent we do not successfully avoid or overcome the risks or problems related to any such acquisitions, our results of operations and financial condition could be harmed. Additionally, in recent years, a substantial number of special purpose acquisition companies (" SPACs ") have been formed. These SPACs may increase the competition for potential targets and as a result fewer attractive targets may be available at any given time, and it may require more time, ~~more~~ effort and ~~more~~ resources to identify suitable targets and ~~to~~ consummate acquisitions. We have entered into several strategic arrangements and intend to pursue additional strategic opportunities in the future. If the intended benefits from our strategic relationships are not realized, our results of operations may be harmed. We are working to develop relationships with strategic partners to increase awareness of our solutions **, offer products not currently included in our product portfolio,** and ~~to~~ attempt to reach markets ~~that~~ we cannot currently address in a cost- effective manner. If these relationships do not develop in the manner we intend, our future growth could be impacted. Any loss of a major partner, distribution channel or other channel disruption could harm our results of operations and make us more dependent on alternate channels ~~,~~ **;** damage our reputation ~~,~~ **;** increase pricing and promotional pressures from other partners and distribution channels ~~,~~ **;** increase our marketing costs ~~,~~ **;** or harm buying and inventory patterns, payment terms **,** or other contractual terms. Growth of our business may depend on market awareness and a strong brand, and any failure to develop, broaden, protect **,** and enhance market awareness of our solutions could hurt our ability to retain or attract integrators and / or end consumers. Because of the competitive nature of the professionally installed electronics market, and other markets where we operate, we believe building and maintaining market awareness, brand recognition and goodwill is key to our success. Doing so will depend largely on our ability to continue to provide high- quality solutions, and we may not be able to do so effectively. We may choose to engage in broader marketing campaigns to further promote our brand, but this effort may not be successful. Our efforts in developing our brand may be affected by ~~the~~ marketing efforts of our competitors, negative publicity and social media commentary, and by our reliance on our independent integrators, distributors **,** and strategic partners to install our solutions and promote our brand effectively. In addition, these marketing efforts may not yield the results we anticipate and may prove more expensive than we currently anticipate, and our net sales may not increase sufficiently to offset these higher expenses. If we are unable to maintain and increase positive awareness of our brand in a cost-effective manner, it may have a material adverse effect on our business, results of operations **,** and financial condition. We operate in an emerging and evolving market, which may develop more slowly or differently than we expect. If our core market does not grow as we expect, or if we cannot expand our solutions to meet the demands of this market, our net sales may suffer, ~~and~~ we may incur operating losses **, and our results of operations may be harmed** . The market for professionally installed electronics is evolving, and it is uncertain whether our solutions will achieve and sustain high levels of demand and market acceptance. Some integrators and / or end consumers may be reluctant ~~or unwilling~~ to use our solutions for a number of reasons, including satisfaction with other solutions, **cost** concerns ~~about cost~~ , and lack of awareness ~~of our solutions~~ . Unified solutions such as ours have traditionally been luxury purchases for the high **-** end ~~of the~~ residential market, and are also popular in commercial markets, and while our solutions target luxury residential and commercial markets, we also have solutions that target middle- and entry- level homeowners and those who live in or operate multi- dwelling units. Our ability to expand the sales of our solutions to a broader customer base depends on several factors, including market awareness of our solutions ~~,~~ **;** the timely completion, introduction and market acceptance of our solutions ~~,~~ **;** our ability to ~~discern and~~ respond effectively to trends in end consumer preferences and changing technology, the ability to attract, retain **,** and effectively train sales and marketing personnel ~~,~~ **;** the effectiveness of our marketing programs ~~,~~ **;** the ability to develop effective relationships with independent integrators and other strategic partners ~~,~~ **;** the cost and functionality of our solutions **;** and the success of our competitors. If we are unsuccessful in developing and marketing our home **-** automation solutions to integrators and / or end consumers, or if **they** ~~these integrators and / or end consumers~~ do not perceive or value the benefits of our solutions, the market for our solutions might not ~~continue to~~ develop or might develop more slowly than we expect, either of which would harm our net sales and growth prospects. Downturns in general economic and market conditions, including but not limited to downturns in housing and commercial real estate markets and reductions in consumer spending, may reduce demand for our solutions, which could harm our net sales, results of operations, financial condition **,** and cash flows. Our net sales, results of operations **,** and cash flows depend on the overall demand for our solutions and the willingness of our sales channel to invest in marketing our solutions, both of which can be significantly reduced in economic environments characterized by market and interest rate volatility, decreased consumer confidence, high unemployment, declines in residential remodeling and housing starts, decreased demand for commercial real estate and associated renovations, fluctuating exchange rates, and diminished growth expectations in the U. S. economy and abroad. During periods of weak or unstable economic and market conditions, providers of **discretionary** products and services ~~that represent discretionary purchases~~ , such as our home automation and audiovisual solutions, are typically disproportionately affected. In addition ~~, during these periods~~ , the number of independent integrators may decline, which may have a corresponding impact on our growth prospects. Moreover, many of our integrators are small and mid- size businesses that **are** ~~may be~~ more likely to be negatively impacted by downturns in general economic and market conditions ~~than larger businesses~~ . For example, during challenging economic times, end consumers and integrators may face issues in gaining timely access to sufficient credit, which could impair their ability to make timely payments. There is also an increased risk ~~during these periods~~ that an increased percentage of our integrators will file for bankruptcy protection or otherwise become insolvent, which may harm our reputation, net sales, profitability **,** and results of operations. We cannot predict the timing, strength, duration **,** or impact on our business of any economic slowdown, instability **,** or recovery, generally or within any ~~particular~~ geography or industry. Any downturns in the general economic conditions of the geographies and industries in which we operate, or any other factors negatively impacting housing markets or consumer spending, may have a material adverse effect on our business, results of operations **,** and financial condition. We have credit exposure to our integrators. Any adverse trends in our integrators' businesses could cause us to suffer credit losses. As is customary in our industry, we extend credit to our integrators. **Many** ~~A portion~~ of our integrators ~~are small contractors with inconsistent cash flow. As such, they~~ rely on us to provide their businesses with credit and to carry specified inventory to support their operations. We may be unable to collect on receivables if our integrators experience ~~decreases~~ **decreased** ~~in~~ demand for their products and services, do not manage their businesses adequately, or otherwise become less able to pay due to adverse economic conditions or refinancing events. While we evaluate our integrators' qualifications for credit and monitor our extensions of credit, these efforts cannot prevent all credit losses, and increased credit losses would negatively impact our performance and financial position. In addition, for financial reporting purposes, we establish reserves based on our historical experience of credit losses. To the extent that our credit losses exceed those reserves, our financial performance will be negatively impacted. If there is deterioration in the collectability of our receivables, or we fail to take other actions to adequately mitigate this credit risk, our earnings and cash flows could deteriorate. In addition, if we are unable or unwilling to extend credit to ~~our~~ integrators, we may experience loss of ~~certain~~ contracts or business. Extending credit to international integrators involves additional risks. It is ~~often~~ more difficult to evaluate ~~credit of~~ an integrator **' s credit** or obtain credit protections in our international operations. Also, credit cycles and collection periods are typically longer in our international operations. We are also subject to credit risk associated with integrator concentration. If one or more of our largest international integrators were to become bankrupt or insolvent, or otherwise were unable to pay for our solutions, due to conflict, financial sanctions or otherwise (such as the instability caused by the Russia / Ukraine **or Israel / Hamas and Red Sea** ~~conflict~~ **conflicts**), we may incur significant write- offs of accounts that may have a material adverse effect on our business, financial condition, results of operations **,** and cash flows. As a result of these factors and other challenges in extending credit to international integrators, we generally face greater credit risk from sales internationally compared to domestic sales. Our failure to raise additional capital or generate cash flows necessary to expand our operations, invest in new technologies and otherwise respond to business opportunities or unforeseen circumstances in the future could reduce our ability to compete successfully and harm our results of operations. While we believe ~~that~~ our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements for at least the next 12 months, at some point we may need to raise additional funds, and ~~we~~ may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our security holders may experience significant dilution of their ownership interests and the value of shares of our common stock could decline. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions **. In addition, we may be subject to additional interest rate risk to the extent any new debt is subject to variable interest rates** . If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things: • Develop and enhance our solutions; • Expand our research and development, sales **,** and marketing organizations; • Hire, train and retain employees; • Respond to competitive pressures or unanticipated working capital requirements; or • Pursue acquisition opportunities. Our inability to do any of the foregoing could reduce our ability to compete successfully and harm our results of operations. Risks Related to Our ~~increases may impact the availability~~ **.Any change in export or import laws** and ~~cost~~ **regulations,shift in the enforcement or scope** of ~~products containing a high percentage of metal content~~ **existing laws and regulations,or change in the countries,governments,persons or technologies targeted by** such **laws** ~~as bulk wire,cables,racks,~~ and **regulations** ~~mounts.In addition~~ , **could also result** ~~due to recent shipping disruptions~~ in ~~the Red Sea~~ **decreased use of our platforms** and ~~surrounding waterways~~ **solutions,in our decreased ability to export or sell our platforms and solutions to existing or potential service provider partners with international operations or increased costs and difficulties associated with access to some components** ~~caused~~ -- **used** ~~by attacks~~ **in our solutions.Any decreased use of our platforms and solutions or limitations** on ~~shipping vessels in response to the Israel / Hamas war,we have taken preventative measures to avoid this route for any transportation activity.These alternative routes have not yet affected any of our lead- times or~~ **our ability to export or sell our platforms** ~~costs but may do so in the future.Further,the earthquake affecting the western region of Japan has interrupted some passive~~ and ~~active~~ **solutions or limitations on our ability to acquire or export** ~~component~~ **components** ~~manufacturing locations.These manufacturing locations are now~~ **of our solutions would likely adversely affect our business,financial condition,cash flows and results of** ~~operational~~ **operations** ~~,however there may be some continued delays in component inventory shipments from the factory in this region~~ .Furthermore,there is currently significant uncertainty about the future political relationship between the United States and various other countries,including ~~,but not limited to,~~ China,the European Union,Canada,Vietnam,Russia ~~,~~ and Mexico,with respect to trade policies,treaties,import / export regulations and restrictions ~~,~~ **and** trade embargoes,tariffs and customs duties,and taxes **.After Russia invaded Ukraine in February 2022,the United States and other countries imposed sanctions on Russia and we stopped selling products to our distributor in Russia** .In 2019,the U.S.administration imposed significant changes to U.S.trade policy with respect to China.Tariffs have subjected certain of our products manufactured overseas to additional import duties of up to 25 % ~~,and these tariffs may further increase in the future~~ .The amount of the import tariff and the number and types of products subject to tariffs,trade embargoes and import / export regulations and restrictions have changed numerous times based on action by the U.S.administration ~~,and may change again to our detriment depending on political shifts in the U~~ . **Furthermore** ~~S.administration,and to the extent these changes increase our cost structure and we are not able to mitigate such cost increases,such changes may have a material adverse effect on our business,results of operations,and financial condition.Separately~~ ,the U.S.Federal Communications Commission (" FCC ") and Congress have recently enacted restrictions regarding the authorization of new products from certain manufacturers of telecommunications,surveillance ~~,~~ and security products.We continue to address the risks related to these imposed and announced tariffs,as well as other regulations and restrictions which have affected,or have the potential to affect,at least some of our imports.To the extent additional regulations or restrictions are imposed on us,or prior authorizations for existing products are revoked for manufacturers that we use **,** ~~--~~ for example the manufacturer of our legacy surveillance solutions or any of our current surveillance manufacturers **,** ~~--~~ and we are unable to shift our production or otherwise reduce the impact before the imposition of any applicable restrictions or regulatory changes,our business,financial condition,cash flows,and results of operations could be adversely affected. ~~After Russia~~

Potential future changes to tariff and duty rates,trade embargoes,and import / export regulations and restrictions could similarly adversely affect our business.Potential future changes to tariff and duty rates,trade embargoes,and import / export regulations and restrictions could similarly adversely affect our business Products **and Services** If we are unable to adapt to technological change and implement technological and aesthetic enhancements to our solutions, this could impair our ability to remain competitive. The market for professionally installed electronics is characterized by rapid technological change, frequent introductions of new solutions **,** and evolving industry standards **. We must continue to develop new products and services and enhance existing products and services to meet evolving customer needs, and respond to emerging technological trends, including Artificial Intelligence (" AI ")** . However, product development often requires significant lead- time and upfront investment and our ability to attract new consumers and increase net sales from existing consumers will depend in significant part on our ability to accurately anticipate changes in industry standards and to continue to appropriately fund development or acquisition efforts to **introduce or** enhance ~~existing solutions or introduce new~~ solutions in a timely basis to keep pace with technological developments. This is ~~true of all our solutions but is~~ particularly important with respect to our user interface and other direct customer **-** interface products including touch screens, remotes, keypads, and televisions. Similarly, if any of our competitors implement new technologies, **they** ~~those competitors~~ may be able to provide more effective or lower- cost products ~~than ours~~ , which could impact sales and decrease our market share. Any delay or failure in the introduction of new or enhanced solutions may have a material adverse effect on our business, results of operations **,** and financial condition. Product quality issues and a higher- than- expected number of warranty claims or returns could harm our business and operating results. ~~The products~~ **Products** ~~that~~ we sell could contain defects in design or manufacturing. Defects could also occur in the products or components ~~that are~~ supplied to us. There can be no assurance we **can** ~~will be able to~~ detect and remedy all **hardware and software** defects ~~in the hardware and software we sell~~ , which could result in product recalls, product redesign efforts, loss of net sales, reputational damage **,** and significant warranty and other remediation expenses **. There are several potential examples of product quality issues that could occur** . Similar to other electronics, our products have a risk of overheating and causing fire in the course of usage or upon malfunction. We sell power- distribution products that may allow damage to connected devices upon malfunction. We sell a range of racks, mounts, brackets, and other products that support large amounts of weight, over 2, 000 pounds in some instances, which may fail to support weight upon malfunction. Any of these defects could result in harm to property or personal injury, which could subject us to liability. If we determine ~~that~~ a product does not meet product quality standards or may contain a defect, the launch of such product could be delayed ~~until we remedy the quality issue or defect~~ . The costs ~~and loss of net sales~~ associated with any protracted delay necessary to remedy a quality issue or defect ~~in a new product~~ could be substantial. We provide warranties on our products ranging from one- year to lifetime. In certain countries we may lengthen product warranties due to ~~various~~ local laws and regulations. ~~The occurrence of any material~~ **Material** defects in our products could expose us to liability for damages and warranty claims in excess of our current reserves, and we could incur significant costs to correct any defects, warranty claims or other problems. In addition, if any of our product designs are defective or ~~are~~ alleged to be defective, we may be required to participate in a recall campaign **incurring unplanned expenses** . Any negative publicity related to ~~the~~ **products'** perceived quality ~~of our products~~ could affect our brand image and decrease customer confidence and demand, which could adversely affect our operating results and financial condition. Further, accidental damage coverage and extended warranties are regulated in the United States at the state level and are treated differently within each state. Additionally, outside the United States, regulations for extended warranties and accidental damage vary **by** ~~from country to~~ country. Failure to correctly interpret ~~the~~ regulations concerning extended warranties and accidental damage coverage or implement conformant policies may cause us to incur additional costs, fines **,** or subject us to additional regulatory requirements ~~in the future~~ . In addition to failures due to product defects, because our solutions are installed by independent integrators, if integrators do not install or maintain our solutions correctly or if the underlying network or infrastructure in a home or business is not sufficiently robust, our solutions may not function properly. Our end consumers generally judge our performance through their interactions with our integrators and distributors, as well as their day- to- day interactions with the product and the mobile application. If the improper installation or maintenance of our solutions leads to service failures of a product or solution, we could experience harm to our branded reputation, claims by our end consumers, integrators, strategic partners **,** or developers and we may incur increased expense to remedy the problem, any of which may have a material adverse effect on our business, results of operations **,** and financial condition. The performance of and demand for our solutions are impacted by factors outside of our sole control including compatibility and ease of integration with third- party products and services, as well as enabling technology, connectivity, software **,** and intellectual property that we do not own or control. Our solutions are designed to interoperate with a wide range of other third- party products, including products in the areas of audio, video, lighting, temperature, power, networking, and security, and we benefit from our relationships with partners that allow our platforms, including OvrC and Control4, to integrate with, and provide features such as control and remote management to, thousands of third- party devices and services. If we do not support the continued integration of our solutions with third- party products and applications, including new and additional products, demand for our solutions could decline and we could lose sales. In addition, companies that provide certain point solutions have eliminated or restricted, and may in the future eliminate or restrict, our ability to integrate with, control, remotely manage, and otherwise be compatible with these products. As a result, we may not be successful in making our solutions compatible with these third- party products and applications or lose functionality in existing systems to the extent that they depend on the ability to integrate with third- party products, which could reduce demand for our solutions. In addition, if prospective consumers require customized features or functions that we do not or cannot offer, then the market for our solutions may be harmed. Our solutions are deployed in many different locations and user environments. The ability of our solutions to operate effectively can be negatively impacted by many different elements unrelated to our solutions including the performance of enabling technology, integration services, intellectual property that we do not own or control, and the performance of integrators. For example, a user' s experience may suffer from an incorrectly deployed network or other key infrastructure such as cabling or wires. Such perceptions, even if incorrect, could harm our business and reputation. The prices and costs of the products we manufacture or purchase may be subject to large and significant price fluctuations. We might not be able to pass cost increases through to our end consumers, and we may experience losses in a rising price environment. In addition, we might have to lower our prices in a declining price environment, which could also lead to losses. We purchase and sell a wide variety of products, the price and availability of which may fluctuate, and which may be subject to large and significant price increases. Our business is exposed to these fluctuations, as well as to fluctuations in our costs for transportation and distribution. Changes in prices for the products that we purchase affect our net sales and cost of goods sold, as well as our working capital requirements, levels of debt **,** and financing costs. We might not always be able to reflect cost increases in our own pricing. Any inability to pass cost increases on to end consumers may adversely affect our business, financial condition **,** and results of operations. In addition, if market prices for the products we sell decline, we may realize reduced profitability levels from selling such products and lower revenues from sales of existing inventory stocks of such products. Risks Related to Our Manufacturing and Supply...... cost increases, and regulatory changes. If we fail to **meet** ~~manage our relationships with our suppliers or~~ **our** ~~logistics partners effectively~~ **service- level agreement commitments** , **we** ~~or if our suppliers or logistics partners experience delays, disruptions, capacity constraints, shortage of raw materials or components, or quality control problems in their operations, our ability to ship products may be impaired and our competitive position and reputation~~ could be **obligated to provide refunds of prepaid amounts** ~~harmed. In addition, any adverse change in our~~ **or** ~~suppliers~~ **other credits, which would lower** ~~or~~ **our** ~~logistics partners'~~ **revenue and harm our business,** financial **condition, and results of operations. Certain of** ~~or~~ **our products include service- level agreement commitments. If we are unable to meet the stated service- level commitments, including failure to meet the uptime and response time requirements under our customer agreements due to system failures, or other unforeseeable reasons, we could face terminations with refunds of prepaid amounts or other credits, which could significantly affect both our current and future revenue. Any service- level failures could also damage our reputation, which could also adversely affect our** business **, financial** condition ~~could disrupt our ability to supply quality products to our integrators and distributors. While we aim to maintain redundancy throughout our supply chain~~ , **and results** ~~in some cases we rely upon one or a few partners to provide critical services. Such reliance increases our risks~~ of **operations** ~~various supply chain disruptions. For example, the majority of our United States shipping is supported by a single logistics partner~~ . If we **fail** ~~are required~~ to ~~change~~ **successfully transform** ~~or~~ **our operations to support the** ~~replace suppliers or logistics partners, we may lose net sales~~ **sale of software service solutions and to continue to develop competitive software service solutions** , ~~incur increased costs or~~ **our business and prospects** ~~damage our relationships, or we might be unable to find a new contract manufacturer, component vendor, or supplier of similar distributed products on acceptable terms, or at all. In addition, qualifying a new supplier or logistics provider~~ could be **adversely affected. Transforming our business to offer** ~~an~~ **and** ~~expensive~~ **support additional software service solutions requires considerable investment in our organization. Whether we will be successful** and ~~lengthy process~~ **will accomplish our business and financial objectives is subject to risks and uncertainties, including but not limited to: customer demand, renewal rates, our ability to further develop and scale infrastructure, our ability to include functionality and usability in such offerings that address customer requirements, our ability and the ability of our partners to transition existing customer implementations and subscriptions to software services, and our costs** . If we ~~experience increased demand that our suppliers~~ are unable to ~~fulfill,~~ **successfully establish these new offerings and navigate** ~~or~~ **our business evolution** ~~if they are unable to provide us with adequate supplies of high- quality products for any reason~~ , ~~we~~ **our business** could ~~experience a delay in our order fulfillment, and it may have a material adverse effect on our business, results of operations and financial condition. Furthermore, we expect our suppliers, service providers and other business partners to comply with all legal requirements relating to health and safety, labor relations, the environment, supply chain ethics and transparency. If any of our suppliers engages in or is perceived to have engaged in legal or ethics violations, we may~~ be ~~unable to continue our relationship with that supplier. If we are required to find alternative sources of supply, qualification of alternative suppliers and the establishment of reliable supplies could result in delays and a possible loss of sales, which may have a material adverse~~ **adversely affected** effect on our business, results of......, cables, racks, and mounts . Risks Related to Our Distribution Channels We rely on our independent integrators to sell our solutions, and if our integrators fail to perform and grow their businesses, our ability to sell and distribute our solutions will be limited, and our results of operations may be harmed. Most of our net sales are generated through the sales of our solutions by our authorized integrators ~~and other types of integrators, as well as distributors in certain markets~~ . We have approximately 20, 000 active integrators authorized to sell our solutions. Our integrators are independent businesses that voluntarily sell both our solutions and ~~the products of~~ other companies **' products** to end consumers. We provide our integrators with specific training programs to assist them in selling, installing, supporting, and servicing our solutions **and the third- party solutions we distribute** . We have observed, and expect to continue to observe, high volatility in the monthly, quarterly **,** and annual sales performance of individual integrators. Although we can make estimated forecasts of cumulative sales of large numbers of integrators, we cannot assure their accuracy collectively or individually. Accordingly, if our actual sales fall short of our expectations, we may not be able to reduce or slow our spending quickly enough to protect margins. In addition, we expect that our net sales, results of operations **,** and cash flows may continue to fluctuate on a quarterly basis. Therefore, period- to- period comparisons of our net sales, results of operations **,** and cash flows should not be relied upon as an indication of future performance. Our independent integrators may be unsuccessful in marketing, selling, installing **,** and supporting our solutions. If we are unable to provide high- quality products in a timely manner at competitive prices and to develop and maintain effective sales incentive programs for our integrators, we may not be able to incentivize them to sell our solutions **or the third- party solutions we distribute** . Our integrators may also market, sell **,** and support products and services that are competitive with ours, and may devote more resources to the marketing, sales, and support of such competitive products. Our integrators may have incentives to promote our competitors' products to the detriment of our own, or may cease selling our solutions altogether. Our agreements with our integrators typically do not specify how much product will be ordered on an ongoing basis and may generally be terminated without penalty for any reason by either party with advance notice. We cannot assure that we will retain agreements with these integrators, or that we will be able to secure additional or replacement integrators. In addition, while we take certain steps to protect ourselves from liability for the actions of independent integrators, such as including contractual provisions limiting our liability with both end consumers and integrators, end consumers may seek recovery from us for damages caused by integrators in connection with product installations or servicing, or the failure of products to perform properly due to incorrect installations by integrators. In the event of litigation with respect to these matters, we cannot guarantee that our contractual protections will be enforced or that integrators will have the financial wherewithal or maintain insurance to meet their contractual obligations. Furthermore, integrators may initiate claims against us related to any failure or perceived failure to operate our business in accordance with our contracts and the law. Integrators may engage in wrongdoing, including unethical or illegal acts and may use our name and ~~our~~ brand in ways we do not authorize. Any such improper integrator behavior may harm our reputation or expose us to liability for their actions. If our sales partners engage in marketing practices that are not in compliance with local laws and regulations, we may be in breach of such laws and regulations, which may result in regulatory proceedings and potential penalties that could have a material adverse effect on our business. In addition, unauthorized activities in connection with sales efforts by our sales partners, including calling end consumers in violation of applicable regulations and fraudulent misrepresentations, could subject us to governmental investigations and class action lawsuits for, among others, false advertising and deceptive trade practice damage claims, against which we will be required to defend. Such defense efforts would be costly and time- consuming, and there can be no assurance that such defense efforts would be successful, all of which could ~~have~~ negatively impact our business, results of operations, and financial condition. Moreover, in order to continue our growth and expand our business, it is important that we continue to attract and add new integrators and ensure that most of our existing relationships remain productive. We must also work to expand our network of integrators to ensure we have sufficient geographic coverage and technical expertise to address new markets and technologies. If we are unable to attract, train, and ~~retain -~~ **retain** integrators, if we saturate the available integrator pool, or if market or other forces cause the available pool of integrators to decline, it may be increasingly difficult to grow our business. It is important that we enhance our integrator footprint by broadening the expertise of our integrators, providing tools and training that enable our integrators to be more effective, and expanding our line of solutions that our integrators offer. If we are unable to expand our network of independent integrators, or maintain the relationships with our existing integrators, our business could be harmed. Finally, we are dependent on a finite number of integrators, many of which are small businesses, to meet demand for our solutions. If our and their operations, infrastructure, and business processes fail to keep pace with our business and customer requirements, end consumers may experience disruptions in service or support or we may not scale the business efficiently, which could adversely affect our reputation and our net sales. There is no guarantee that we and our integrators will be able to continue to develop and expand our infrastructure and business processes at the pace necessary to scale the business, and our failure to do so may have an adverse effect on our business and brand identity. Because we distribute a portion of our solutions through e- commerce platforms, our operations may be materially adversely affected by technological problems and failure to improve our platforms to meet customer needs. A significant portion of our sales are transacted through e- commerce platforms including our website. Our integrators rely upon these sales platforms to conduct vital business activities including purchasing products, obtaining technical support and training, and learning about new products and services. Any failure of these platforms to operate reliably and meet customer needs may impact our business performance. For example, technological failures, both caused by us and those outside of our control, may result in platform downtime, and result in lost sales and customer loyalty. Additionally, if we do not continue to improve our e- commerce platforms to meet customer needs, we may also lose sales and customer loyalty. As we continue to improve customer experience and engage in strategic acquisitions, we ~~may~~ **have** ~~consolidate~~ **consolidated** e- commerce platforms. Such platform consolidation ~~attempts present~~ **presents** risks for both technological disruptions and failure to meet customer needs, which may adversely affect our operations. Because we distribute a portion of our solutions through highly dispersed brick- and- mortar locations across the United States and Canada, our operations may be materially adversely affected by inconsistent practices, and the operating results of individual branches may vary. We operate a portion of our product- distribution business through a network of highly dispersed locations throughout the United States and Canada, supported by leadership located in central offices, with local branch management retaining responsibility for day- to- day operations and adherence to applicable local laws. Our operating structure could make it difficult for us to coordinate procedures across our operations ~~in a timely manner or at all~~. We may have difficulty attracting and retaining qualified local personnel. In addition, our branches may require significant oversight and coordination from headquarters to support their growth. Inconsistent implementation of corporate strategy and policies at the local level could materially and adversely affect our overall profitability, prospects, business, results of operations, financial condition, and cash flows. In addition, the operating results of an individual branch may differ from those of another branch for a variety of reasons, including market size, management practices, competitive landscape, regulatory requirements, and local economic conditions. As a result, certain of our branches may experience higher or lower levels of growth than other branches. Risks Related to Laws and Regulations Failure to comply with laws and regulations could harm our business. We conduct our business in the United States and in various other countries. We are subject to regulation by various federal, state, local, and foreign governmental agencies, including, but not limited to, agencies and regulatory bodies, or authorities responsible for monitoring and enforcing product safety and consumer protection laws, data privacy and security laws and regulations, employment and labor laws, workplace safety laws and regulations, environmental laws and regulations, antitrust laws, federal securities laws, and tax laws and regulations. Our global operations require us to import from and export to several countries, which increases the number of jurisdictions' laws with which we must comply. We are also subject to anti- money- laundering laws such as the USA PATRIOT Act and may be subject to similar laws in other jurisdictions. Our platforms and solutions are subject to various export control and import laws and regulations, including the U. S. Export Administration Regulations, U. S. Customs **’** regulations, and various economic and trade sanctions regulations administered by the U. S. Treasury Department’ s Office of Foreign Assets Control, in part because our software contains encryption technologies. Exports of our platforms and solutions must be made in compliance with these laws and regulations. We may also be subject to import / export laws and regulations in other jurisdictions in which we conduct business. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. As a result, our access to technologies needed to improve our platforms and solutions may be impaired and the demand for our platforms and solutions outside of the United States may be limited. Any penalties, costs **,** and restrictions on export or import privileges could harm our results of operations. We maintain policies and procedures reasonably designed to ensure compliance with applicable trade accounting requirements, laws **,** and restrictions, including prohibiting the export, re- export or transfer of technology to companies on the Entity List maintained by the U. S. Department of Commerce’ s Bureau of Industry and Security, as well as prohibiting the sale of our products in certain countries. However, due to the size of our global operations, we cannot ensure that our policies and procedures, including related safeguards, will effectively prevent violations, including the unauthorized diversion of products to countries or persons that are the target of Office of Foreign Assets Control sanctions ~~,~~**;** the export, re- export **,** or transfer of technology to companies on the Entity List ~~,~~**;** failure to comply with accounting rules related to import and export of products ~~,~~**;** appropriate import product classifications ~~,~~**;** or other trade accounting requirements, laws, and restrictions. Moreover, if our service provider partners fail to obtain appropriate import, export **,** or re- export licenses or authorizations, we may also be adversely affected through reputational harm and penalties. Obtaining the necessary authorizations, including any required license, for a particular component or sale may be time- consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in our platforms or solutions or changes in applicable export or import laws and regulations may create delays in the introduction and sale of our platforms and solutions in the **United States** ~~U. S.~~ and international markets, prevent our service provider partners ~~with~~ from deploying our platforms and solutions, prevent us from importing or exporting components of some of our solutions, or, in some cases, prevent the export or import of our platforms and solutions to and from the United States and certain other countries, governments **,** or persons altogether . Any change in export or import...... restrictions could similarly adversely affect our business . Our integrators are required to abide by various national, state **,** and local regulatory requirements, including obtaining certifications and licenses in order to install and maintain certain products and technologies. For example, certain lighting products may only be installed by certified electricians. Home security and life safety products and services may require local and state licensure to distribute, install, and monitor ~~,~~**;** and local building codes may require such products to comply with an increasing and complex breadth of regulatory certifications. Other products, such as certain low- voltage products, may not require certifications or licenses in certain jurisdictions. National, state, or local regulatory requirements may change and require our integrators to obtain additional licenses, permits, and certifications to install our products. Such regulatory changes may make it more difficult and expensive for our integrators to install our products and therefore make it more difficult for us to sell our products. **Additionally, the rapid evolution and increased adoption of AI technologies and our obligations to comply with emerging laws and regulations may require us to develop additional AI- specific governance programs.** Changes in **applicable** laws ~~that apply to us~~ could result in increased regulatory requirements and compliance costs or the inability to import or export products or components from or to certain markets ~~,~~**;** which could harm our business, financial condition, cash flows **,** and results of operations. In certain jurisdictions, regulatory requirements may be more stringent than in the United States. Noncompliance with applicable regulations or requirements could subject us to whistleblower complaints, investigations, sanctions, settlements, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions, suspension or debarment from contracting with certain governments or other end consumers, the loss of export privileges, ~~multi- jurisdictional liability,~~ reputational harm **,** and other collateral consequences ~~. If any governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, financial condition, cash flows and results of operations could be materially harmed~~ . In addition, responding to any action will likely result in a materially significant diversion of management’ s attention and resources **,** and an increase in defense costs and other professional fees ~~. Enforcement actions and sanctions could further harm our business, financial condition, cash flows and results of operations~~ . Pursuant to the Dodd- Frank Wall Street Reform and Consumer Protection Act (the “ Dodd- Frank Act ”), we are required to adhere to certain reporting and other requirements regarding the use of certain minerals and derivative metals (referred to as “ conflict minerals, ” regardless of their actual country of origin) in our products. Some of these metals are commonly used in electronic equipment and devices, including our products. These requirements require that we investigate, disclose **,** and report whether ~~or not~~ any such metals in our products originated from the Democratic Republic of Congo or adjoining countries. In addition, in June 2022, the import restrictions contained in the Uyghur Forced Labor Prevention Act (“ UFLPA ”) became effective. The UFLPA creates a rebuttable presumption that any goods mined, produced **,** or manufactured, wholly or in part in ~~the~~ **China’ s** Xinjiang Uyghur Autonomous Region (“ XUAR ”) ~~of China~~ , or produced by a listed entity, were made with forced labor and would therefore not be entitled to entry at any U. S. port. Importers are required to present clear and convincing evidence that such goods are not made with forced labor. While we do not directly source any of our own raw conflict minerals or source any items ~~form~~ - **from** the XUAR or from listed parties ~~;~~**,** we have a complex supply chain, with numerous suppliers for the components and parts used in ~~each of~~ our products. As a result, we incur costs to comply with the diligence and disclosure requirements of the Dodd- Frank Act and the UFPLA. In addition, because our supply chain is so complex, we may not be able to sufficiently verify the origin of all relevant metals or other components and parts used in our products through ~~the~~ **our** due diligence procedures ~~that we implement~~ . We may incur reputational damage if we determine that any of our products contain parts made with forced labor or minerals or derivative metals that are not conflict- free or if we are unable to sufficiently verify the source for all components and conflict minerals used in our products through the procedures we may implement. Furthermore, key components and parts that can be shown to be " conflict- free " and not sourced from XUAR or listed parties may not be available to us in sufficient quantity, or at all, or may only be available at significantly higher cost ~~to us~~ . If we are not able to meet customer requirements, end consumers may choose to disqualify us as a supplier. Any of these outcomes may **negatively impact** ~~have a material adverse effect on~~ our business, results of operations **,** and financial condition. Risks Related to Cybersecurity and Privacy Failure to maintain the security of our information and technology networks, including information relating to our integrators, distributors, vendors, partners, end consumers **,** and employees, could adversely affect our business. In addition, if security breaches in connection with ~~the delivery of~~ our products and services allow unauthorized third parties to obtain ~~control of or otherwise~~ access **to** end consumers' networks or appliances, our reputation, business, results of operations **,** and financial condition could be harmed. The legal, regulatory **,** and contractual environment surrounding information security, privacy **,** and internet fraud is constantly evolving and companies that collect and retain information are under increasing attack by cyber criminals around the world. We are dependent on information technology networks and systems, including the Internet, to process, transmit **,** and store electronic information **,** and, in the normal course of our business, we collect and retain certain information, including financial ~~information~~ and personally identifiable information, from and pertaining to our integrators, distributors, partners, end consumers **,** and employees. ~~The~~ **Data** protection ~~of integrator, distributor, vendor, partner, end consumer and employee data~~ is important to us, and we devote significant resources ~~to~~ addressing security vulnerabilities in our products and ~~information technology~~ systems, and regularly engage with security experts to conduct penetration testing to help us uncover vulnerabilities ~~in our systems~~ . However, the policies and security measures ~~that~~ we **implement** ~~put in place~~ could prove to be inadequate and cannot guarantee our systems will be secure ~~,~~ **;** and our information technology infrastructure may be vulnerable to cyberattacks, data security incidents **,** or other vulnerabilities. Cyberattacks are increasingly sophisticated ~~, constantly evolving~~ , and often go undetected until after an attack ~~has been launched~~ . We may fail to identify ~~such~~ new ~~and complex~~ methods of attack or fail to invest sufficient resources in security measures ~~. Moreover, as a result of the conflict in Russia and the sanctions imposed by the U. S. and its allies, Russia may decide to direct cyber attacks at private industry including us or our suppliers~~ . We have previously experienced non- material **cyberattacks** ~~cyber attacks~~ , and will certainly ~~continue to~~ experience **cyberattacks** ~~cyber attacks~~ in the future, and we cannot be certain that advances in our cybersecurity capabilities or other developments will prevent compromises ~~or breaches~~ of the networks that access our products and services and ~~the~~ **data** repositories ~~where we store our data~~ . Further, we have acquired companies over the years and may continue to do so in the future. While we make significant efforts to address any information technology security issues with respect to our acquisitions, we may still inherit such risks when we integrate acquired products and systems. In addition, end consumers can use our tools for authorized, remote access to their systems, and certain of our employees and independent integrators can be provided ~~authorized~~ access to monitor and update certain of our products and services remotely. Security breaches by third parties or by ~~, or originating from,~~ one ~~or more~~ of our integrators or employees, that allow unauthorized access to or control over our end consumers' appliances or data through our products could harm our reputation, business, results of operations **,** and financial condition. ~~It is difficult to determine what harm may result from any specific interruption or security breach.~~ Any failure or perceived failure to maintain performance, reliability, security **,** and availability of systems or the actual or potential theft, loss, unauthorized use of our products or associated confidential information, including personally identifiable data of an integrator, distributor, partner, end consumer **,** and employee, could result in: • Harm to our reputation or brand, which could lead some end consumers to stop using ~~certain of~~ our products or services, reduce or delay future purchases of our products or services, use competing products or services, or ~~materially and~~ adversely affect the overall market perception of the security ~~and reliability~~ of our services and home automation products generally; • Individual and / or class action lawsuits, which could result in financial settlements or judgments against us and ~~that~~ would cause us to incur legal ~~fees and~~ costs; • Legal or regulatory enforcement action, which could result in fines and / or penalties and ~~which~~ would cause us to incur legal ~~fees and~~ costs; and / or • Additional costs associated with responding to the interruption or security breach, such as investigative and remediation costs, ~~the~~ costs of providing **notice to** individuals and / or data owners ~~with notice of the breach~~ , legal fees, ~~the~~ costs of ~~any~~ additional fraud- detection activities, or ~~the~~ costs of prolonged system disruptions or shutdowns. Any of these actions may have a material adverse effect on our business, results of operations **,** and financial condition. Because we store, process **,** and use data, including personal information, we are subject to complex and evolving federal, state **,** and foreign laws and regulations regarding privacy, data protection and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in investigations, claims, changes to our business practices, increased cost of operations **,** and declines in user growth, retention **,** or engagement, any of which could seriously harm our business. Our products and services rely heavily on the collection, processing and use of information, including personal information. Because we store, process **,** and use certain types of data, we are subject to complex and evolving federal, state **,** and foreign laws and regulations regarding privacy and data protection. Both in the United States and abroad, these laws and regulations are constantly evolving. In the United States, in addition to certain regulations at the federal level, each state has its own statutory approach to privacy regulation. ~~The~~ **These laws are continuously changing, and the** application and interpretation of these ~~laws and~~ regulations are often uncertain, particularly in **our** ~~the new and~~ rapidly evolving industry ~~in which we operate~~ . Continually implementing up- to- date data security tools and procedures and maintaining privacy standards **compliant** ~~that comply~~ with ever- changing privacy regulations in multiple jurisdictions is challenging. If we are found to have breached any consumer protection ~~laws or~~ regulations ~~in any such market~~ , we may be subject to enforcement actions that require us to change our business practices in a manner which may negatively impact our net sales, as well as expose ourselves to litigation, investigation, fines, civil and / or criminal penalties **,** and adverse publicity that could cause our end consumers to lose trust in us, negatively impacting our reputation and business in a manner that harms our financial position. ~~In recent years, there~~ **There is** ~~has been an increase~~ **increased** ~~in~~ attention to and regulation of data protection and data privacy across the globe, including the Federal Trade Commission' s (" FTC ") ~~increasingly~~ active approach to enforcing data privacy in the United States, as well as the enactment of ~~the various~~ international privacy regulations such as the European Union' s General Data Protection Regulation (" GDPR "), the United Kingdom' s transposition of GDPR into its domestic laws following its withdrawal from the European Union, and China' s Personal Information Protection Law. In addition, many states have **or will** ~~enacted~~ -- **enact** ~~, or are considering enacting,~~ state- specific privacy regulations such as the California Consumer Privacy Act (" CCPA ") and the expanded California Privacy Rights Act (" CPRA "). In Europe, the GDPR introduced stringent requirements (which will continue to be interpreted **in** ~~through guidance and decisions over the~~ coming years), including how data may be transferred outside of the European Economic Area (" EEA "). Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States. For example, in July 2020, the European Court of Justice struck down a permitted personal data transfer mechanism between the EEA and the United States, invalidating the use of the EU- U. S. Privacy Shield Framework and amended **the** requirements **of its** ~~with respect to another main transfer mechanism, the~~ standard contractual clauses (" SCCs "). ~~While~~ SCCs remain a valid mechanism to transfer data from the EEA to the United States, and the EU in 2021 issued modernized standard contractual clauses and required entities subject to GDPR to adopt revised SCCs to remain compliant with GDPR **. In 2023, European Commission adopted its adequacy decision for the EU- U. S. Data Privacy Framework. The adequacy decision concludes that the United States ensures an adequate level of protection for personal data transferred from the EU to U. S. companies participating in the EU- U. S. Data Privacy Framework. With all these changes** , uncertainty remains as to what, if any, additional steps may be required to remain in ~~compliant~~ **compliance** with the GDPR ~~. Further, following the United Kingdom' s withdrawal from the European Union, companies may be subject to both GDPR and the United Kingdom GDPR (" U. K. GDPR "), which, together with the amended U. K. Data Protection Act 2018, retains the GDPR in U. K. national law. While the U. K. has issued SCCs to govern the transfer of personal data outside the U. K., there remains uncertainty as to how United Kingdom data protection laws and regulations will develop, and how data transfers to and from the United Kingdom will be regulated in the long term~~ . These changes may lead to additional costs and increase our overall risk exposure. Penalties for non- compliance with either or both ~~of~~ the GDPR or the U. K. GDPR are potentially significant ~~,~~ and could harm our financial position ~~. In the United States, CCPA requires that companies that process personal information of California residents make certain disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of certain data sharing with third parties, and provides a new private cause of action for certain specified data breaches as well as for civil penalties for violations, with enforcement actions coming from the California Attorney General. Further, the CPRA amending and expanding the CCPA, went effect on January 1, 2023. The CPRA further strengthens privacy laws in California and create a new privacy regulatory agency in the state, which could result in greater numbers of enforcement actions and fines. Additionally, other states, including Colorado, Virginia and Utah, have also enacted comprehensive consumer privacy laws that differ from CCPA and CPRA becoming effective across 2022 and 2023. Moreover, the FTC and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. Each of these privacy, security and data protection laws and regulations could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our compliance expenses and make our business more costly or less efficient to conduct~~ . We publicly post our privacy policies and practices concerning our processing, use **,** and disclosure of personal information. ~~Our privacy policy and other statements~~ **Statements** we publish provide ~~promises and~~ assurances about privacy and security that could subject us to ~~potential~~ regulatory action or other liabilities if: (a) such statements are found to be deceptive or misrepresentative of our practices, (b) we fail to take adequate measures to ensure that we adhere to applicable regulations, or (c) our third- party data processors fail to adequately protect personal information that they process on our behalf. While we select our third- party data processors carefully, we do not control their actions. Any problems experienced by these third parties, including those resulting from breakdowns or other disruptions in the services provided by such parties or **cyberattacks** ~~cyber attacks~~ and security breaches, could adversely affect our ability to ~~service or otherwise~~ conduct our business. Risks Related to Intellectual Property If we fail to protect our intellectual property and proprietary rights adequately, our business could be harmed. We believe ~~that~~ proprietary technology is essential to establishing and maintaining our leadership position. We seek to protect our intellectual property through ~~trade secrets,~~ our confidentiality, non- compete, non- solicitation **,** and nondisclosure agreements **to maintain the confidentiality of our trade secrets** , and by registering numerous patents, trademarks, and domain names in various justifications, as well as ~~using~~ other measures, some of which may afford only limited protection. We rely on a combination of patent, trademark, trade secret, copyright **,** and other similar laws to protect our intellectual property. Our means of protecting our proprietary rights may not be adequate or our competitors may independently develop similar or superior technology, or design around our intellectual property ~~. In addition to patents, we rely on unpatented proprietary technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our technology or obtain and use information that we regard as proprietary. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, and independent contractors to enter into confidentiality agreements. However, such agreements may not be enforceable in full or in part in all jurisdictions and regardless of enforceability, any breach of these agreements could have a negative effect on our business and our remedies may be limited. We cannot assure you that these agreements or other steps we take to protect our proprietary and confidential information, including our trade secrets, will provide meaningful protection for our confidential and proprietary information~~ . If we are unable to maintain the proprietary nature of our technologies, our business could be materially adversely affected. ~~We also rely on our trademarks, trade names, and brand names to distinguish our solutions from the products of our competitors and have registered or applied to register many of these trademarks in the United States and certain countries outside the United States.~~ As we rely in part on brand names and trademark protection to enforce our intellectual property rights, efforts by third parties to limit use of our brand names or trademarks **,** and barriers to the registration of brand names and trademarks in various countries **,** may restrict our ability to promote and maintain a cohesive brand throughout our key markets. There can also be no assurance that pending or future U. S. or foreign trademark applications will be approved in a timely manner or at all, or that such registrations will effectively protect our brand names and trademarks. In addition, we have not registered all ~~of~~ our trademarks in all jurisdictions. Third parties may also oppose our trademark applications, or otherwise challenge our use of ~~the~~ trademarks, or use our trademarks without permission and cause brand confusion in various markets. **If** ~~In the event that~~ our trademarks are successfully challenged, or we are not able to successfully enjoin others from using our trademarks, we could be forced to rebrand, which could result in loss of brand recognition and would require us to devote resources to advertising and marketing new brands. In addition, the laws of some foreign countries do not protect our proprietary rights ~~to~~ as **extensively** ~~great an extent~~ as ~~the laws of~~ the United States. Intellectual property protections may also be unavailable, limited **,** or difficult to obtain and enforce in some countries, which could make it easier for competitors to capture market share. For example, many foreign countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit. Effective trade secret protection may also not be available in every country in which our products are available or where we have employees or independent contractors. In addition, any changes in, or unexpected interpretations of, the trade secret, intellectual property, or employment laws in any country in which we operate may compromise our ability to enforce our trade secret and other intellectual property rights. To prevent substantial unauthorized use of our intellectual property rights, it may be necessary to prosecute actions for infringement and / or misappropriation of our proprietary rights against third parties. ~~Any~~ **For example, we recently sued Josh. AI Inc. and AVA Inc. because we believe their products violated certain of our patents and they misappropriated certain trade secrets. This action, and other** such ~~action~~ **actions** could result in significant costs and diversion of our resources and management' s attention, and we cannot assure that we will be successful ~~in such action~~ . Furthermore, many of our ~~current and potential~~ competitors **can** ~~have the ability to~~ dedicate ~~substantially~~ greater resources to enforce their intellectual property rights ~~(~~ or ~~to~~ contest **infringement** claims ~~of infringement)~~ than we ~~do~~ **can** . Accordingly, despite our efforts, we may not be able to prevent third parties from knowingly or unknowingly infringing upon or misappropriating our intellectual property rights. If we are unable to protect our intellectual property rights ~~(~~ **,** including aspects of our software and platform protected other than by patent rights ~~)~~ , we will find ourselves at a competitive disadvantage to others who need not incur the additional expense, time **,** and effort required to create our platform and other innovative products that have ~~enabled~~ **made** us ~~to be~~ successful ~~to date~~ . Assertions by third parties that we are infringing their intellectual property could, regardless of merit, subject us to costly and time- consuming litigation and could further lead to expensive licenses or significant liabilities in the event of an adverse judgment. ~~The~~ **Our** industry ~~in which we compete~~ is characterized by the existence of **many** ~~a large number of~~ patents, copyrights, trademarks **,** and trade secrets, and by frequent litigation based on **infringement** allegations ~~of infringement~~ or other violations of intellectual property rights. There may be third- party intellectual property rights, including issued or pending patents, that cover significant aspects of our technologies or business methods. As we face increasing competition and our public profile increases, the possibility of intellectual property rights claims against us may ~~also~~ increase. We have been subject to intellectual property litigation in the past and ~~we~~ may be subject to similar litigation in the future. Given that some of our core product lines are, or integrate with, network- aware products, **and** ~~the risk that our solutions may be subject to these allegations may be exacerbated~~ because of the litigious environment for connectivity technologies **, the risk that our solutions may be subject to these allegations may be exacerbated** . Further, we may face exposure to third- party intellectual property infringement, misappropriation, or violation actions if we engage software engineers or other personnel who were previously engaged by competitors or other third parties and those personnel inadvertently or deliberately incorporate **third- party** proprietary technology ~~of third parties~~ into our products. A loss of key personnel or their work product in connection with such actions could hamper or prevent our ability to develop, market, and support potential products or enhancements, which could harm our business. Any intellectual property claims, with or without merit, could be ~~very~~ time- consuming and expensive to settle or litigate. We might not prevail in any ~~current or future~~ intellectual property infringement litigation given the complex legal and technical issues and inherent uncertainties ~~in such litigation~~ . Defending such claims, regardless of ~~their~~ merit, could be time- consuming and distracting to management, result in costly litigation or settlement, cause development delays **,** or require us to enter into royalty or licensing agreements. In addition, we currently have a limited portfolio of issued patents compared to some ~~of our~~ competitors, and therefore may not be able to effectively utilize our intellectual property portfolio to assert defenses or counterclaims, or **to** negotiate cross- licenses in response to patent- infringement claims or litigation ~~brought against us by third parties~~ . Further, litigation may involve patent- holding companies or other adverse patent owners who have no relevant products or revenues and against which our potential patents provide no deterrence, and many other potential litigants have the capability to dedicate ~~substantially~~ greater resources to enforce their intellectual property rights and ~~to~~ defend claims ~~that may be brought against them~~ . If our solutions exceed the scope of in- bound licenses or violate any third- party proprietary rights, we could be required to withdraw those solutions from the market, re- develop those solutions **,** or seek to obtain licenses from third parties, which might not be available on reasonable terms or at all. Any efforts to re- develop our solutions, obtain licenses from third parties on favorable terms or license a substitute technology might not be successful and, in any case, might substantially increase our costs and harm our business, financial condition **,** and results of operations. If we were compelled to withdraw any of our solutions from the market, it may have a material adverse effect on our business, results of operations **,** and financial condition. In the past, we have entered into settlement agreements relating to contractual claims and alleged patent infringements, which have included future royalty payments on certain products, the payment of a lump sum amount for alleged past damages **,** and **/** or the payment of a fixed amount in exchange for a covenant not to sue **,** and **we** may be required to do so again ~~in the future~~ . We have agreed to indemnify our independent integrators and other partners for certain intellectual property infringement claims regarding our products and other materials we provide ~~to~~ them. As a result, in the case of infringement claims against these partners, we could be required to indemnify them for losses ~~resulting from such claims~~ . We expect ~~that~~ some of our partners may seek indemnification from us in connection with infringement claims ~~brought against them~~ . We evaluate each such request on a case- by- case basis **,** and ~~we~~ may not succeed in refuting any such claim we believe to be unjustified. If a partner elects to invest resources in enforcing a claim for indemnification against us that we believe is unjustified, we could incur significant costs in disputing it. If we do not succeed in disputing it, we could face substantial liability. The use of open- source software in our solutions may expose us to additional risks and harm our intellectual property. Some of our solutions use or incorporate software ~~that is~~ subject to one or more open- source licenses. If we combine or link our proprietary software with certain open- source software and distribute or make available such software to third parties, we could, under the terms of the applicable open- source licenses, be required to disclose part or all of ~~the~~ **our proprietary software** source code ~~of our proprietary software~~ publicly **,** or to allow further modification and redistribution of such software on potentially unfavorable terms or at no cost. This could provide an advantage to our competitors or other entrants to the market, allow them to create similar products with lower development effort and time, and ultimately result in a loss of sales for us. We may also be required to spend time and effort to remediate such uses of open- source software **. Open- source compliance problems can also result in damage to reputation, and challenges in recruitment or retention of engineering personnel** . The terms of many open- source licenses to which we are subject have not been interpreted by U. S. or foreign courts, and ~~accordingly~~ there is a risk ~~that~~ those licenses could be construed in a manner that imposes unanticipated ~~conditions or~~ restrictions on our ability to commercialize our solutions. **We** ~~In that event, we~~ could be required to seek licenses from third parties ~~in order~~ to continue offering our solutions, to redevelop our solutions, to discontinue sales of our solutions or to release our proprietary software code under the terms of an open- source license ~~,~~ **;** any of which could harm our business ~~. Enforcement activity for open- source licenses can also be unpredictable. From time to time, companies that use third- party open- source software have also faced claims challenging the use of such open- source software and their compliance with the terms of the applicable open- source license~~ . We may be subject to suits by parties claiming ownership of what we believe to be open- source software, or claiming non- compliance with the applicable open- source licensing terms. ~~Were it determined that our use was not in compliance with a particular license, we may be required to release our proprietary source code, defend claims, pay damages for breach of contract or copyright infringement, grant licenses to our patents, re- engineer our products, discontinue distribution in the event re- engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from our product development efforts, any of which could negatively impact our business. Open- source compliance problems can also result in damage to reputation and challenges in recruitment or retention of engineering personnel.~~ Any ~~related~~ litigation could be costly for us to defend ~~,~~ **;** have a material adverse effect on our business, results of operations **,** and financial condition ~~,~~ **;** or require us to devote additional research and development resources to change our solutions. We rely on the availability of third- party licenses and our inability to maintain those licenses could harm our business and results of operations. We rely on third- party licensed technology, which we have incorporated into our products. Some of our agreements with our licensors may be terminated by them for convenience, or otherwise provide for a limited **-** term license. In addition, we may need to seek additional licenses for existing or new products, which may not be available on acceptable terms, or at all. The inability to obtain certain licenses or other rights, or to obtain **them** ~~those licenses or rights~~ on favorable terms, or the need to engage in litigation regarding these matters, could result in our inability to include certain features in our products or delays in product releases, force us to acquire or develop alternative technology, which we may be unable to do in a commercially feasible manner or at all, and require us to use alternative technology of lower quality or performance standards. Any of the foregoing would disrupt the distribution and sale of our products and harm our business, results of operations **,** and financial condition. Any errors or defects in third- party software could also result in errors or a failure of products. Moreover, the inclusion in our products of intellectual property licensed from third parties on a nonexclusive basis could limit our ability to protect our proprietary rights in our products. We cannot be certain ~~that~~ our licensors ~~do not or~~ will not infringe on ~~the~~ **third- party** intellectual property rights ~~of third parties~~ or that our licensors ~~have or~~ will have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products, or that our remedies against our third- party software licensors in the event of such infringement will be sufficient. Risks Related to Our International Operations We are subject to a number of risks associated with international sales and operations. International net sales accounted for ~~13~~ **12** . ~~5~~ **8** % of our total net sales for fiscal year ~~2022~~ **2023** , and that percentage may grow in the future. As a result, we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing, and retaining international integrators, distributors, and international staff, and specifically staff related to sales management and sales personnel, we may experience difficulties in productivity in foreign markets. If we are not able to increase the sales of our solutions to consumers located outside of the United States, our results of operations or net sales growth may be harmed. In addition, in connection with our expansion into foreign markets, we ~~are a receiver~~ - **receive** ~~of~~ currencies other than the U. S. dollar. Accordingly, changes in exchange rates, and ~~in particular~~ **particularly** a strengthening of the U. S. dollar, will negatively affect our net sales as expressed in U. S. dollars. There is also a risk when we adjust local currency product pricing due to volatility or changes in foreign currency exchange rates that demand for our products will decrease ~~and~~ **, harming** our ability to compete for customers in these geographies ~~will be harmed~~ . Conducting and launching operations on an international scale requires close coordination of activities across multiple jurisdictions and time zones and consumes significant management resources ~~. Our limited experience in operating our business in certain countries outside of the United States increases the risk that our current and any future international expansion efforts will not be successful~~ . Conducting international operations subjects us to risks that, generally, we do not face in the United States either at all or with the same degree of severity, including: • Fluctuations in currency exchange rates; • Changes in foreign regulatory requirements; • Longer accounts receivable payment cycles and difficulties in collecting accounts receivable; • Difficulties in managing and staffing international operations, ~~including differences in labor laws,~~ which may result in higher personnel- related liabilities and expenses; •

Potentially adverse tax consequences, including the complexities of foreign value **-** added tax systems and restrictions on the repatriation of earnings; • Localization of our solutions and other materials, including translation into foreign languages and associated expenses; • Localization of applicable agreements under applicable foreign law and differing legal standards and risks; • ~~The burdens~~ **Burdens** of complying with a wide variety of foreign laws and different legal standards, including laws and regulations related to import / export, privacy, the transfer of personal information across borders, data security, labor **,** and limitations on liability; • Increased financial accounting and reporting burdens and complexities; • Political, social **,** and economic instability abroad, war, terrorist attacks **,** and security concerns in general, including crime and cyber security; and • Reduced or varied protection for intellectual property rights in some countries. The impact of any one of these could harm our international business and, consequently, our results of operations generally. Moreover, operating in international markets also requires significant management attention and financial resources. We cannot be certain ~~that~~ the investment and additional resources required in establishing, acquiring **,** or integrating operations and personnel in other countries will produce desired levels of net sales or profitability ~~,~~ **;** and if we ~~decided~~ - **decide** to open new international markets or change our go- to- markets structures, we will incur additional expenses with no guarantee ~~that~~ the investment will be profitable. Due to the global nature of our business, we could be harmed by violations of the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act or similar anti- corruption laws in other jurisdictions in which we operate, or various international trade and export laws. The global nature of our business creates various domestic and local regulatory challenges, including compliance with applicable anti- corruption laws and regulations. Where they apply, the U. S. Foreign Corrupt Practices Act (~~the~~ " FCPA "), the U. K. Bribery Act 2010 (~~the~~ " U. K. Bribery Act "), and similar anti- corruption laws in other jurisdictions generally prohibit companies and their directors, officers, employees **,** and intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business or securing an improper business advantage. The U. K. Bribery Act and other anti- corruption laws that could apply to our business also prohibit non- governmental " commercial " bribery and accepting bribes. In addition, U. S.- listed companies are required to maintain ~~books~~ records that accurately and fairly represent their transactions and to implement and enforce an adequate system of internal accounting controls. Our global operations expose us to the risk of violating, or being accused of violating, anti- corruption laws and regulations. Our business requires us to import from and export to several countries, which exposes us to corruption risks, and we rely heavily on intermediaries to support our sales and marketing operations, including integrators and distributors, and we could potentially face liability if these intermediaries engage in misconduct related to our business. We also operate in areas of the world that have elevated corruption risks and, in certain circumstances, compliance with anti- corruption laws may conflict with local customs and practices. Although our policies and procedures prohibit bribery and we periodically train our employees and agents about these anti- corruption laws, we cannot assure compliance by our personnel or intermediaries with such anti- corruption laws. **If we are found to be** ~~Our employees or other agents may engage~~ in **violation of any applicable** ~~prohibited conduct and render us responsible under the FCPA, the U. K. Bribery Act or similar~~ anti- corruption laws ~~. If we are found to be in violation of the FCPA, the U. K. Bribery Act or other anti- corruption laws~~ , this may expose us to reputational harm, investigation costs, or significant sanctions, including disgorgement of profits, injunctions **,** and suspension or debarment from government contracts, criminal or civil penalties **,** or other sanctions, which could harm our business. The **recent armed** ~~conflict~~ **conflicts** ~~between Russia and Ukraine and the resulting sanctions~~ could harm our business. In February 2022, armed conflict escalated between Russia and Ukraine. The sanctions **against Russia** announced by the **United States** ~~U. S.~~ and other countries following Russia' s invasion of Ukraine ~~against Russia to date~~ include restrictions on selling or importing goods, services or technology in or from affected regions **;** and travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia ~~,~~ **;** and such sanctions may be widened as the conflict continues. We ~~are~~ **continue to** ~~monitoring~~ --- **monitor** developments in Ukraine **,** ~~as well as~~ the related export controls and financial and economic sanctions **,** and Russia' s responsive restrictions. As a result, we have paused all sales of our product to companies in Russia and Belarus. Although we do not ~~presently~~ foresee direct material adverse effects upon our business, financial condition **,** or results of operations as a result of developments in Ukraine and the consequent controls and sanctions, these factors may affect companies in many sectors and could lead to increased market volatility and uncertainty, which could affect us **. In October 2023, Hamas launched assaults against Israeli citizens in Israel, and Israel subsequently responded aggressively with operations against Hamas inside the Gaza Strip. The Israel- Hamas War has caused substantial regional instability and world- wide concern and potential involvement. While we do not currently believe this conflict has caused a direct material adverse impact on our business, escalating tensions in the region, including conflicts in the Red Sea, may disrupt global markets and foreign interest rates, cause increased inflation in energy and logistics costs, and negatively impact our supply chain. These conflicts are highly unpredictable and have already resulted in significant volatility in oil and natural gas prices worldwide. The increased cost of oil, along with increased or prolonged periods of inflation, would likely increase our costs in the form of higher wages, and further inflation on supplies and equipment necessary to operate our business. One or more of our suppliers could be negatively affected by global economic instability, which could** in turn **, negatively impact our business, financial condition, or results of operations** . Risks Related to Our Indebtedness Our substantial indebtedness could materially adversely affect our financial condition and our ability to operate our business, react to changes in the economy or industry or pay our debts and meet our obligations under our debt and could divert our cash flow from operations for debt payments. On December 8, 2021, we entered into a new credit agreement (the " Credit Agreement ") with various financial institutions consisting of ~~a~~ $ 465. 0 million senior secured term ~~loan~~ **loans** (the " Term Loan ") maturing in **2028** ~~seven years~~ and a $ 100. 0 million senior secured revolving credit facility (the " Revolving Credit Facility ") maturing in **2026** ~~five years~~ . As of December 8, 2021, the day we refinanced our prior credit agreement (the " Old Credit Agreement ") with proceeds of the Credit Agreement, our total term loan borrowings under our Credit Agreement ~~was~~ **were** $ 465. 0 million. On October 2, 2022 **,** we entered into an Incremental Agreement (the " Incremental Agreement ") which amended the Credit

Agreement to obtain incremental term loans in an aggregate principal amount of $ 55. 0 million (the " Incremental Term ~~Loans~~ **Loan** "). The Incremental Term ~~Loans~~ **Loan** ~~mature~~ **matures in 2025** ~~on the third anniversary of the funding date of the Incremental Term Loans~~. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources " for **further** discussion ~~included in Item 7 of this Form 10- K~~. In addition, subject to restrictions in the agreements governing our credit facilities, we may incur additional debt. Our substantial indebtedness could have negative consequences, including the following: • It may be difficult for us to satisfy our obligations, including debt service requirements under our outstanding debt, resulting in possible defaults on and acceleration of such indebtedness; • Our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions or other general corporate purposes may be impaired; • A substantial portion of cash flow from operations may be dedicated to the payment of principal and interest on our debt, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures, future business opportunities, acquisitions **,** and other purposes; • We are more vulnerable to economic downturns and adverse industry conditions and our flexibility to plan for, or react to, changes in our business or industry is more limited; • Our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors, may be compromised due to our high level of debt; and • Our ability to borrow additional funds or to refinance debt may be limited. Furthermore, ~~all of~~ our debt under our Credit Agreement bears interest at variable rates. **Although we entered into an interest rate cap agreement that became effective in December 2022, a portion of our debt still bears interest under variable interest rates.** As these rates increase as they did in ~~2022~~ **2023** , our debt service obligations increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, correspondingly decrease. If interest rates continue to increase, we will see a corresponding increase in these obligations. Accordingly, our ability to borrow additional funds may be reduced and risks related to our substantial indebtedness would intensify. ~~Each quarter- point increase in the variable interest rates would increase interest expense on our current variable rate debt by approximately $ 1. 3 million during 2022. In July 2017, the Financial Conduct Authority (the authority that regulates the London Interbank Offer Rate (" LIBOR ") announced it intended to stop compelling banks to submit rates for the calculation of LIBOR after December 31, 2021. The Alternative Reference Rates Committee (the " ARRC ") has proposed the Secured Overnight Financing Rate (" SOFR ") as the alternative rate for use in derivatives and other financial contracts currently being indexed to LIBOR. SOFR is a daily index of the interest rate banks and hedge funds pay to borrow money overnight, secured by U. S. Treasury securities. As per the terms of our Credit Agreement, we are in the process of transitioning to SOFR as the new interest rate index that we will use for our Credit Agreement. We also anticipate that we may use SOFR as the interest rate index in future agreements. SOFR differs fundamentally from LIBOR. For example, SOFR is a secured overnight rate, while LIBOR is an unsecured rate that represents interbank funding over different maturities. In addition, because SOFR is a transaction- based rate, it is backward- looking, whereas LIBOR is forward- looking. Because of these and other differences, there can be no assurance that SOFR will perform in the same way as LIBOR would have done at any time, and there is no guarantee that it is a comparable substitute for LIBOR.~~ We and our subsidiaries may be able to incur substantial additional debt in the future. Although our Credit Agreement contains restrictions on the incurrence of additional debt, these restrictions are subject to **multiple** ~~a number of~~ qualifications and exceptions, and the debt incurred in compliance with these restrictions could be substantial. Additionally, we may successfully obtain waivers of these restrictions. These restrictions also do not prevent us from incurring obligations, such as trade payables, that do not constitute indebtedness as defined under our Credit Agreement. If we incur additional debt above the levels currently in effect, the risks associated with our leverage, including those described above, would increase. Servicing our debt requires a significant amount of cash. Our ability to generate sufficient cash depends on numerous factors beyond our control, and we may be unable to generate sufficient cash flow to service our debt obligations. Our business may not generate sufficient cash flow from operating activities to service our debt obligations. Our ability to make payments on and to refinance our debt and to fund planned capital expenditures depends on our ability to generate cash ~~in the future~~. To some extent, this is subject to general and regional economic, financial, competitive, legislative, regulatory **,** and other factors ~~that are~~ beyond our control. Like other companies, ~~the pandemic and~~ geopolitical unrest **has resulted in** ~~have caused us to experience~~ longer supply chain lead times for certain products and materials. We have implemented strategies to mitigate these longer lead times for many of our products and materials, but there is no guarantee that ~~we~~ **our mitigation strategies** will ~~continue to~~ be successful ~~in our mitigation strategies~~ and longer lead times could have a material impact on our liquidity and ability to service our debt. If we are unable to generate sufficient cash flow from operations to service our debt and meet our other commitments, we may need to refinance all or a portion of our debt, sell material assets or operations, delay capital expenditures **,** or raise additional debt or equity capital. We may not be able to affect any of these actions on a timely basis, on commercially reasonable terms or at all, and these actions may not be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt agreements may restrict us from pursuing any of these alternatives. Restrictive covenants in our Credit Agreement governing our indebtedness may restrict our ability to pursue our business strategies, and failure to comply with any of these restrictions could result in acceleration of our debt. The operating and financial restrictions and covenants in our Credit Agreement may materially adversely affect our ability to distribute monies to our stockholders, finance future operations or capital needs **,** or engage in other business activities. Such agreements limit our ability, among other things, to: • Incur additional indebtedness and guarantee indebtedness; • Pay dividends on or make distributions in respect of our common stock or make other restricted payments; • Make loans and investments; • Sell or otherwise dispose of assets; • Incur liens; • Consolidate, merge, sell **,** or otherwise dispose of all or substantially all of our assets ~~; • Enter into agreements restricting our subsidiaries' ability to pay dividends~~; • Enter into certain transactions with our affiliates; and • Designate our subsidiaries as unrestricted subsidiaries. In addition, ~~the covenants in~~ our Credit Agreement **covenants** require us to maintain a specified first lien secured net leverage ratio when a certain percentage of our Revolving Credit Facility commitments are borrowed and outstanding as of the end of each fiscal quarter. The Revolving Credit Facility under our Credit Agreement is subject to a first lien secured net leverage ratio of 7. 50 to 1: 00, tested quarterly, if, and only if, the aggregate principal amount from the revolving facility, letters of credit (to the extent not cash collateralized or backstopped or, in the aggregate, not in excess of the greater of $ 10. 0 million and the stated face amount of letters of credit outstanding on the initial closing date of the Credit Agreement) and swingline loans outstanding and / or issued, as applicable, exceed 35 % of the total amount of the Revolving Credit Facility commitments on such date. In certain circumstances, our ability to meet this financial covenant may be affected by events beyond our control. A breach of ~~the covenants under~~ our Credit Agreement **covenants** could result in a default or an event of default under the Credit Agreement. Such a default or event of default might allow the creditors to accelerate all amounts outstanding under our Credit Agreement and might result in the acceleration of any other debt or the termination of other third- party contracts to which a cross- acceleration or cross- default provision applies. In addition, an event of default under our Credit Agreement would permit the lenders to terminate all commitments to extend further credit to us. Furthermore, we have pledged a significant portion of our assets as collateral to secure our debt, and if we were unable to repay the amounts due and payable, those creditors could proceed against the collateral. In the event our lenders accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. As a result of all of these restrictions, we and / or our subsidiaries, as applicable, may be: • Limited in how we conduct our business; • Unable to raise additional debt or equity financing to operate during general economic or business downturns; or • Unable to compete effectively or to take advantage of new business opportunities. These restrictions might hinder our ability to service our indebtedness or grow in accordance with our business strategy. Furthermore, the terms of any future indebtedness we may incur could have further additional restrictive covenants. We may not be able to maintain compliance with these covenants in the future, and in the event that we are not able to maintain compliance, we cannot assure you that we will be able to obtain waivers from the lenders or amend the covenants. A downgrade in our credit ratings could increase our cost of funding and / or adversely affect our access to debt financing and working capital, as well as result in a loss of business and materially adversely affect our financial condition and results of operations. Our credit ratings are important to our cost and availability of capital. The major rating agencies routinely evaluate our credit profile and assign credit ratings to us. This evaluation is based on a number of factors, which include financial strength, business and financial risk, as well as transparency with rating agencies **,** and timeliness of financial reporting. The addition of further leverage to our capital structure could result in a downgrade to our credit ratings in the future. As such, failure to maintain our current credit rating could adversely affect our cost of funding and our liquidity by limiting the access to capital markets or the availability of funding potential lenders. In addition, we purchase material and services from some suppliers on extended terms based on our overall credit rating. Negative changes in our credit rating may impact our suppliers' willingness to extend terms and increase the cash requirements of the business. Risks Related to Our Financial Statements We may be subject to additional tax liabilities, which could materially adversely affect our financial condition, results of operations **,** or cash flows. We are subject to income, sales, use, value added, franchise, tariffs, and other taxes in the United States and other countries in which we conduct business, which laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect **income,** sales, use, value added, tariffs **,** or other taxes on our sales may assert that such taxes are applicable, which could result in tax assessments, penalties **,** and interest, and we may be required to collect such taxes in the future. Significant judgment is required in determining our worldwide provision for income taxes and evaluating our uncertain tax positions. These determinations are highly complex and require detailed analysis of the available information ~~and~~ **,** applicable statutes and regulatory materials. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be different from our historical tax practices, provisions and accruals. If we receive an adverse ruling as a result of an audit, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, our tax provision, results of operations **,** or cash flows could be harmed. In addition, liabilities associated with taxes are often subject to an extended or indefinite statute of limitations period. Therefore, we may be subject to additional tax liability (including penalties and interest) for any particular year for extended periods of time depending on the specific statute of limitations in the relevant jurisdiction. We have a recent history of losses and expect to incur increased operating costs in the future, and we may not achieve or sustain profitability or current revenue growth. We have recorded net losses **this year and net losses** and negative cash flows from our operations in the past. We expect our operating expenses to increase in the future as we expand our operations and execute our product roadmap and strategy. We also plan to make significant future expenditures related to the expansion of our business and our product offerings, including investments in: • Research and development to continue to introduce innovative new products and enhance existing products; • Sales and marketing to expand our brand awareness, promote new products, increase our customer base **,** and expand sales within our existing customer base; and • Legal, accounting, information technology **,** and other administrative expenses to sustain our operations as a public company. If our net sales do not continue to grow to offset any increased expenses, we may continue to record net losses. We may incur significant losses in the future for a number of reasons, including ~~without limitation~~ the other risks and uncertainties described herein. Additionally, we may encounter unforeseen operating or legal expenses, difficulties, complications, delays in manufacturing and selling our products **,** and other unknown factors that may result in losses in future periods. If these losses exceed our expectations or our net sales growth expectations are not met in future periods, our operating results could be adversely affected and our stock price could be harmed and we may need to ~~establish a~~ **increase our** valuation allowance ~~for~~ **against** our U. S. federal and state deferred tax assets again in the future and our stock price may fall. We may be required to recognize an impairment of our goodwill and other identifiable intangible assets, which represent a significant portion of our total assets. As of December ~~30~~ **29** , ~~2022~~ **2023** , we had $ 592. ~~2~~ **4** million of goodwill and $ ~~554~~ **505** . ~~4~~ **1** million of unamortized identifiable intangible assets recorded on our balance sheet. Goodwill and identifiable indefinite lived intangible assets are tested on the first day of the fourth quarter of each year. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the solutions we offer, challenges to the validity of certain registered intellectual property, reduced sales of certain products or services incorporating registered intellectual property, increased attrition **,** and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. An impairment of all or a part of our goodwill or other identifiable intangible assets may have a material adverse effect on our business, financial condition, and results of operations. See “ Management’ s Discussion and Analysis of Financial Conditions and Results of Operations ” ~~included in Item 7~~ and Note ~~7 to~~ **6 in** our **Notes to the** Consolidated Financial Statements ~~included in Item 8 of this Form 10- K~~ for further discussion of our goodwill and other intangible assets. Changes in accounting standards issued by the Financial Accounting Standards Board (~~the~~ “ FASB ”), or other standard- setting bodies may adversely affect trends and comparability of our financial results. We are required to prepare our financial statements in accordance with GAAP, which is periodically revised and / or expanded. From time to time, we are required to adopt new or revised accounting standards issued by recognized authoritative bodies, including the FASB and the SEC. It is possible that future accounting standards we are required to adopt may require additional changes to the current accounting treatment ~~that~~ we apply to our financial statements and may result in significant changes to our results, disclosures **,** and supporting reporting systems. Such changes could result in a material adverse impact on our results of operations and financial condition. Trends in research and development spending could adversely affect our growth potential, business, results of operations, financial condition **,** and / or cash flows. Our business operates in competitive markets characterized by changing consumer preferences and rapid technological innovation. We have made and expect to continue to make significant investments in research and development and related product opportunities. For fiscal year ~~2022~~ **2023** , we invested $ ~~67~~ **66** . 6 million in research and development activities. High levels of investment ~~for~~ **in** research and development could harm our results of operations, especially if not offset by corresponding future net sales increases. We believe ~~that~~ we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. However, it is difficult to estimate when, if ever, we will generate significant net sales as a result of these investments which could adversely impact our operating results as well as our reputation. We may be required to make payments under our contingent value rights agreement with certain former holders. Subject to the terms and conditions of the Agreement and Plan of Merger dated June 19, 2017 (the “ Merger Agreement ”) by and among us, former holders of the Company (the “ Former Holders ”) and the other parties thereto, the Former Holders received non- transferable contingent value rights (“ CVRs ”), which collectively entitle the Former Holders to receive from us, in certain circumstances, aggregate payments of up to $ 25 million. Each CVR gives a Former Holder the ability to earn cash payments based on the return of certain investment funds of H & F’ s original investment achieving stated thresholds in relation to the proceeds received from disposition of H & F’ s initial ownership units. The CVRs were issued at two thresholds. The first CVR is payable to the Former Holders when H & F’ s return on investment grows to between 2. 25 and 2. 5 times H & F’ s original investment. The second CVR is payable to the Former Holders when H & F’ s return on investment grows to between 2. 5 and 2. 67 times H & F’ s original investment. To the extent we are required to make a payment to the Former Holders under the Merger Agreement, our liquidity may be adversely affected. For additional information on our obligations under the Merger Agreement, see “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations — Contingent ~~Valuation~~ **Value** Rights (“ CVRs ”) ” ~~included in Item 7 of this Form 10- K~~ . Risks Related to Our Common Stock We are controlled by Hellman & Friedman, LLC, whose interests may be different from the interests of other holders of our securities. ~~Hellman & Friedman, LLC (“~~ H & F ~~”)~~ owns a majority stake in the Company. As of December ~~30~~ **29** , ~~2022~~ **2023** , certain investment funds advised by an affiliate of H & F owned approximately ~~73~~ **72** % of our total outstanding common stock, and had the ability to nominate members of our ~~board~~ **Board** ~~of directors~~ . As a result, H & F is able to control actions to be taken by us, including future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, amendments to our organizational documents and the approval of significant corporate transactions, including mergers, sales of substantially all of our assets, distributions of our assets, the incurrence of indebtedness **,** and any incurrence of liens on our assets. The interests of H & F may be materially different from the interests of our other stakeholders. In addition, H & F may have an interest in pursuing acquisitions, divestitures **,** and other transactions that, in their judgment, could enhance their investment, even though such transactions might involve risks to you. For example, H & F may cause us to take actions or pursue strategies that could impact our ability to make payments under our Credit Agreement or cause a change of control. In addition, to the extent permitted by our Credit Agreement, H & F may cause us to pay dividends rather than make capital expenditures or repay debt. H & F is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Our amended and restated certificate of incorporation provides that H & F, its affiliates **,** and any director who is not employed by us (including any non- employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates does not have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. H & F also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. So long as H & F continues to own a significant amount of our outstanding common stock, even if such amount is less than 50 %, they will continue to be able to strongly influence or effectively control our decisions and they will have the ability to nominate individuals to our ~~board~~ **Board** ~~of directors~~ pursuant to a stockholders’ agreement entered into by H & F and certain of our directors, officers **,** and other employees, in connection with the IPO. In addition, H & F is able to determine the outcome of all matters requiring stockholder approval and will be able to cause or prevent a change of control of our Company or a change in the composition of our ~~board~~ **Board** ~~of directors~~ and could preclude any unsolicited acquisition of our Company. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of our Company and ultimately might affect the market price of our common stock. We are a “ controlled company ” within the meaning of the Nasdaq rules and the rules of the SEC. As a result, we will qualify for exemptions from certain corporate governance requirements that provide protection to stockholders of other companies. H & F owns a majority of our outstanding common stock. As a result, we are a " controlled company " within the meaning of the corporate governance standards of Nasdaq. Under these rules, a company of which more than 50 % of the voting power is held by an individual, group **,** or another company is a " controlled company " and may elect not to comply with certain corporate governance requirements, including: • The requirement that a majority of our ~~board~~ **Board** ~~of directors~~ consist of " independent directors " as defined under the rules of the Nasdaq; • The requirement that we have a compensation committee ~~that is~~ composed entirely of directors who meet the independence standards for compensation committee members with a written charter addressing the committee' s purpose and responsibilities; and • The requirement that our director nominations be made, or recommended to our full ~~board~~ **Board** ~~of directors~~, by our independent directors or by a nominations committee that consists entirely of independent directors and that we adopt a written charter or board resolution addressing the nominations process. We do not currently utilize these exemptions. However, if we utilize any of these exemptions in the future, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the Nasdaq. Our stock price may change significantly, and purchasers of our common stock may not be able to resell shares of our common stock at or above the price they paid or at all, and they could lose all or part of their investment as a result. The trading price of our common stock has been and is likely to continue to be volatile. The stock market has experienced extreme volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. Investors in our common stock may not be able to resell their shares at or above the purchase price due to **multiple** ~~a number of~~ factors such as those listed in other portions of this " Risk Factors " section and the following: • Actual or anticipated fluctuations in our quarterly financial and operating results ~~, including our Contribution Margin~~; • Introduction of new products, solutions **,** or services by us or our competitors; • Our ability to integrate operations, technology, products **,** and services; • Issuance of new or changed securities analysts' reports or recommendations; • Sales, or anticipated sales, of large blocks of our stock; • Additions or departures of key personnel; • Changing economic or overall market conditions; • Industry developments; and • Any default on our indebtedness. These broad market and industry fluctuations may materially adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock are low. Stock prices volatility also affect the impact ~~that~~ we have with the authorized number of shares under our 2021 Equity Incentive Plan; a low stock price could require us to seek registration of additional shares to cover our obligations, which would dilute shares for our investors. In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation. As we realize the benefit of net operating losses and certain other tax benefits that arose prior to or in connection with our IPO, we are required to pay the TRA Participants ~~and make a cash distribution to certain pre- IPO owners that are not TRA Participants,~~ equal to a significant portion of the benefit, which amounts could be material. As further described in Note ~~15 to~~ **13 in** our **Notes to the** Consolidated Financial Statements ~~included in Item 8 of this Form 10- K~~, we expect to be able to utilize certain ~~net operating losses and certain other~~ tax benefits ~~, as realized,~~ that arose prior to or in connection with our IPO and are therefore attributable to the TRA Participants. These tax benefits will reduce the amount of tax ~~that~~ we would otherwise be required to pay in the future. We entered into a TRA with the TRA Participants which provides for the payment by us to the TRA Participants of 85 % of the amount of cash savings, if any, in U. S. federal, state **,** and local income tax that we actually realize, or are deemed to realize (calculated using certain assumptions), as a result of ~~the utilization~~ --- **utilizing** ~~of~~ such tax benefits subject to the TRA, including tax benefits attributable to payments under the TRA. We made ~~our first payment~~ **payments** , including accrued interest, pursuant to the TRA of $ **22. 1 million and $** 10. 5 million on **January 12, 2024 and** February 15, 2023 **, respectively** . Future amounts and utilization of the tax benefits subject to the TRA, as well as the amount and timing of any payments under the TRA, will vary depending upon **multiple** ~~a number of~~ factors, including the amount, character **,** and timing of our taxable income in the future. In addition, actual tax benefits realized by us may differ from the tax benefits calculated under the TRA as a result of the use of certain assumptions in the TRA, including ~~the use of~~ an assumed state and local income tax rate to calculate tax benefits. We expect that the additional payments ~~that~~ we may make under the TRA will continue to be material. There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the TRA exceed the actual cash tax savings ~~that~~ we realize in respect of the tax benefits subject to the TRA. In certain cases, payments under the TRA may be accelerated and / or significantly exceed the actual cash savings we realize in respect of the tax benefits subject to the TRA. The TRA provides that if we breach any of our material obligations under the TRA, whether as a result of a failure to make any payment when due, failure to honor any other material obligation required thereunder or by operation of law as a result of the rejection of the TRA in a case commenced under the federal bankruptcy laws or otherwise, upon the occurrence of certain bankruptcy or insolvency proceedings involving us, upon certain changes of control, or if, at any time, we elect an early termination of the TRA, our obligations under the TRA would be automatically accelerated and would be immediately due and payable, and such obligations would be calculated by reference to the value of all future payments that the TRA Participants would have been entitled to receive under the TRA using certain assumptions, including that we will have sufficient taxable income to fully utilize ~~the net operating losses, credits, and~~ certain ~~other~~ tax benefits subject to the TRA. Our ability to fully utilize ~~the net operating losses, credits, and~~ certain ~~other~~ tax benefits subject to the TRA will depend upon a number of factors, including the amount, character **,** and timing of our taxable income in the future. In periods prior to the occurrence of a change of control and absent circumstances requiring an early termination payment, we are only obligated to make payments under the TRA as and when we realize cash tax savings from the tax benefits subject to the TRA (calculated using certain assumptions contained therein). Accordingly, we will generally not be required (absent a change of control, material breach, or circumstances requiring an early termination payment) to make payments under the TRA for a taxable year in which we do not have taxable income because no cash tax savings will have been realized. In addition, recipients of payments under the TRA will not reimburse us for any payments previously made under the TRA if the tax attributes or our utilization of tax attributes underlying the relevant TRA payment are successfully challenged by the Internal Revenue Service (" IRS ") (although any such detriment would be taken into account as an offset against future payments due to the relevant recipient under the TRA). However, unutilized deductions that do not result in realized benefits in a given tax year as a result of insufficient taxable income may be applied to taxable income in future years and accordingly would impact the amount of cash tax savings in such future years and the amount of corresponding payments under the TRA in such future years. Accordingly, it is possible that the actual cash tax savings we realize may be significantly less than the corresponding TRA payments. There may be a material negative effect on our liquidity if the payments under the TRA exceed the actual cash tax savings ~~that~~ we realize in respect of the tax benefits subject to the TRA. We may need to incur additional indebtedness to finance payments under the TRA to the extent our cash resources are insufficient to meet our obligations under the TRA as a result of timing discrepancies or otherwise, and these obligations could have the effect of delaying, deferring **,** or preventing certain mergers, asset sales, other form of business combinations or other changes of control. We are a holding company with no operations and rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations. We are a holding company with no material direct operations. Our principal assets are the equity interests of Snap One, LLC that we hold indirectly through our subsidiaries. Snap One, LLC, together with its subsidiaries, owns substantially all our operating assets. As a result, we are dependent on loans, dividends **,** and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations. Our subsidiaries are legally distinct from us and may be prohibited or restricted from paying dividends or otherwise making funds available to us. If we are unable to obtain funds from our subsidiaries, we may be unable to meet our financial obligations. We currently do not intend to declare dividends on our common stock in the foreseeable future and, as a result, your only opportunity to achieve a return on your investment is if the price of our common stock appreciates. We currently do not expect to declare any dividends on our common stock in the foreseeable future. Instead, we anticipate that all ~~of~~ our earnings in the foreseeable future will be used to provide working capital, to support our operations **,** and to finance the growth and development of our business. Any determination to declare or pay dividends in the future will be at ~~the~~ **our Board' s** discretion ~~of our board of directors~~ , subject to applicable laws and dependent upon **multiple** ~~a number of~~ factors, including our earnings, capital requirements **,** and overall financial condition. In addition, our ability to pay dividends on our common stock is currently limited by the covenants of our credit facilities and may be further restricted by the terms of any future debt or preferred securities. Accordingly, your only opportunity to achieve a return on your investment in our ~~company~~ **Company** may be if the market price of our common stock appreciates and you sell your shares at a profit. The market price for our common stock may never exceed, and may fall below, the price ~~that~~ you pay for such common stock. Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline. The sale of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of December ~~30~~ **29** , ~~2022~~ **2023** , ~~shares owned by~~ our directors, officers, executives **,** and our majority stockholder, H & F, ~~representing~~ **represented** approximately **77** ~~76. 3~~ % of our total outstanding shares of common stock ~~, are " restricted securities " within the meaning of Rule 144 and subject to certain restrictions on resale. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration, such as Rule 144 Registration~~ . If these stockholders **were to** ~~exercise their registration rights or~~ sell **a significant amount of** their stock ~~under an exception to the registration requirements~~ , or are perceived by the market as intending to sell ~~them~~ **a significant amount of their stock** , the market price of our shares of common stock could drop significantly. ~~These~~ -- **The** ~~factors~~ **fact that a majority of our stock is owned by H & F** could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities. Provisions in our organizational documents and Stockholders' Agreement could delay or prevent a change of control. Certain provisions of our amended and restated certificate of incorporation, amended and restated bylaws and Stockholders' Agreement may have the effect of delaying or preventing a merger, acquisition, tender offer, takeover attempt **,** or other change **-** of **-** control transaction that a stockholder might consider to be in its best interest, including attempts that might result in a premium over the market price of our common stock. These provisions provide for, among other things: • The division of our ~~board~~ **Board** ~~of directors~~ into three classes, with directors in each class serving three- year terms and with terms of the directors of only one class expiring in any given year; • That at any time when H & F and certain of its affiliates beneficially own, in the aggregate, less than 40 % in voting power of the stock of our Company entitled to vote generally in the election of directors, directors may only be removed for cause, and only by the affirmative vote of the holders of at least two-thirds in voting power of all the then- outstanding shares of stock entitled to vote thereon, voting together as a single class; • The ability of our ~~board~~ **Board** ~~of directors~~ to issue one or more series of preferred stock with voting or other rights or preferences that could have the effect of impeding the success of an attempt to acquire us or otherwise effect a change of control; • Advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at stockholder meetings; • The right of H & F and certain of its affiliates to nominate the majority of the members of our ~~board~~ **Board** ~~of directors~~ and the obligation of certain of our other pre- IPO stockholders to support such nominees; • Certain limitations on convening special stockholder meetings; and • That certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may be amended only by the affirmative vote of the holders of at least two- thirds in voting power of all the then- outstanding shares of our stock entitled to vote thereon, voting together as a single class, if H & F and certain of its affiliates beneficially own, in the aggregate, less than 40 % in voting power of our stock entitled to vote generally in the election of directors. These provisions could make it more difficult for a third- party to acquire us, even if the third- party' s offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. We are an " emerging growth company " and a " smaller reporting company " and the reduced disclosure requirements applicable to emerging growth companies or smaller reporting companies may make our common stock less attractive to investors. We are an " emerging growth company, " as defined in the JOBS Act. We will remain an emerging growth company until the earliest to occur of: the last day of the fiscal year in which we have at least $ 1. 235 billion in annual revenue; the date we qualify as a " large accelerated filer, " with at least $ 700 million of equity securities held by non- affiliates; the issuance, in any three- year period, by us of more than $ 1. 0 billion in non- convertible debt securities; or December 25, 2026, which is the last day of the fiscal year ending after the fifth anniversary of our IPO. For so long as we remain an emerging growth company, we are permitted by SEC rules and plan to rely on exemptions from certain disclosure requirements ~~that are~~ applicable to other SEC- registered public companies that are not emerging growth companies. These exemptions include not being required to comply with the requirement for an auditor attestation of the effectiveness of our internal control over financial reporting under Section 404 of the Sarbanes- Oxley Act (" SOX "), not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding a supplement to the auditor' s report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation **,** and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Additionally, we are a " smaller reporting company " as defined in Item 10 (f) (1) of Regulation S- K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including ~~, among other things,~~ providing only two years of audited financial statements (although we have elected to provide three years of audited financial statements in this Annual Report). We will remain a smaller reporting company until the last day of the fiscal year in which (1) the market value of our common stock held by non- affiliates equals or exceeds $ 250 million as of the prior ~~June 30th,~~ **last business day of the most recently completed second fiscal quarter** or (2) our annual revenues equaled or exceeded $ 100 million during such completed fiscal year and the market value of our common stock held by non- affiliates equals ~~to~~ or exceeds $ 700 million as of the prior ~~June 30th~~ **last business day of the most recently completed second fiscal quarter** . Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company, which would allow us to continue to take advantage of many of the same exemptions from disclosure requirements, including ~~not being required to comply with the auditor attestation requirements of Section 404 of SOX and~~ reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result of our reduced disclosure obligations, the information we provide stockholders will be different than the information that is available with respect to other public companies and may make it more difficult to compare out disclosures to other public companies. In this Annual Report, we have not included all of the executive compensation- related information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less- active trading market for our common stock and our stock price may be more volatile. In addition, an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. Our management team identified a material weakness in our internal controls over financial reporting, which, if not remediated appropriately or timely, could result in the loss of investor confidence and could negatively impact ~~on~~ our stock price and financial condition. As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of SOX requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. Our internal controls over financial reporting will not prevent or detect all errors and fraud. Because of the inherent limitations in all control systems, no evaluation can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. In connection with the preparation of our consolidated financial statements as of December 25, 2020 **,** and for the fiscal year then ended, we identified a material weakness in our internal controls over financial reporting. We did not design or maintain an effective control environment over certain information technology (" IT ") general controls or information systems and applications that are relevant to the preparation of our consolidated financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records relevant to the preparation of our financial statements are identified, tested, authorized **,** and implemented appropriately, and (ii) access controls to ensure access to programs and data is authorized and entitlements and privileges are recertified on a periodic basis to validate that only authorized individuals have access to the Company' s data. ~~During the assessment~~ **As a result** of ~~our internal control environment and preparation of our consolidated financial statements as of December 30, 2022 and for the fiscal year then~~ - **the** ~~ended, it was concluded that the previously identified~~ material weakness **,** ~~had not been fully remediated and~~ our business process controls, both automated and manual, that are dependent on the affected IT general controls were also deemed ineffective because they could have been adversely impacted. As further described in Management' s Report on Internal Control over Financial Reporting ~~included in Item 9A of this Form 10- K~~ , we have begun implementing a remediation plan to improve our internal control over financial reporting. To address this material weakness, we have hired personnel with public company experience and engaged external advisors to assist with evaluating and documenting the design and operating effectiveness of our internal controls over financial reporting and assisting with the remediation of deficiencies, including implementing new controls and processes **. Additionally, the organization has focused resources on the consolidation of key financial systems and applications to support the**

standardization and enhancement of both information technology and business process controls . We intend to continue to take steps to remediate the material weakness through additional measures that include further evolving our accounting and business processes related to internal controls over financial reporting, including a plan to continue ongoing system enhancements. We will not be able to fully remediate this material weakness until these steps have been completed and have been operating effectively for a sufficient period ~~of time~~ . Furthermore, we cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to this material weakness in our internal controls over financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls ~~that~~ we develop may become inadequate because of changes in conditions in our business. Further, additional weaknesses in our disclosure controls and internal controls over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our annual or interim financial statements. Our independent registered public accounting firm has not performed an evaluation of our internal controls over financial reporting in accordance with the SEC rules because no such evaluation has been required. Our independent registered public accounting firm is not expected to formally attest to the effectiveness of our internal controls over financial reporting until the Company ceases to be an emerging growth company and a smaller reporting company under applicable **SEC** rules ~~of the SEC~~ . At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal controls over financial reporting is documented, designed, or operating. Any failure to implement and maintain effective internal controls over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal controls over financial reporting that we will eventually be required to include in our periodic reports ~~that are~~ filed with the SEC. Ineffective disclosure controls and procedures and internal controls over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq. Our amended and restated certificate of incorporation provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America will be the sole and exclusive forums for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers **,** or employees. Our amended and restated certificate of incorporation provides, subject to limited exceptions, that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of our company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer **,** or other employee of our company to the Company or our stockholders, (iii) action asserting a claim against the Company or any director, officer or other employee of the Company arising pursuant to any provision of the Delaware General Corporation Law, (the " DGCL "), or our amended and restated certificate of incorporation or our amended and restated bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (iv) action asserting a claim against the Company or any director, officer **,** or other employee of the Company governed by the internal affairs doctrine. These provisions shall not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, and our stockholders cannot waive compliance with federal securities laws and the rules and regulations thereunder. Unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act ~~, subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision~~ . Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated bylaws. These choice of forum provisions may limit a stockholder' s ability to bring a claim in a different judicial forum, including one that it may find favorable or convenient for disputes with us or any of our directors, officers **,** or other employees which may discourage lawsuits with respect to such claims. ~~Alternatively, if a court were to find the choice of forum provisions that will be contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition. For example, the Court of Chancery of the State of Delaware has determined that a provision stating that U. S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable. However, this decision may be reviewed and ultimately overturned by the Supreme Court of the State of Delaware.~~ Our ~~board~~ **Board** ~~of directors~~ is authorized to issue and designate shares of our preferred stock in additional series without stockholder approval. Our certificate of incorporation authorizes our ~~board~~ **Board** ~~of directors~~ , without the approval of our stockholders, to issue 50 million shares of our preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our certificate of incorporation, as shares of preferred stock in series, to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations **,** or restrictions thereof. The powers, preferences **,** and rights of these additional series of preferred stock may be senior to or on parity with our common stock, which may reduce its value. Our stock repurchase program may not have an impact that is fully reflected in the current stock valuation. Effective May 12, 2022, our ~~board~~ **Board** ~~of directors~~ authorized a $ 25. 0 million share repurchase program, and as of December ~~30~~ **29** , ~~2022~~ **2023** , we had approximately $ ~~22~~ **21** . ~~1~~ **9** million in remaining funds authorized under this program. The stock repurchase program was authorized to potentially offset dilution from equity issuances under our equity incentive plans and because our ~~board~~ **Board** ~~of~~

~~directors~~ believes that, for reasons unrelated to ~~the~~ our performance, the trading price of our common stock from time to time may not be reflective of the true value of the ~~company~~ **Company** . The repurchase program **was set to** ~~expires~~ - **expire** at the end of 2023, ~~does~~ **but was extended by the Board until the end of 2024. The Company is** not ~~obligate~~ **obligated** ~~us~~ to acquire a specified number of shares and **the program** may be modified, suspended **,** or discontinued at any time at our **Boards** ~~board of directors~~ ' discretion. Stock repurchases may adversely affect the ~~company~~ **Company** if the economy turns downward, as it could leave the ~~company~~ **Company** limited in its ability to obtain cash necessary for ongoing operations or potential acquisition targets. In addition, any repurchase of stock may have no positive impact on our stock price. Further, as stock may be repurchased, given the volatility of our stock price, we may repurchase stock at prices which, in hindsight, are materially higher than the subsequent price of our stock. **Future acquisitions of technologies, assets or businesses that are paid for partially or entirely through the issuance of stock or stock rights could dilute the ownership of our existing stockholders. In the past we have used our equity securities as part of the consideration for certain acquisitions, and in the future we expect that the consideration we might pay for acquisitions of technologies, assets or businesses could include stock, rights to purchase stock, cash, or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with such future acquisitions, net income (loss) per share and then- existing holders of our common stock will experience dilution.** General Risks Our business, results of operations **,** and financial condition have been adversely affected and could in the future be adversely affected by ~~the COVID- 19 pandemic~~ **pandemics** or other similar health crises. The COVID- 19 pandemic negatively impacted the global economy and global supply chains, and created significant disruption of global financial markets. ~~Governments, public institutions and other organizations in many countries have taken certain emergency measures.~~ While **we are no longer experiencing** ~~many~~ - **any** ~~of these restrictions have been lifted~~ **material impacts from COVID- 19** , new strains of COVID- 19 or other viruses could emerge, causing authorities and businesses to take ~~additional~~ emergency measures to combat the spread of **such** ~~COVID- 19 or other~~ viruses, including imposing lockdowns, shelter- in- place orders, quarantines, restrictions on travel and gatherings **,** and the ~~extended~~ shutdown of non- essential businesses ~~that cannot be conducted remotely~~ . ~~The~~ **A** pandemic and **the associated** responses to ~~the~~ **limit a potential** pandemic **could** ~~have and may continue to~~ : • Disrupt our hardware supply chain; • Disrupt our ability to conduct product development activities and other activities necessary to improve products and bring new products to market; • Disrupt and restrict our integrators' ability to travel and to meet with residential and commercial end consumers who use our solutions; • Cause cancellations or postponement of certain events; ~~and~~ • Cause temporary closures of our facilities, including manufacturing centers and critical product distribution locations, or the facilities of our service providers or suppliers **; and • Cause** ~~. The COVID- 19 pandemic has also resulted in~~ significant disruption of global financial markets, which may reduce our ability to access capital and which could negatively affect our liquidity in the future ~~. The uncertainty~~ and ~~disruption to global markets from pandemics or similar health crises may also negatively~~ impact our growth opportunities whether organically or through acquisitions **. Nearly all our operating cash is maintained in deposit accounts with various financial institutions and is not insured by the Federal Deposit Insurance Corporation. The unexpected failure of several commercial banks last year, including First Republic Bank, Silicon Valley Bank, and Signature Bank, raised concerns about the stability of institutions with concentrated exposure to certain types of depositors in the same industry as well as those with large unrealized losses in their investment security holdings. While the Company does not have any direct exposure to any failed bank, nearly all our operating cash is maintained in deposit accounts at various financial institutions both in the United States of America and foreign countries. The majority of the Company' s funds held in the United States are with a single financial institution, which is among the largest in the United States. However, we may be subject to losses in excess of the Federal Depository Insurance Corporation insured limit in the event of a failure of this financial institution and the subsequent lack of intervention by the U. S. federal government. Additionally, if any of the institutions into which our funds are deposited experiences limited liquidity or otherwise defaults or does not perform its obligations to depositors, we may not be able to access those funds in a timely manner, or we may lose those funds, which could adversely affect our business, financial condition, or results of operations** . Risks associated with our labor force could have a significant adverse effect on our business. We had approximately 1, ~~652~~ **610** full- time employees as of December ~~30~~ **29** , ~~2022~~ **2023** . Various ~~national~~ **international** , federal and state labor laws govern our relationships with our employees and affect our operating costs. These laws include, but are not limited to, employee classifications as exempt or non- exempt, minimum wage requirements, unemployment tax rates, workers' compensation rates, overtime, family leave, anti- discrimination laws, safety standards, payroll taxes, employment agreements, citizenship requirements **,** and other wage and benefit requirements for employees classified as non- exempt. As our employees may be paid at rates that relate to the applicable minimum wage, further increases in the minimum wage could increase our labor costs. Employees may make claims against us under ~~national~~ **international** , federal, or state laws, which could result in significant costs. Significant additional government regulations could materially affect our business, financial condition **,** and results of operations. None of our U. S. employees is currently covered by collective bargaining or other similar labor agreements. However, if a large number of our U. S. employees were to unionize, ~~including in the wake of any future legislation that makes it easier for employees to unionize,~~ our business could be negatively affected. ~~Any inability by us to negotiate collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if other employees become represented by a union, we could experience a disruption of our operations and higher labor costs.~~ In addition, certain of our suppliers and logistics providers may have unionized work forces. Strikes, work stoppages or slowdowns could result in slowdowns or closures of facilities where the products ~~that~~ we sell are manufactured or could affect the ability of our suppliers to deliver such products to us. Any interruption in the production or delivery of these products could delay or reduce availability of these products and increase our costs. Given the complex nature of the technology on which our business is based and the speed with which such technology advances, our future success is dependent, in large part, upon our ability to attract and retain highly qualified executive, managerial, engineering, operations, and sales and marketing personnel. Competition for talented personnel is intense, and we cannot be certain that we can retain our executive, managerial, engineering, operations, and sales and marketing personnel, or that we can attract, assimilate **,** or retain such personnel in the future. Our inability to attract and retain such personnel may have a material adverse effect on our business, results of operations **,** and financial condition. Increases in operating costs could adversely impact our business, financial position, results of operations **,** and cash flows. Our financial performance is affected by the level of our operating expenses, such as wages and salaries, leases of distribution centers and sales and marketing offices, advertising and marketing, employee benefits, health care, insurance premiums, as well as various regulatory compliance costs, all of which may be subject to inflationary pressures. In particular, our financial performance is adversely affected by increases in these operating costs. Our business is subject to the risks of earthquakes, hurricanes, fire, power outages, floods and other catastrophic events, and to interruption by man- made problems such as political unrest, information systems compromise, riots and terrorism. A significant natural disaster, such as an earthquake, hurricane, fire **,** ~~or a~~ flood, pandemic, or a significant power outage could harm our business, results of operations **,** and financial condition. Natural disasters could affect our manufacturing vendors' or logistics providers' ability to perform services such as manufacturing products or assisting with shipments on a timely basis. In the event our manufacturing vendors' information technology systems or manufacturing or logistics abilities are hindered ~~by any of the events discussed above~~ , shipments could be delayed or cancelled, adversely affecting product deliveries, net sales and profitability, integrator and customer satisfaction, and our competitive standing. Further, if a natural disaster occurs in a region from which we derive a significant portion of our net sales, such as metropolitan areas in North America, end consumers in those regions may delay or forego purchases of our solutions from integrators, which may harm our results of operations for a particular period. All ~~the~~ **these** ~~aforementioned~~ risks may be exacerbated in the future due to climate change. In addition, acts of terrorism, including cyber terrorism or crime, acts of war, financial crises, trade friction or geopolitical and social turmoil in **areas** ~~those parts of the world~~ that serve as markets for our solutions, could cause disruptions in our business or the business of our manufacturers, logistics providers, integrators or the economy as a whole. These uncertainties may cause our end consumers to reduce discretionary spending and make it difficult for us to accurately plan future business activities. Given our typical concentration of sales at the end of each month and quarter, any disruption in the business of our manufacturers, logistics providers, integrators, and end consumers that impacts sales at the end of our quarter could have a greater impact on our quarterly results. All of ~~the~~ **these** ~~aforementioned~~ risks may be augmented if the disaster recovery plans for us and our suppliers and integrators prove to be inadequate. To the extent that any of the above results in delays or cancellations of orders, or delays in, or cancellations of the manufacture, deployment or shipment of our products, it may have a material adverse effect on our business, results of operations **,** and financial condition. We will continue to incur increased costs as a result of operating as a publicly traded company, and our management will be required to devote substantial time to new compliance initiatives. As a publicly traded company, we will continue to incur additional legal, accounting **,** and other expenses that we did not previously incur as a private company. These costs will increase after we are no longer an emerging growth company. Although we are currently unable to estimate these costs with any degree of certainty, they may be **significant** ~~material in amount~~ . In addition, SOX, the Dodd- Frank Wall Street Reform and Consumer Protection Act, and the rules of the SEC and Nasdaq have imposed various requirements on public companies. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives as well as investor relations. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time- consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur additional costs to maintain the same or similar coverage. If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline. The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about our business. We do not have ~~any~~ control over these analysts, activist investors, or those who short our stock. If one or more of the ~~foregoing~~ analysts who cover us, activist investors, or those who short our stock downgrade our shares, change their opinion of our shares, or publish negative or false reports for their own purposes, our share price will likely decline. If one or more of these analysts cease coverage of our ~~company~~ **Company** or fail to regularly publish research or reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline. **45** ~~Future acquisitions of technologies, assets or businesses that are paid for partially or entirely through the issuance of stock or stock rights could dilute the ownership of our existing stockholders. In the past we have used our equity securities as part of the consideration for certain acquisitions, and in the future we expect that the consideration we might pay for acquisitions of technologies, assets or businesses could include stock, rights to purchase stock, cash or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with such future acquisitions, net income (loss) per share and then- existing holders of our common stock will experience dilution. 47~~