Risk Factors Comparison 2024-03-14 to 2023-03-08 Form: 10-K

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We make forward- looking statements in Management' s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report based on the beliefs and assumptions of our management and on information currently available to us. Forward- looking statements include information about our possible or assumed future results of operations, which follow under the headings" Business"," Liquidity and Capital Resources", and other statements throughout this report preceded by, followed by or that include the words" believes"," expects"," anticipates"," intends"," plans"," estimates" or similar expressions. Any number of risks and uncertainties could cause actual results to differ materially from those we express in our forward- looking statements, including the risks and uncertainties we describe below and other factors we describe from time to time in our periodic filings with the SEC. We therefore caution you not to rely unduly on any forward- looking statement. The forward- looking statements in this report speak only as of the date of this report, and we undertake no obligation to update or revise any forward- looking statement, whether as a result of new information, future developments, or otherwise. Risks and Uncertainties We are subject to various risks that could materially and adversely affect our business, results of operations, cash flows, liquidity, or financial condition which make an investment in our securities risky. You should understand that these risks could, in circumstances we may or may not be able to accurately predict, recognize, or control, have a material adverse effect on our business, growth, reputation, prospects, financial condition, operating results (including components of our financial results), cash flows, liquidity ~~,~~ and stock price. In addition, these risks could cause results to differ materially from those we express in forward- looking statements contained in this report or in other Company communications, including those we file from time to time with the SEC. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. You should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. Because there is no way to determine in advance whether, or to what extent, any present uncertainty will ultimately impact our business, you should give equal weight to each of the following: Risks Relating to Economic Conditions and Global Events General **political and** economic factors beyond our control could adversely affect our business and results of operations. These factors include, but are not limited to, supply chain disruptions, labor shortages, wage pressures, geo- political matters and conflicts, rising inflation and potential economic slowdown or recession, as well as increases in costs including fuel and energy costs, foreign currency exchange rate fluctuations, and other matters that influence consumer spending and preferences. ~~Additionally~~ **Among other events**, the invasion of Ukraine by Russia has escalated tensions among the United States, the North Atlantic Treaty Organization (" NATO") and Russia. ~~Such invasion~~ **Conflict in the Middle East has led to disruption of international shipping lanes**, ~~ongoing military~~ **causing shipping delays and fluctuating freight costs. These** ~~conflict~~ **conflicts** ~~,~~ **and the** resulting sanctions and related countermeasures ~~by NATO states, the United States and other countries~~ could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, and supply chain interruptions **. Additionally, they have the potential to spread to or exacerbate tensions in other countries or regions, leading to new and unanticipated disruptions**. Global markets continued to face threats and uncertain economic and financial market conditions that may also adversely affect the financial condition of our customers, suppliers and other business partners. Any significant decrease in customers' purchases of our products or our inability to collect accounts receivable resulting from an adverse impact of the global markets on customers' financial condition could have a material adverse effect on our business, financial condition and results of operations. Additionally, disruptions in financial markets could reduce our access to debt capital markets, negatively affecting our ability to implement our business strategy. Risks Relating to ~~the COVID- 19 Pandemic The COVID- 19 pandemic and its consequences, including related measures to curtail its spread, have and will continue to impact our business, operations, and financial results. The extent to which the COVID- 19 pandemic impacts our business, operations, and financial results, including the duration and magnitude of such effects, will depend on numerous evolving factors that we may not be able to accurately predict or assess, including the duration and scope of the COVID- 19 pandemic (including the location and extent of resurgences of the virus, particularly in light of new variants, and the availability of effective treatments or vaccines); and the negative impact the COVID- 19 pandemic has on global and regional economies and economic activity, including the duration and magnitude of its impact on unemployment rates and consumer discretionary spending. Because the severity, magnitude and duration of the COVID- 19 pandemic, including any new variants, are uncertain, rapidly changing, and difficult to predict, the pandemic' s impact on our operations and financial performance, as well as its impact on our ability to successfully execute our business strategy and initiatives, remains uncertain. We anticipate that the global health crisis caused by the COVID- 19 pandemic will continue to negatively impact business activity across the globe, and as such, we expect our sales demand to be negatively impacted into, at least, the first half of 2023 given the global reach and economic impact of the COVID- 19 pandemic and the various governmentally imposed lockdowns, quarantine and social distancing measures put in place to contain the spread of the COVID- 19 pandemic. A future suspension of our manufacturing operations would impact our ability to meet customer demand and could have a significant adverse effect on our financial condition and results of operations. COVID- 19 also continues to impact the global supply chain causing disruptions to service providers, logistics and the flow and availability of supplies and products. Our manufacturing sites, as well as our suppliers and outsourcing partners, and our supply chain have been adversely affected and may continue to be adversely impacted as a result of restrictions and logistics and operational challenges. These disruptions have resulted in and may continue to result in supply shortages and delays impacting market~~

~~conditions and business operations across all industries worldwide, including our own. As a result, we may experience further disruptions to our manufacturing operations, supply chain and / or distribution channels in the future, and these disruptions may be prolonged. We remain cautious about how the economy might behave for the next few years and we continue to actively monitor the potential impact on our operations and may take further actions altering our business operations as necessary or as required by international, federal, state, or local authorities. Risks Relating to~~ Operations Cybersecurity Issues: ~~Security Breaches~~ **Cybersecurity Incidents** , Failure to Maintain the Integrity of and Protect Internal or Customer Data May Result in Faulty Business Decisions, Operational Inefficiencies, Damage to our Reputation and / or Subject Us to Costs, Fines, or Lawsuits Our business requires collection, processing, and retention of large volumes of ~~internal and sensitive and confidential customer~~ data, including personally identifiable information of our customers in various information systems that we maintain and in those maintained by third parties with whom we contract, including in areas such as customer product servicing, human resources outsourcing, website hosting, and various forms of electronic communications. We and third parties who provide services to us also maintain personally identifiable information about our employees. The integrity and protection of that customer, employee, and company data, including proprietary information, is critical to us. If that data is inaccurate or incomplete **or inaccessible** , we may make faulty decisions ~~. Our customers and employees also have a high expectation that we and our service providers will adequately protect their personal information~~ . Despite the security measures we have in place, our facilities and systems, and those of the retailers, dealers, licensees and other third- party suppliers and vendors with which we do business, may be vulnerable to ~~security~~ **cybersecurity** ~~breaches~~ **threats** , ~~cyberattacks~~ **attacks or incidents** , acts of vandalism or misconduct, computer viruses, misplaced or lost data, programming and / or human errors or other similar events. Any ~~security~~ **cybersecurity** ~~breach~~ **incidents** involving the misappropriation, loss or other unauthorized disclosure of ~~confidential~~ customer, employee, supplier or Company information, whether caused by us, an unknown third party, or the retailers, dealers, licensees or other third- party suppliers and vendors with which we do business, could result in losses, severely damage our reputation, expose us to the risks of litigation and liability, disrupt our operations and have a material adverse effect on our business, results of operations and financial condition. As cybersecurity threats evolve in sophistication and become more prevalent worldwide, we continue to **aim to** increase our sensitivity and attention to these threats, seek additional investments and resources to address these threats and enhance the security of our facilities and systems and strengthen our controls and procedures to monitor, protect against and mitigate these threats. The domestic and international **legal and** regulatory environment related to information security, data collection and privacy is increasingly rigorous and complex, with new and constantly changing requirements applicable to our business. Compliance with these requirements, including the European Union' s General Data Protection Regulation (" GDPR"), China' s newly enacted Personal Information Protection Law (" PIPL") and other domestic **(including state law)** and international regulations, could result in additional costs and changes to our business practices. Moreover, we rely heavily on computer systems to manage and operate our business, record and process transactions, and manage, support and communicate with our employees, customers, suppliers **, vendors,** and other ~~vendors~~ **third parties** . Computer systems are important to production planning, finance, company operations and customer service, among other business- critical processes. Despite our efforts to prevent disruptions to our computer systems, these systems may be affected by damage **, disruption, attack,** or interruption from, among other causes, power outages, system failures, computer viruses and other intrusions, including ~~cyberattacks~~ **cybersecurity incidents** . Computer hardware and storage equipment that is integral to efficient operations, such as email, telephone and other functionality, is concentrated in certain physical locations in the various continents in which we operate. We rely on software applications, enterprise cloud storage systems and cloud computing services provided by third- party vendors, and our business may be adversely affected by service disruptions in or ~~security~~ **cybersecurity** ~~breaches~~ **incidents related** to such systems. Remote work and remote access to our systems has increased, which also increases the risk of cybersecurity ~~attacks~~ **incidents** on our systems surface. In addition, there has been a global increase in ~~cyberattack~~ **cybersecurity threat** volume, frequency, and sophistication driven by the global enablement of remote workforces. Geopolitical tensions or conflicts, such as Russia' s invasion of Ukraine, may further heighten the risk of cybersecurity ~~attacks~~ **incidents** . We continue **to try** to mitigate these risks in a number of ways, including through additional investment, engagement of third- party experts and consultants, improving the security of our facilities and systems (including through upgrades to our security and information technology systems), providing training for all employees (with more enhanced or frequent training based on role or responsibility), assessing the continued appropriateness of relevant insurance coverage and strengthening our controls and procedures to monitor, mitigate and respond appropriately to these threats. We carry cyber insurance, and while we have not incurred any material losses due to any failure of or disruptions to our systems, or from any **cybersecurity incidents** ~~breaches of or attacks~~ , we cannot be certain that our coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or that any insurer will not deny coverage as to any future claim. Proprietary Technologies We produce highly complex products that incorporate leading- edge technology, including hardware, firmware, and software. Firmware and software may contain bugs that may unexpectedly interfere with product operation. There can be no assurance that our testing programs will detect all defects in individual products or defects that may affect numerous shipments. The presence of defects may harm customer satisfaction, reduce sales opportunities, or increase warranty claims and / or returns. An inability to cure or repair such a defect may result in the failure of a product line, temporary or permanent withdrawal of a product or market, damage to our reputation, increased inventory costs, or product re- engineering expenses, any of which may have a material impact on our operating results, financial condition and cash flows. Technology Changes in Control and Sensing We currently derive substantial revenue from the sale of remote controls, sensors and home automation products based on IR and RF and other technologies. Other control technologies exist or may be developed that may compete with our technology. In addition, we develop and maintain our own database of IR and RF codes. There are other IR and RF libraries offered by companies that we compete with in the marketplace. In addition, if competing control and sensing technology and products gain acceptance and start to be integrated into home electronics devices and home security and automation products, demand for our products may decrease, resulting in decreased operating results, financial condition and cash flows. Our Technology Development Activities May Experience Delays We may experience technical, financial, resource or other difficulties or delays related to the further development of our technologies. Delays may have adverse financial effects and may allow competitors to gain an advantage over us in the marketplace or in the standards setting arena. There can be no assurance that we will continue to have adequate staffing or that our development efforts will ultimately be successful. Moreover, certain of our technologies have not been fully tested in commercial use, and it is possible that they may not perform as expected. In such cases, our business, financial condition and operating results may be adversely affected, and our ability to secure new licensees and other business opportunities may be diminished. Dependence upon New Product Introduction Our ability to remain competitive in the video services, consumer electronics, security, home automation, climate control and home appliance markets will depend considerably upon our ability to successfully identify new product opportunities, as well as develop and introduce these products and enhancements on a timely and cost effective basis. There can be no assurance that we will be successful at developing and marketing new products or enhancing our existing products, or that these new or enhanced products will achieve consumer acceptance and, if achieved, will sustain that acceptance. In addition, there can be no assurance that products developed by others will not render our products non- competitive or obsolete or that we will be able to obtain or maintain the rights to use proprietary technologies developed by others which are incorporated in our products. Any failure to anticipate or respond adequately to technological developments and customer requirements, or any significant delays in product development or introduction, may have a material adverse effect on our operating results, financial condition and cash flows. Moreover, the introduction of new products may require significant expenditures for R & D, tooling, manufacturing processes, inventory and marketing. In order to achieve high- volume production of any new product, we may have to make substantial investments in inventory and expand our production capabilities. We cannot be certain that we will recover the costs we incurred in developing new products, investing in inventory, expanding our production capabilities, or that those new products will be successful. Dependence on Consumer Preference We are susceptible to fluctuations in our business based upon consumer demand for our products. We cannot guarantee that increases in demand for our products associated with increases in the deployment of new technology will continue. We believe that our success depends on our ability to anticipate, gauge and respond to fluctuations in consumer preferences. However, it is impossible to predict with complete accuracy the occurrence and effect of fluctuations in consumer demand over a product' s life cycle. Moreover, any growth in revenues that we achieve may be transitory and should not be relied upon as an indication of future performance. Dependence on Major Customers The economic strength and weakness of our worldwide customers affect our performance. We sell our products, accessory products, and proprietary technologies to video service providers, OEMs, retailers and private label customers. We also supply our products, accessory products, and technologies to our wholly owned, non- U. S. subsidiaries and to independent foreign distributors, who in turn distribute our products worldwide. While we generally have a broad and varied customer base, during the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , ~~Comcast Corporation~~ **Daikin Industries Ltd.** accounted for sales totaling more than 10 % of our net sales. During the years ended December 31, 2022 and 2021, **Comcast Corporation** ~~Daikin Industries Ltd.~~ also accounted for sales totaling more than 10 % of our net sales. In addition to these customers, we have some customers that, individually or through their subsidiaries or affiliated partners, purchase a large amount of products from us. Although our broad distribution channels help to minimize the impact of the loss of any one customer, the loss of any of these large individual customers, or our inability to maintain order volume with these customers, may have an adverse effect on our sales, operating results, financial condition and cash flows. Demand for Consumer Service and Support We provide consumer service and support to our retail customers to add overall value and to help differentiate us from our competitors. Certain of our products have more features than others and therefore require more end- user technical support, which may increase our support costs and have an adverse effect on our business, operating results, financial condition and cash flows. We continually review our service and support group and are marketing our expertise in this area to other potential retail customers. Manufacturing Risks We operate factories in the PRC, **Vietnam, Mexico and** Brazil ~~and Mexico and expect to commence manufacturing operations in a new factory in Vietnam in the first half of 2023. We are currently evaluating our manufacturing footprint with the expectation that once the Vietnam factory is operating efficiently, we will reduce our manufacturing capacity, most likely, by shutting down an existing facility. If this were to occur, we would record an impairment charge and severance expense in amounts that are not presently calculable, yet could be material~~ . In addition, we utilize third- party manufacturers located in Asia to manufacture a portion of our products. We believe that the loss of any one or more of these third- party manufacturers would not have a long- term material adverse effect on our business, results of operations and cash flows, because numerous other manufacturers are available to fulfill our requirements; however, the loss of any of our major third- party manufacturers may adversely affect our business, operating results, financial condition and cash flows until alternative manufacturing arrangements are secured. ~~Use of Third~~ **U. S.** - ~~Party Employment~~ **China Trade and Supply Chain Compliance Risks In recent years, U. S.- China trade and investment has become subject to additional regulatory conditions and restrictions, including restrictions on certain imports and exports, increased tariffs, inbound and outbound investment restrictions, and enhanced prohibitions targeting the use of forced labor in supply chains. Political leaders, regulatory** ~~Agencies~~ **agencies and legislators have also increased their focus on enforcing these rules and monitoring companies' compliance.** We **maintain policies and procedures designed to ensure compliance with these rules, and we do not believe that these rules or our efforts to comply with them materially impact our business, but it is possible that these restrictions, tariffs and related government initiatives will expand and that their effect our business will become more onerous, and we cannot be certain that our compliance efforts will in all cases be successful. In the United States, among other relevant restrictions, the Uyghur Forced Labor Prevention Act (the" UFLPA") creates a rebuttable presumption that all goods produced or manufactured, even partially, in the PRC' s Xinjiang Uyghur Autonomous Region (" XUAR") were made with forced labor and, therefore, would not be allowed entry at U. S. ports.**

Importers are required to present clear and convincing evidence that goods from the XUAR are not made with forced labor. While we do not authorize the sourcing of any product from the XUAR and have increased actions to ensure our entire supply chain is free of any products made with forced labor, there is nonetheless a risk, particularly in light of prior media allegations and government inquiries focusing on our subsidiary Gemstar and Uyghur individuals previously working at its facilities in non- XUAR locations in China, that our business, results of operations and financial condition could be adversely affected by the UFLPA, related regulatory requirements and enforcement activity, or related customer concerns. Gemstar has terminated its relationship with the third- party labor agency that engaged these workers, ended its arrangement with the workers in question, and paid all outstanding wages and severance directly and individually to each of these workers; further, we believe that we have addressed all outstanding questions from government authorities concerning this matter. Nonetheless, our reliance on international supply chains involves a risk of adverse effects to our business, including from government restrictions and enforcement efforts. Among other things, we utilize ~~the services of~~ **third- party suppliers as well as** third- party employment or labor agencies to provide us with staff to support our production activities. While we require these **suppliers and** agencies to adhere to our Supplier Code of Conduct, which among other things prohibits forced labor in any manner and requires them to treat all employees with respect and dignity, use of ~~these~~ third- party agencies has come under worldwide scrutiny. **If** ~~In October 2021, Reuters published an article indicating that individuals from China' s Uyghur minority, originally resident in the Xinjiang Uyghur Autonomous Region of China (" XUAR"), were working in~~ a **supplier** ~~factory operated by our~~ - **or** ~~Chinese subsidiary, Gemstar Technology (Qinzhou) Co. Ltd. (" Gemstar"). The article alleged that the presence of these workers in our factory was indicative of" a transfer program described by some rights groups as forced labor." These workers were employed, managed by and provided to Gemstar by a third- party employment agency. As a result of this article, we commissioned two separate audits. Both audits confirmed that there were no indicia of forced labor or any other violations of human rights and that Gemstar compensated these individuals for their work at the same rates as workers of other ethnicities who had comparable skills and roles and at a level that was above the local minimum wage. Although our review did not identify any instances in which individuals were obliged or in any other way forced to work at the Gemstar factory or were paid less than their promised wage, Gemstar terminated its relationship with that agency, ended its arrangement with these workers, and paid all outstanding wages and severance directly and individually to each of the workers in question. Shortly after publication of the Reuters article, three U. S. Senators heading the U. S. Senate Foreign Affairs Committee (the" Committee") jointly wrote to us seeking information regarding these workers and the terms of their work at our Gemstar factory. We cooperated fully with the Committee' s inquiry and provided the Committee with timely and complete responses to all of its questions. Nonetheless, the perception that we or an entity affiliated with us might have had associations with a program described by some as involving forced labor could result in reputational damage as well as lost revenue. To date, as a result of this perception, one customer has put further business with us on hold. Should additional customers cease doing business with us, the loss of revenue could become material, which would have an adverse effect on our business, results of operations and financial condition. Legislation Pertaining to Forced Labor On December 23, 2021, President Biden signed the Uyghur Forced Labor Prevention Act (the" UFLPA") which took effect on June 21, 2022. The UFLPA creates a rebuttable presumption that all goods produced or manufactured, even partially, in XUAR, were made with forced labor and, therefore, would not be allowed entry at U. S. ports. Importers will be required to present clear and convincing evidence that goods from the XUAR are not made with forced labor. Under the law, U. S. Customs and Border Protection is tasked with developing targeting and enforcement strategies, the details of which are yet to be finalized. The UFLPA also builds on prior legislation, such as 2020' s Uyghur Human Rights Policy Act (the" UHRPA") by expanding the UHRPA' s authorization of sanctions to cover foreign individuals responsible for human rights abuses related to forced labor. While we do not source product from the XUAR and have increased actions to ensure our entire supply chain is free of any products made with forced labor, there is nonetheless a risk, particularly in light of prior media allegations about Gemstar, that our business, results of operations and financial condition could be adversely affected by the UFLPA, the UHRPA and related regulatory requirements and enforcement activity. The U. S. government has also recently expanded regulatory and enforcement activity related to a long- existing ban on U. S. importation of products produced with forced labor. Section 307 of the U. S. Tariff Act of 1930, as amended (" Section 307") prohibits U. S. importation of goods that are produced or manufactured, wholly or in part, in any non- U. S. country by forced or indentured labor. While we do not believe we or any of our affiliates have used forced labor, and Gemstar has terminated its relationship with the~~ third- party labor agency ~~, ended its arrangement~~ **were to engage in actual or apparent non- compliance** with ~~these workers in question, and paid all outstanding wages and severance directly and individually to each of these workers, we cannot guarantee that the relevant U. S. authorities will not decide that forced labor exists or~~ **our Supplier Code** ~~existed in the manufacturing~~ of **Conduct** ~~our products or in our supply chain and, pursuant to Section 307, prohibit~~ or otherwise **violate applicable laws** ~~penalize U. S. imports of certain of our~~ - **or** ~~products~~ **regulations** , ~~which~~ **this** ~~would~~ **could** ~~have~~ **create compliance challenges for us** ~~an~~ **and** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business ~~, results of operations and financial condition. In addition, if any new legislation or regulatory action that imposes additional restrictions or requirements on importation with respect to alleged use of forced labor were to be enacted in the United States or in other regions where we do business, our~~ - **or our customer relationships** ~~business, results of operations and financial condition could be adversely affected~~ . Dependence upon Key Suppliers We continue to operate in a supply- constrained environment, and we are heavily dependent on third- party suppliers and their ability to deliver sufficient quantities of key components and products at reasonable prices and in time for us to meet schedules for the delivery of our products and services. Most of the components used in our products are available from multiple sources. However, we purchase integrated circuits (" ICs") used in products, from a small number of key suppliers. To reduce our dependence on our IC suppliers we continually seek additional sources. We maintain inventories of our ICs, which may be used in part to mitigate, but not eliminate, delays resulting from supply interruptions. Further, we have identified alternative sources of supply for our ICs, component parts, and finished goods; however, there can be no assurance that we will be able to continue to obtain these inventory purchases on a timely basis or in the quantities we need. Any extended interruption, shortage or termination in the supply of any of the components used in our products, or a reduction in their quality or reliability, or a significant increase in prices of components, would have an adverse effect on our operating results, financial position and cash flows. From time to time, we may obtain components from a single source due to technology, availability, price, quality or other considerations. New products that we introduce may utilize custom components obtained initially from only one source until we have determined whether there is a need for additional suppliers. Replacing a single- source supplier could delay production of some products as replacement suppliers may be subject to capacity constraints or other output limitations. For some components, alternative sources may not exist or may be unable to produce the quantities necessary to satisfy our requirements. The loss of, deterioration of our relationship with, or limits in allocation by, a single- source supplier, could adversely affect our business and financial performance. Difficulty in Ordering Integrated Circuits and Increases in Commodities and Freight Costs Have Adversely Affected and Will Continue to Adversely Affect Our Business ~~.~~ We ~~continue~~ **have** ~~experiencing~~ **experienced** difficulty in ordering ICs ~~for~~ **in the recent past and this difficulty could continue in the** future ~~use and that difficulty is expected to continue~~. While we have identified other sources of ICs and are taking other production and inventory control steps in order to mitigate the effects caused by ~~this~~ **these types of** ~~shortage~~ **shortages** , we cannot guarantee that the alternative sources will meet our short- and longer- term IC needs and / or without experiencing increases in the prices we pay for these components. If we are not able to purchase sufficient quantities of ICs from our current and alternative suppliers, we may not be able to produce sufficient quantities of products to meet our customers' demands. This, in turn, may affect our ability to meet our quarterly revenue targets and otherwise adversely affect our business. In addition, many of our products are paired with certain of our customers' products, like set- top boxes and televisions. If those customers are not able to obtain sufficient quantities of ICs for their products, their demand for our products may decrease. Also, we are continuing to experience increases in ~~commodities and~~ freight costs which have and may continue to adversely affect our margins. At the same time, in order to secure components for our products or services, we have and may continue to make advance payments to suppliers and / or enter into non- cancelable commitments with suppliers. We have and may continue to strategically purchase ICs and other key components in advance of demand to take advantage of favorable pricing or to address concerns about future availability. If we fail to anticipate customer demand properly or if customer changes its demand significantly, a temporary" oversupply" could result in excess or obsolete components. Transportation Costs and Impact of Oil Prices We ship products from our factories and foreign manufacturers via ocean and air transport. It is sometimes difficult to forecast swings in demand or delays in production and, as a result, products may be shipped via air which is more costly than ocean shipments. We typically cannot recover the increased cost of air freight from our customers. Additionally, tariffs and other export fees may be incurred to ship products from foreign manufacturers to the customer. These increases in costs and tariffs may have a material adverse effect on our product margins. We also have an exposure to oil prices in two forms. The first is in the prices of oil- based materials in our products, which are primarily the plastics and other components that we include in our finished products. The second is in the cost of delivery and freight, which would be passed on by the carriers that we use in the form of higher rates. Rising oil prices may have an adverse effect on cost of sales and operating expenses, and Russia' s invasion of Ukraine may continue to create uncertainty in oil prices. **Conflict in the Middle East may produce continued or increased disruptions to international shipping and fluctuating freight costs.** Disruptions Caused by Labor Disputes or Organized Labor Activities Could Materially Harm our Business and Reputation Currently, approximately **800** ~~1, 400~~ of our Brazil and Mexico employees are represented by labor unions **. Additionally, approximately 400 of our Vietnam employees are covered by a collective bargaining agreement** . Disputes with the current labor unions or new union organizing activities could lead to production slowdowns or stoppages and make it difficult for us to meet scheduled delivery times for product shipments to some of our customers, which could result in a loss of business and material damage to our reputation. In addition, union activity and compliance with international labor standards could result in higher labor costs, which could have a material adverse effect on our financial position and results of operations. Leased Property We lease all of the properties used in our business. We can give no assurance that we will enter into new or renewal leases, or that, if entered into, the new lease terms will be similar to the existing terms or that the terms of any such new or renewal leases will not have a significant and material adverse effect on our operating results, financial condition and cash flows. Competition Competition within the industries we serve is based primarily on product availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality, and depth of product lines. Our competition is fragmented across our products, and, accordingly, we do not compete with any one company across all product lines. We compete with a variety of entities, some of which have greater financial resources. Other competitors are smaller and may be able to offer more specialized products. Our ability to remain competitive in this industry depends in part on our ability to successfully identify new product opportunities, develop and introduce new products and enhancements on a timely and cost- effective basis, as well as our ability to successfully identify and enter into strategic alliances with entities doing business within the industries we serve. Competition in any of these areas may reduce our sales and adversely affect our earnings or cash flow resulting from decreased sales volumes, reduced prices and increased costs of manufacturing, distributing and selling our products. There can be no assurance that our product offerings will be, and / or will remain, competitive or that strategic alliances, if any, will achieve the type, extent, and amount of success or business that we expect them to achieve. The sales of our products and technology may not occur or grow in the manner we expect, and thus we may not recoup costs incurred in the R & D as quickly as we expect, if at all. Some customers may elect to engage a second source to manufacture the same product, and there is no guarantee that these customers will maintain the volume that was initially allocated to us throughout the product life cycle. The home security and automation industry is highly fragmented and subject to significant competition and pricing pressures. In particular, the monitored security industry providers have highly recognized brands which may drive increased awareness of their security / automation offerings rather than ours, have access to greater capital and resources than us, and may spend significantly more on advertising, marketing and promotional activities which could have a material adverse effect on our ability to drive awareness and demand for our products and services. In addition, video service providers have expanded into the monitored security industry and are bundling their existing offerings with monitored security services. We also face competition from DIY companies that are increasingly providing products which enable customers to self- monitor and control their environments without third- party involvement. Further, DIY providers may also offer professional monitoring with the purchase of their systems and equipment or new IoT devices and services with automated features and capabilities that may be appealing to customers. Continued pricing pressure, improvements in technology and shifts in customer preferences towards self- monitoring or DIY could adversely impact our customer base and / or pricing structure and have a material adverse effect on our business, financial condition, results of operations and cash flows. Change in Competition and Pricing Even with having our own factories, we will continue to rely on third- party manufacturers to build a portion of our products. Price is always an issue in winning and retaining business. If customers become increasingly price sensitive, new competition may arise from manufacturers who decide to go into direct competition with us or from current competitors who perform their own manufacturing. If such a trend develops, we may experience downward pressure on our pricing or lose sales, which may have a material adverse effect on our operating results, financial condition and cash flows. Strategic Business Transactions We have historically made strategic acquisitions of businesses in industries adjacent to our core business and will likely acquire additional businesses in the future as part of our long- term growth strategy. The success of future acquisitions depends in large part on our ability to integrate the operations and personnel of the acquired companies and manage challenges that may arise as a result of the acquisitions, particularly when the acquired businesses operate in new or foreign markets. In the event we do not successfully integrate such future acquisitions into our existing operations so as to realize the expected return on our investment, our results of operations, cash flow or financial condition could be adversely affected. Recruitment and Retention of Talent and Key Employees In order to be successful, we must attract, hire, retain, train, motivate, and develop qualified executives, engineers, technical staff and other key employees. Identifying, developing internally or hiring externally, training and retaining qualified executives, engineers and qualified sales representatives are critical to our future, and competition for experienced employees in the technology industry can be intense as employees' expectations of compensation, benefits and work flexibility continue to increase. Equity- based compensation can be important to attracting and retaining qualified employees and lack of positive performance in our stock price may adversely affect our ability to attract or retain key employees. In addition, workforce dynamics are constantly evolving in all regions, and we may not be able to manage changing workforce dynamics successfully. Risks Related to Doing Business in the PRC Presently, we manufacture **many** ~~a majority~~ of our products in our factories in the PRC. Additionally, many of our contract manufacturers are located in the PRC. In addition to the other risks identified herein, doing business in the PRC carries a number of risks including the following: The Fluctuation of the Chinese Yuan Renminbi May Adversely Impact Our Manufacturing Costs ~~.~~ Under Chinese monetary policy, the Chinese Yuan Renminbi is permitted to fluctuate within a managed band against a basket of certain foreign currencies and has resulted in increased volatility in the exchange rate of the Chinese Yuan Renminbi against the U. S. Dollar. Any significant appreciation of the Chinese Yuan Renminbi against the U. S. Dollar could lead to higher manufacturing costs for our products. Availability of Adequate Workforce Levels Presently, a portion of workers at our PRC factories are obtained from third- party employment agencies. As the labor laws, social insurance and wage levels continue to grow and the workers become more sophisticated, our costs to employ these and other workers in the PRC may grow beyond that anticipated by management. Some of our key customers have demanded that we reduce the percentage of workers sourced from third- party employment agencies, which may also lead to increased costs in recruitment, retention and compliance. While we have already experienced increases in labor rates in the PRC, as the PRC market continues to open up and grow, we may experience an increase in competition for the same workers, resulting in either an inability to attract and retain an adequate number of qualified workers or an increase in our employment costs to obtain and retain these workers. Changes in the Policies of the PRC Government May Have a Significant Impact Upon the Business We Conduct in the PRC and the Profitability of Such Business ~~.~~ Our business operations may be adversely affected by the current and future political environment in the PRC. The government of the PRC has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy, through regulation and state ownership. Our ability to operate in the PRC may be adversely affected by changes in Chinese laws and regulations, including those relating to taxation, labor and social insurance, import and export tariffs, raw materials, environmental regulations, land use rights, property and other matters **. Additionally, in light of recent geo- political tensions and competing territorial claims, the PRC' s relationships with other countries or governments could grow more complex or openly adversarial, potentially leading to far- reaching market disruptions. Potential conflict across the Taiwan Strait or between the PRC and other countries or governments could cause a significant adverse effect to our business, and could lead to a disruption in our ability to operate in or source from the PRC** . The PRC Laws and Regulations Governing Our Current Business Operations are Sometimes Vague and Uncertain ~~.~~ There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including but not limited to the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our business. If the relevant authorities find that we are in violation of PRC laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation: levying fines; revoking our business and other licenses; requiring that we restructure our ownership or operations; and requiring that we discontinue any portion or all of our business. The PRC' s Legal and Judicial System May Not Adequately Protect Our Business and Operations and the Rights of Foreign Investors ~~.~~ The PRC legal and judicial system may negatively impact foreign investors, with inconsistent enforcement of existing laws. In addition, the promulgation of new laws, changes to existing laws and the preemption of local regulations by national laws may adversely affect foreign investors. Risks Relating to Regulation and Legal Certain Regulatory and Financial Risks Related to Climate Change Growing concerns about climate change may result in the imposition of additional regulations or restrictions to which we may become subject. A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to climate change, including regulating greenhouse gas emissions. The outcome of new legislation or regulation in the U. S. and other jurisdictions in which we operate may result in new or additional requirements, additional charges to fund energy efficiency activities, and fees or restrictions on certain activities. Compliance with these climate change initiatives may also result in additional costs to us. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Even without such regulation, increased public awareness and adverse publicity about potential impacts on climate change emanating from us or our industry could harm us. We may not be able to recover the cost of compliance with new or more stringent laws and regulations, which could adversely affect our results of operations, financial position or cash flows. Ultimately, the impacts of climate change, whether involving physical risks or transition risks are expected to be widespread and unpredictable and may materially adversely affect our business and financial results. Significant Developments From Potential Changes in U. S. Trade Policies Could Have a Material Adverse Effect On Us The U. S. government implemented additional tariffs on certain goods imported from the PRC. We manufacture a substantial amount of our products in the PRC and are presently subject to these additional tariffs and will remain so until the tariff lists are altered. These tariffs, and other governmental action relating to international trade agreements or policies, may adversely impact demand for our products, our costs, customers, suppliers and / or the U. S. economy or certain sectors thereof and, as a result, adversely impact our business. These additional tariffs may cause us to increase prices to our customers which may reduce demand, or, if we are unable to increase prices, result in lowering our margin on products sold. It remains unclear what the U. S. or foreign governments will or will not do with respect to tariffs, international trade agreements and policies on a short- term or long- term basis. We cannot predict future trade policy or the terms of any renegotiated trade agreements and their impacts on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the U. S. economy, which in turn could adversely impact our business, financial condition and results of operations. As a result of these tariffs and other governmental action, we moved production of many of our products destined for the U. S. to Mexico **, Vietnam** and a third- party manufacturing partner outside of the PRC. Policy Changes Affecting International Trade Could Adversely Impact the Demand for Our Products and Our Competitive Position Due to the international scope of our operations, changes in government policies on foreign trade and investment may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. Our business may benefit from free trade agreements. Efforts to withdraw from or substantially modify such agreements or the implementation of more restrictive trade policies such as more detailed inspections, higher tariffs, import or export licensing requirements, exchange controls or new barriers to entry, could have a material adverse effect on our results of operations, financial condition or cash flow and that of our customers, vendors and suppliers. Risks and Uncertainties Associated with Our Expansion Into and Our Operations Outside of the United States May Adversely Affect Our Results of Operations, Cash Flow, Liquidity or Financial Condition Our international operations continue to grow, making up a significant part of our current business and future strategic plans. We presently operate factories in the PRC, **Vietnam, Mexico and** Brazil ~~and Mexico~~ , engineering centers in India, Korea and Japan and rely on third- party manufacturers located in Asia ~~. In addition, we expect to commence manufacturing operations in Vietnam in the first half of 2023~~ . We are increasingly exposed to the challenges and risks of doing business outside the United States, which could reduce our revenues or profits, increase our costs, result in significant liabilities or sanctions, or otherwise disrupt our business. These challenges include: (1) compliance with complex and changing laws, regulations and policies of governments that may impact our operations, such as foreign ownership restrictions, import and export controls, tariffs, and trade restrictions; (2) compliance with U. S. and foreign laws that affect the activities of companies abroad, such as anti- corruption laws, competition laws, currency regulations, and laws affecting dealings with certain nations; (3) limitations on our ability to repatriate non- U. S. earnings in a tax effective manner; (4) the difficulties involved in managing an organization doing business in many different countries; (5) uncertainties as to the enforceability of contract and intellectual property rights under local laws; (6) rapid changes in government policy, political or civil unrest, acts of terrorism, or the threat of international boycotts or U. S. anti- boycott legislation; and (7) currency exchange rate fluctuations. We are also exposed to risks relating to U. S. policy with respect to companies doing business in foreign jurisdictions, and as such we are subject to a variety of taxes in the U. S. (federal, state, and local) and numerous foreign jurisdictions. We may recognize additional tax expense and be subject to additional tax liabilities due to changes in laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions. Such changes could come about as a result of economic, political, and other conditions. Our tax expense and liabilities are also affected by other factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, losses incurred in jurisdictions for which we are not able to realize related tax benefits, the applicability of special tax regimes, changes in foreign currency exchange rates, changes in our stock price, and changes in our deferred tax assets and liabilities and their valuation. Significant judgment is required in evaluating and estimating our tax expense and liabilities. In the ordinary course of our business, there are many transactions and calculations which make the ultimate tax determination uncertain. We **become** ~~are also currently~~ subject to tax controversies in various jurisdictions **at various times** , and these jurisdictions may assess additional tax liabilities against us. Developments in an audit, investigation, or other tax controversy could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals. Although we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical tax accruals. Failure by Our International Operations to Comply With Anti- Corruption Laws or Trade Sanctions Could Increase Our Costs, Reduce Our Profits, Limit Our Growth, Harm Our Reputation, or Subject Us to Broader Liability We are subject to restrictions imposed by the U. S. Foreign Corrupt Practices Act and anti- corruption laws and regulations of other countries applicable to our operations, such as the U. K. Bribery Act. These laws require us to maintain adequate internal controls and accurate books and records. We have properties and do business in many parts of the world where corruption is common, and our compliance with anti- corruption laws may potentially conflict with local customs and practices. The compliance programs, internal controls and policies we maintain and enforce to promote compliance with these laws may not prevent our employees, contractors or agents from acting in ways prohibited by these laws and regulations. We are also subject to trade sanctions administered by the U. S. Office of Foreign Assets Control and the U. S. Department of Commerce, and other U. S. government agencies, and authorities in other countries where we do business. Our Global Compliance Department, compliance programs, and internal control policies and procedures may not prevent conduct that is prohibited under these rules. The United States or other countries may impose additional sanctions at any time against any country in which or with whom we do business. Depending on the nature of the sanctions imposed, our operations in the relevant country could be restricted or otherwise adversely affected. Any violations of anti- corruption laws and regulations or trade sanctions could result in significant civil and criminal penalties, reduce our profits, disrupt or have a material adverse effect on our business or damage our reputation or result in lawsuits or regulatory actions being brought against us or our officers or directors. In addition, the operation of these laws and regulations or an imposition of further restrictions in these areas could increase our cost of operations, reduce our profits or cause us to forgo development opportunities or limit certain business operations that would otherwise support growth. We are Subject to a Wide Variety of Complex Domestic and Foreign Laws and Regulations We are subject to a wide variety of complex domestic and foreign laws and regulations, and legal compliance risks, including securities laws, tax laws, employment and pension- related laws, competition laws, U. S. and foreign export and trading laws, laws governing improper business practices, and health, safety and environmental laws and regulations. These laws and regulations not only govern our current operations and products, but could also impose liability on us for our past operations. From time to time, our Company, our operations and the industries in which we operate are being reviewed or investigated by regulators, which may lead to enforcement actions or the assertion of private litigation claims and damages. Our costs to respond to any investigation or to comply with these laws and regulations may increase as these requirements become more stringent in the future, and these increased costs may adversely affect our results of operations, cash flow or financial condition. Although we believe that we have adopted appropriate risk management and compliance programs to mitigate these risks, the global and diverse nature of our operations means that compliance risks will continue to exist. Investigations, examinations and other proceedings, the nature and outcome of which cannot be predicted, will likely arise from time to time. These investigations, examinations and other proceedings may subject us to significant liability and require us to pay significant settlements, fines and penalties, which may have a material adverse effect on our results of operations, cash flows or financial condition. Patents, Trademarks, and Copyrights We have numerous patents, trade secrets, trademarks, trade names, and know- how that are valuable to our business. However, the procedures by which we identify, document, and file for patent, trademark, and copyright protection are based solely on engineering and management judgment, with no assurance that a specific filing will be issued, or if issued, will deliver any lasting value to us. Because of the rapid innovation of products and technologies that is characteristic of our industry, there can be no assurance that rights granted under any patent will provide competitive advantages to us or will be adequate to safeguard and maintain our proprietary rights. We further believe that while our business is not materially dependent upon any single patent, trade secret, trademark, trade name, copyright, or know- how, we do have" families" of patents that are interrelated, which if determined to be invalid or unenforceable, could have a detrimental effect on our business. Despite our efforts to protect such intellectual property and other proprietary information from unauthorized use or disclosure, third parties may attempt to disclose, obtain or use our intellectual property and information without our authorization. Although we rely on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect our intellectual property rights, the laws of some countries may not protect such rights to the same extent as the laws of the United States. Unauthorized use of our intellectual property by third parties, the failure of foreign countries to have laws to protect our intellectual property rights, or an inability to effectively enforce such rights in foreign countries could have an adverse effect on our business. In addition, as is typical in our business, third parties (including non- practicing entities (" NPEs")) may challenge the validity of our patents. In the event that such challenges prove successful, the value of our patents may decline which, in turn, could have an adverse effect on our business. Further, some of our products include or use technology and / or components of third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of such products, we believe that, based upon past experience and industry practice, such licenses may be obtained on commercially reasonable terms; however, there can be no guarantee that such licenses may be obtained on such terms or at all. Because of technological changes in the wireless and home control industry, current extensive patent coverage, and the rapid rate of issuance of new patents, it is possible certain components of our products and business methods may unknowingly infringe upon the patents of others. Potential for Litigation As is typical in our industry and for the nature and kind of business in which we are engaged, from time to time various claims, charges and litigation are asserted or commenced by third parties against us or by us against third parties, arising from or related to product liability, infringement of patent or other intellectual property rights, breach of warranty, contractual relations or employee relations. The amounts claimed may be substantial, but they may not bear any reasonable relationship to the merits of the claims or the extent of any real risk of court awards assessed against us or in our favor. If a customer or third party believes that he or she has suffered harm to person or property due to an actual or alleged security system failure, he or she (or their insurers) may pursue legal action against us, and the cost of defending the legal action and of any judgment against us could be substantial. In particular, because some of our products and services are intended to help protect lives and real and personal property, we may have greater exposure to litigation risks than businesses that provide other consumer and small business products and services. While our customer contracts contain a series of risk- mitigation provisions that are aimed at limiting our liability and / or limiting a claimant' s ability to pursue legal action against us, in the event of litigation with respect to such matters it is possible that these risk- mitigation provisions may be deemed not applicable or unenforceable and, regardless of the ultimate outcome, we may incur significant costs of defense that could materially and adversely affect our business, financial condition, results of operations and cash flows. Environmental Matters Many of our products are subject to various federal, state, local and international laws governing chemical substances in products, including laws regulating the manufacture and distribution of chemical substances and restricting the presence of certain substances in electronics products. In addition, many of these laws and regulations make producers of electrical goods responsible for collection, recycling, treatment and disposal of recovered products. As a result, we may face significant costs and liabilities in complying with these laws and any future laws and regulations or enforcement policies that may have a material adverse effect upon our operating results, financial condition, and cash flows. In addition, our operations, supply chain and our products are expected to become increasingly subject to federal, state, local and foreign laws, regulations, and international treaties relating to climate change, such as climate disclosure, carbon pricing or product energy efficiency requirements, requiring us to comply or potentially face market- access limitations or other sanctions including fines. We strive to continually improve the energy and carbon efficiency of our operations, supply chain and product portfolio and deliver more cost- effective and lower carbon technology solutions to our customers. Regulations Related to the Use of Conflict- Free Minerals May Increase Our Costs and Expenses, and an Inability to Certify that Our Products are Conflict- Free May Adversely Affect Customer Relationships The Dodd- Frank Wall Street Reform and Consumer Protection Act contains provisions to improve the transparency and accountability of the use by public companies in their products of minerals mined in certain countries and to prevent the sourcing of such" conflict" minerals. As a result, the SEC enacted annual disclosure and reporting requirements for public companies to conduct due diligence to determine the source of any conflict minerals used in our products and to make annual disclosures in filings with the SEC. Because our supply chain is broad- based and complex, we may not be able to easily verify the origins for all minerals used in our products. In addition, the ~~new~~ rules may reduce the number of suppliers who provide components and products containing conflict- free minerals and thus may increase the cost of the components used in manufacturing our products and the costs of our products to us. Any increased costs and expenses may have a material adverse impact on our financial condition and results of operations. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers, which may place us at a competitive disadvantage, and our reputation may be harmed. The Prominence and Evolution on Disclosures related to ESG Matters May Expose Us to Certain Performance and Reputational Risks We have established certain ESG goals and reporting of ESG data. Our failure to adequately update, accomplish or accurately track and report on these goals on a timely basis, or at all, could adversely affect our reputation, financial performance ~~,~~ and growth ~~,~~ and expose us to increased scrutiny from the investment community, special interest groups and enforcement authorities. Standards for tracking and reporting ESG matters continue to evolve. Methodologies for reporting ESG data may be updated and previously reported ESG data may be adjusted to reflect improvement in availability and quality of third- party data, changing assumptions, changes in the nature and scope of our operations and other changes in circumstances. Our processes and controls for reporting ESG matters relating to our operations and supply chain are evolving along with various standards for identifying, measuring, and reporting ESG metrics, including ESG- related disclosures that may be required by the SEC, European and other regulators, and such standards may change over time. If our ESG practices do not meet evolving investor or other stakeholder expectations and standards, then our reputation or our attractiveness as an investment, business partner, service provider or employer could be negatively impacted. Risks Relating to Finance Growth Projections Management has made projections required for the preparation of financial statements in conformity with accounting principles generally accepted in the United States (" U. S. GAAP") regarding future events and the financial performance of the Company, including those involving: • the benefits the Company expects as a result of the development and success of products and technologies, including new products and technologies; • the benefits expected by conducting business in Asian and Latin American markets, without which, we may not be able to recover the costs we incur to enter into such markets; • new contracts with new and existing customers and new market penetrations; • the expected continued adoption of the Company' s technologies in gaming consoles, mobile devices, and other home entertainment and control devices; • the expected continued growth in digital TVs, DVRs, PVRs and overall growth in the Company' s industry; • the impact competitors and OTT providers may have on our business; and • the effects we may experience due to current global and regional economic conditions. Actual events or results may be unfavorable to management' s projections, which may have a material adverse effect on our projected operating results, financial condition and cash flows. Additionally, we have long- lived and intangible assets ~~, including goodwill,~~ recorded on our consolidated balance sheet. We assess these assets for impairment whenever events or changes in circumstances indicate that the fair value may be below its carrying value. Factors considered important that may trigger said assessment include, among others, a significant adverse change in legal factors or in business climate, a decline in macroeconomic conditions, a significant decline in our financial performance or a significant decline in the price of our common stock for a sustained period of time. Impairment assessment involves judgment as to assumptions regarding future sales and cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions and may result in changes in our estimates of future sales and cash flows that may result in us incurring substantial impairment charges, which would adversely affect our results of operations or financial condition. Market Projections and Data are Forward- looking in Nature ~~.~~ Our strategy is based on our own projections and on analyst, industry observer and expert projections, which are forward- looking in nature and are inherently subject to risks and uncertainties. The validity of their and our assumptions, the timing and scope of the markets within which we compete, economic conditions, customer buying patterns, the timeliness of equipment development, pricing of products, and availability of capital for infrastructure improvements may affect these predictions. In addition, market data upon which we rely is based on third- party reports that may be inaccurate. The inaccuracy of any of these projections and / or market data may adversely affect our operating results and financial condition. Potential Fluctuations in Quarterly Results We may from time to time increase our operating expenses to fund greater levels of R & D, sales and marketing activities, development of new distribution channels, improvements in our operational and financial systems, moving manufacturing capabilities to other countries, and development of our customer support capabilities, In addition, legal expenses could increase from time to time as we enhance or increase our litigation efforts and / or to support our efforts to comply with or respond to various government regulations and investigations. To the extent such expenses precede or are not subsequently followed by increased revenues, our business, operating results, financial condition and cash flows will be adversely affected. In addition, we may experience significant fluctuations in future quarterly operating results that may be caused by many other factors, including demand for our products, introduction or enhancement of products by us and our competitors, the loss or acquisition of any significant customers, market acceptance of new products, price reductions by us or our competitors, mix of distribution channels through which our products are sold, product or supply constraints, level of product returns, mix of customers and products sold, component pricing, mix of international and domestic revenues, foreign currency exchange rate fluctuations and general economic conditions. In addition, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing or marketing decisions or acquisitions that may have a material adverse effect on our business, results of operations or financial condition. As a result, we believe period- to- period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of future performance. Due to all of the foregoing factors, it is possible that in some future quarters our operating results will be below the expectations of public market analysts and investors. If this happens the price of our common stock may be materially adversely affected. Fluctuations in Foreign Currency Exchange Rates or Interest Rates May Adversely Affect Our Results of Operations, Cash Flow, Liquidity or Financial Condition Because of our international operations, we are exposed to risk associated with interest rates and value changes in foreign currencies, which may adversely affect our business. We earn revenues and incur expenses in foreign currencies as part of our operations outside of the U. S. Accordingly, fluctuations in currency exchange rates may significantly increase the amount of U. S. dollars required for foreign currency expenses or significantly decrease the U. S. dollars we receive from foreign currency revenues. We are also exposed to currency translation risk because the results of our non- U. S. business are generally reported in local currency, which we then translate to U. S. dollars for inclusion in our financial statements. As a result, changes between the foreign exchange rates and the U. S. dollar affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. We expect that our exposure to foreign currency exchange rate fluctuations will grow as the relative contribution of our non- U. S. operations increases. We actively manage the exposure of our foreign currency risk as part of our overall financial risk management policy, by entering into foreign exchange hedging agreements with financial institutions to reduce exposures to some of the principal currencies, but these efforts may not be successful. These hedging agreements also do not cover all currencies in which we do business, do not eliminate foreign currency risk entirely for the currencies that they do cover, and involve costs and risks of their own in the form of transaction costs, credit requirements and counterparty risk. In addition, under the Second Amended and Restated Credit Agreement (" Second Amended Credit Agreement") with U. S. Bank National Association (" U. S. Bank"), we may elect to pay interest on the revolving line of credit (" Credit Line") based on ~~LIBOR or a base rate as specified in the Second Amended Credit Agreement. LIBOR is subject to recent national, international and other regulatory guidance and proposals for reform. These reforms have resulted in plans to phase out and eventually replace LIBOR. The Financial Conduct Authority, which regulates LIBOR, announced it would cease publications of the remaining tenors of LIBOR immediately after June 30, 2023. On January 7, 2021, we executed an amendment to our Second Amended Credit Agreement which defines~~ the Secured Overnight Financing Rate (" SOFR") **plus an applicable margin or a base rate (based on the prime rate of U. S. Bank or** as **otherwise specified in** the **Second Amended Credit Agreement), plus** ~~replacement benchmark for LIBOR upon its phase out. The calculation of interest rates under the SOFR replacement benchmarks could negatively impact our business and~~ **an** ~~financial results~~ **applicable margin** . To the extent these interest rates increase, our interest expense will increase, which could adversely affect our financial condition, operating results and cash flows. Our Ability to Generate Cash Depends on Many Factors Beyond Our Control ~~-~~Our historical financial results have been, and we anticipate that our future financial results will be, subject to fluctuations. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund our other liquidity needs and make planned capital expenditures. The degree to which we are currently leveraged could have important consequences for stockholders. For example, it could: • require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes; • increase our vulnerability to adverse economic or industry conditions; • limit our ability to obtain additional financing in the future to enable us to react to changes in our business; or • place us at a competitive disadvantage compared to businesses in our industry that have less debt. A significant portion of our operations is conducted through our subsidiaries. As a result, our ability to generate sufficient cash flow for our needs is dependent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. ~~Our~~ **Except for Universal Electronics BV, which has guaranteed the performance under our Credit Line, our** subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on our debt or to provide us with funds to meet our cash flow needs. In addition, any payment of dividends, loans or advances by our subsidiaries may be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization will be effectively subordinated to the claims of that subsidiary' s creditors, including trade creditors. In addition, even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. Further, changes in the laws of foreign jurisdictions in which we operate may adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us. We may also fund a portion of our seasonal working capital needs and obtain funding for other general corporate purposes through short- term borrowings backed by our revolving credit facility. If any of the banks in these credit and financing facilities are unable to perform on their commitments, our cash flow, liquidity or financial condition may be adversely impacted. Although we currently have available credit facilities to fund our current operating needs, we cannot be certain that we will be able to replace our existing credit facilities or refinance our existing or future debt when necessary. Our cost of borrowing and ability to access the capital markets are affected not only by market conditions, but also by our debt and credit ratings assigned by the major credit rating agencies. Downgrades in these ratings will increase our cost of borrowing and may have an adverse effect on our access to the capital markets, including our access to the commercial paper market. An inability to access the capital markets may have a material adverse effect on our results of operations, cash flow, liquidity or financial condition. Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us. Risks Relating to Our Stock The Price of Our Common Stock is Volatile and May Decline Regardless of Our Operating Performance Historically, we have had large fluctuations in the price of our common stock ~~, and such fluctuations may continue,~~ including a significant decline in our stock price **, and such fluctuations may continue** . The trading market for our common stock has historically been at low volumes and our market price is volatile and may fluctuate significantly in response to a number of factors, most of which we cannot control, including the public' s response to press releases or other public announcements by us or third parties, including our filings with the SEC and announcements relating to product and technology development, relationships with new and existing customers, litigation and other legal proceedings in which we are involved and intellectual property impacting us or our business; announcements concerning strategic transactions, such as spin- offs, joint ventures and acquisitions or divestitures; the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections; changes in financial estimates or ratings by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock; the inclusion or removal of our common stock from any indices; investor perceptions as to the likelihood of achievement of near- term goals; changes in market share of significant customers; changes in operating performance and stock market valuations of other technology or content providing companies generally; and market conditions or trends in our industry or the economy as a whole. Stockholders of other companies have instituted securities class action litigation against such companies after periods of price volatility in such companies' stock. If we were to become involved in such securities litigation, we may incur substantial costs and the attention of management may be diverted from our business. In addition, our officers and directors periodically sell shares of our common stock which they own, many times pursuant to trading plans established under Rule 10b5- 1 of the Securities Exchange Act of 1934, as amended (the" Exchange Act"). Sales of shares by our officers and directors may not be indicative of their respective opinions of our performance at the time of sale or of our potential future performance. Nonetheless, the market price of our stock may be affected by such sales of shares by our officers and directors. ~~Future Sales of Our Shares By Our Largest Stockholders May Depress the Market Price of Our Common Stock We have several institutional stockholders that own significant blocks of our common stock. If one or more of these stockholders were to sell large portions of their holdings in a relatively short time, the prevailing market price of our common stock may be negatively affected. Further, due to our historically low trading volumes, such large stockholders may not be able to sell the number of shares they wish to sell and / or in the time frame in which they wish to sell. Moreover, while such large stockholders are attempting to sell their shares, other stockholders may not be able to sell their shares at the price and time that such other stockholders desire due to the low trading volumes of our stock.~~ Approved Stock Repurchase Programs May Not Result in a Positive Return of Capital to Stockholders Periodically, our Board approves programs to repurchase our common stock based upon an assessment of the then current value as compared to the then trading ranges and investor analyst reports. Also considered in this decision is the effect any such repurchases may have on our cash balances and needs, cash flow, and short- and long- term borrowing. Additionally, we, the technology industry and the stock market as a whole have experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to our and these companies' operating performance. Price volatility over a given period may cause the average price at which we repurchase our own stock to exceed the stock' s price at a given point in time. While we believe our stock price should reflect expectations of future growth and profitability, we also believe our stock price should reflect expectations that our share repurchase program will be fully consummated even though our share repurchase program does not obligate us to acquire any specific number of shares. If we fail to meet expectations related to future growth, profitability, share repurchases or other market expectations, our stock price may decline significantly, which could have a material adverse impact on investor confidence. Our Governing Corporate Documents Contain, and Our Board of Directors May Implement, Antitakeover Provisions that May Deter Takeover Attempts Our governing corporate documents, among other things, require super- majority votes in connection with certain mergers and similar transactions. In addition, our Board of Directors may, without stockholder approval, implement other anti- takeover defenses, such as a stockholder' s rights plan. General Risks Economic Downturns and Other Global, National, and Regional Conditions May Adversely Affect Our Results of Operations, Cash Flow, Liquidity or Financial Condition Because we conduct our business on a global platform, our business is sensitive to global and regional business and economic conditions. Adverse changes in global, national, regional economies, governmental policies (including in areas such as trade, travel, immigration, healthcare, and related issues), and geopolitical conditions (such as the Russian invasion of Ukraine, **conflict in the Middle East,** tension across the Taiwan Strait and tension between the United States and the PRC, and the ramifications of those and other events) impact our activities **. Additionally, we conduct business in countries that have policies which restrict outbound U. S. Dollar transactions. During 2023, we experienced**

these conditions in Argentina and expect these restrictions to continue . Such conditions in the United States and worldwide may impact our business due to weak economic conditions, changes in energy prices and currency values, political instability, heightened travel security measures, advisories, or disruptions, and concerns over disease, violence, war, or terrorism may reduce the demand for some of our products and impair the ability of those with whom we do business to satisfy their obligations to us, each of which could adversely affect our results of operations, cash flow, liquidity or financial condition. Higher inflation rates, interest rates, tax rates and unemployment rates, higher labor and healthcare costs, recessions, changing governmental policies, laws and regulations, and other economic factors could also adversely affect demand for some of our products and our results of operations, cash flow, liquidity or financial condition and that of our customers, vendors and suppliers. Global economic uncertainty continues to exist. The continuation or worsening of the global economic downturn may adversely impact our net sales, the collection of accounts receivable, funding for working capital needs, expected cash flow generation from current and acquired businesses, and our investments, which may adversely impact our results of operations, cash flow, liquidity or financial condition. We finance a portion of our sales through trade credit. Credit markets remain tight, and some customers who require financing for their businesses have not been able to obtain necessary financing. A continuation or worsening of these conditions could limit our ability to collect our accounts receivable, which could adversely affect our results of operations, cash flow, liquidity or financial condition. Our ability to meet customers' demands depends, in part, on our ability to obtain timely and adequate delivery of quality materials, parts and components from our suppliers. Certain of our components are available only from a single source or limited sources. If certain key suppliers were to become capacity constrained or insolvent as a result of an economic downturn, it may result in a reduction or interruption in supplies or a significant increase in the price of supplies and adversely impact our financial results. In addition, credit constraints at key suppliers may result in accelerated payment of accounts payable by us, impacting our cash flow. Risks Relating to Natural or Man- Made Disasters, Contagious Disease, Climate Change, Violence, or War May Cause Increases in the Cost of Raw Materials, Production, and Energy which May Adversely Affect Our Earnings or Cash Flow Our ability, including manufacturing or distribution capabilities, and that of our suppliers, business partners and contract manufacturers, to make, move and sell products is critical to our success. We purchase raw materials and energy for use in the manufacturing, distribution and sale of our products. So called" Acts of God," such as hurricanes, earthquakes, tsunamis, floods, volcanic activity, wildfires, and other natural disasters, as well as man- made disasters and the spread of contagious diseases in locations where we lease and / or own properties and equipment or manage our business, and these circumstances could continue or worsen in the future to an extent and for durations that we are not able to predict. Actual or threatened war, terrorist activity, political unrest, civil or geopolitical strife, and other acts of violence could have a similar effect. As with the effects we have already experienced from the COVID- 19 pandemic, any one or more of these events, including the actions taken **in the ongoing conflicts in the Middle East and** by Russia against Ukraine, could disrupt sales volumes, raw material and fuel supplies and increase our costs, reduce our ability to manufacture and supply our products, and / or increase our operating costs, all of which could adversely affect our earnings or cash flows and profits. There are also inherent climate- related risks wherever our business is conducted. Changes in market dynamics, stakeholder expectations, local, national and international climate change policies, and the frequency and intensity of extreme weather events on critical infrastructure globally, all have the potential to disrupt our business and operations. Such events could result in increases in our costs and expenses and harm our future revenue, cash flows and financial positions. Although raw materials and energy supplies (including oil and natural gas) are generally available from various sources in sufficient quantities, unexpected shortages and increases in the cost of raw materials and energy, or any deterioration in our relationships with or the financial viability of our suppliers, may have an adverse effect on our earnings or cash flow in the event we are unable to offset higher costs in a timely manner by sufficiently decreasing our operating costs or raising the prices of our products. In recent years, some raw material and energy prices have increased, particularly silicon and plastic packaging. The cost of raw materials and energy has in the past experienced, and likely will in the future continue to experience, periods of volatility.