Risk Factors Comparison 2024-02-16 to 2023-02-22 Form: 10-K

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Key Risk Factors That May Impact Future Results Stockholders should carefully consider the risk factors described below when evaluating the Company. Any of these factors, many of which are beyond our control, could materially and adversely affect our business, financial condition, operating results, cash flow, and stock price. Risks Related to Our Business and Industry Unfavorable market conditions have adversely affected, and may continue to adversely affect, our operating results. Conditions of the markets in which we operate are volatile and may experience significant deterioration. Changing market conditions require that we continuously monitor and reassess our strategic resource allocation decisions. If we fail to properly adapt to changing business environments, we may lack the infrastructure and resources necessary to scale up our businesses to successfully compete during periods of growth, or we may incur excess fixed costs during periods of decreasing demand. Adverse market conditions relative to our products may result in: ● reduced demand for our products, or the rescheduling or cancellation of orders for our products which may result in negative backlog adjustments; ● asset impairments, including the impairment of goodwill and other intangible assets; ● unfavorable changes in customer mix and product mix; ● increased price competition for our products, or increased competition from sellers of used equipment or lower- priced alternatives to our products, which could lead to lower profit margins for our products; ● increased inventory obsolescence; ● disruptions in our supply chain; ● higher operating costs, caused by matters such as rising inflation and interest rates in various regions, which the Company ~~is currently experiencing~~ **experienced in 2023 and may continue to do so in the future** ; and ● an increase in uncollectable amounts due from our customers resulting in increased reserves for doubtful accounts and write- offs of accounts receivable. If the markets in which we participate experience deteriorations or downturns, this could negatively impact our sales and revenue generation, margins, operating expenses, and profitability. We face significant competition. We face significant competition throughout the world, which may increase as certain markets in which we operate continue to evolve. Some of our competitors have greater financial, engineering, manufacturing, and marketing resources than us. Other competitors are located in regions with lower labor costs and other reduced costs of operation. In addition, our ability to compete in foreign countries against local manufacturers may be hampered by nationalism, social attitudes, laws, regulations, and policies within such countries that favor local companies over U. S. companies or that are otherwise designed to promote the development and growth of local competitors. Furthermore, we face competition from smaller emerging equipment companies whose strategy is to provide a portion of the products and services we offer, with a focused approach on innovative technology for specialized markets. New product introductions or enhancements by us or our competitors could cause a decline in sales or loss of market acceptance of our existing or prior generation products. Increased competitive pressure could also lead to intensified price competition resulting in lower profit margins. We operate in industries characterized by rapid technological change. Each of the industries in which we operate is subject to rapid technological change. Our ability to remain competitive depends on our ability to enhance existing products and develop and manufacture new products in a timely and cost effective manner and to accurately predict technology transitions. Our performance may be adversely affected if we are unable to accurately predict evolving market trends and related customer needs and to effectively allocate our resources among new and existing products and technologies. The semiconductor industry, characterized by a high frequency and complexity of technology transitions and inflections ~~(commonly referred to as " Moore' s Law ")~~ , poses unique risks and challenges. Our ability to successfully compete in this market will depend on our ability to address and manage a number of industry- specific risks, including ~~and~~ without limitation ~~to~~ the following: ● the heightened cost of research and development, associated with matters such as shrinking geometries, complex device structures, multiple applications and process steps, and the use of new materials; ● customer demands for shorter cycle times between order placements and product shipments, which will necessitate accurate forecasting of customer investment; ● customer demands for continuous reductions in the total cost of manufacturing system ownership, together with challenging equipment service demands and the resulting need for us to properly allocate our service resources; ● the number of types and varieties of semiconductors and number of applications across multiple substrate sizes; ● the need to reduce product development time, despite increasingly difficult technical challenges; ● our customers' ability to reconfigure and re- use our equipment, resulting in reduced demand for new equipment or services from us; and ● the importance of establishing market positions in segments with growing demand. If we fail to properly allocate appropriate resources, successfully develop and commercialize products to meet customer demand, and effectively anticipate industry trends, our business and results of operations may be adversely impacted. In addition, the semiconductor industry has experienced, and may continue to experience, significant consolidation, among both semiconductor manufacturers and manufacturing equipment suppliers. Larger competitors resulting from consolidations may have certain advantages over us, including but not limited to more efficient cost structures, substantially greater financial and other resources, greater presence in key markets, and greater name recognition. Consolidation among our competitors and integration among our customers could erode our market share, negatively impact our ability to compete, and have a material adverse effect on our business. Whether in connection with the semiconductor industry or otherwise, we are also exposed to potential risks associated with unexpected product performance issues. Our product designs and manufacturing processes are complex and could contain unexpected product defects, especially when products are first introduced. Unexpected product performance issues could result in significant costs and damages, including increased service and warranty expenses, the need to provide product replacements or modifications, reimbursement for damages caused by our products, product recalls, related litigation, product write- offs, and disposal costs. Product defects could also result in personal injury or property damage, claims for which may exceed our existing insurance coverages **(as may other claims,**

notwithstanding our efforts to maintain a program of insurance coverage for a variety of property, casualty and other risks) . These and other costs could be substantial and our reputation could be harmed, resulting in a reduced demand for our products and a negative effect on **our business. In addition, our success is also subject to the risk of future disruptive technologies, including machine learning and artificial intelligence (" AI "). While such technologies offer significant opportunities, they also pose complex and novel risks, including operational risks (such as factual errors or inaccuracies in work product developed using AI), the unintended release of proprietary information, costs of compliance associated with evolving AI laws, regulations and standards, privacy concerns with respect to data dissemination, risks related to intellectual property rights (with respect to both the inputs to the program and ownership rights to AI work product), and risks related to AI' s impact on the workforce. While it is not possible at this point to accurately identify or predict all of the risks related to the use of AI technologies, our failure to properly anticipate and timely respond to AI- related developments could adversely affect** our business, financial condition, and results of operations. Certain of our sales are dependent on the demand for consumer electronic products and automobiles, which can experience significant volatility. The demand for semiconductors, HDDs and other devices is highly dependent on sales of consumer electronic products, such as **smartphones, laptops,** tablets ~~, smartphones, laptops~~ and wearable devices. In addition, as a result of the growing automotive semiconductor market, semiconductor demand is also heavily influenced by the demand for automobiles. Factors that could affect the levels of spending on consumer electronic products and automobiles include consumer confidence, access to credit, volatility in fuel and other energy costs, conditions in the residential real estate and mortgage markets, labor and healthcare costs, and other macroeconomic factors affecting consumer spending behavior. The emergence of new or competing technologies may also affect demand for consumer electronic products. These and other factors have had and could continue to have an adverse effect on the demand for our customers' products and, in turn, on our customers' demand for our products and services. Furthermore, in the past, some of our customers have overestimated their potential for market share growth. If this growth is overestimated, we may experience cancellations of orders in backlog, rescheduling of customer deliveries, obsolete inventory, and liabilities to our suppliers for products no longer needed. Alternatively, changes that result in sudden increases in demand for consumer electronic products and automobiles may result in a shortage of parts and materials needed to manufacture our products, and attendant shipping delays (both to us and to our customers) and / or the cancellation of orders placed by our customers. ~~The effects of the COVID- 19 pandemic have strained and have negatively impacted our businesses and operations, and the duration and extent to which COVID- 19 may impact our future results of operations and overall financial performance remains uncertain. The outbreak and continuing spread of COVID- 19 and its variants have resulted in a substantial curtailment of business activities worldwide and has caused and is likely to continue to cause weakened economic conditions, both domestically and abroad, including in markets in Asia and Europe from which we derive the majority of our revenue. Government restrictions (such as the China government lockdowns in 2022 of Shenzhen and Shanghai), quarantines and worker absenteeism as a result of COVID- 19 have led to a significant number of business closures and other slowdowns. These slowdowns have adversely impacted and will likely continue to adversely impact Veeco directly, as well as our customers, suppliers and other partners. Although there has been recent improvement in the global economy since the most severe effects of COVID- 19, many macroeconomic variables remain dynamic. While all of our global sites are currently operational, any local pandemic outbreaks could require us to temporarily curtail production levels or temporarily cease operations based on government mandates. Furthermore, the COVID- 19 conditions have adversely impacted, and may continue to adversely impact, our ability to timely source critical parts and materials and to provide on- site services to our customers. Supply chain shortages, which have been and may continue to be exacerbated by shipping delays caused by transportation interruptions (associated with matters such as reduced availability of air transport, port closures, and increased border controls), could require us to purchase excess inventory with longer lead times, which could increase inventory obsolescence risk while negatively impacting our working capital. Shortages of critical parts have strained and may continue to strain our manufacturing capacity, threatening to adversely impact our ability to meet customer needs, which may negatively impact our revenues, results of operations and financial condition. While we have been able to successfully mitigate these risks thus far, without material negative impact to our financial performance, our continued ability to do so remains uncertain. In addition, the conditions caused by COVID- 19 could adversely affect our customers' ability or willingness to purchase our products or services or otherwise delay prospective customers' purchasing decisions. These conditions may delay the provisioning of our offerings, or lengthen payment terms, all of which could adversely affect our future sales, operating results and overall financial performance. In addition, adverse impacts on the creditworthiness of our customers and other counterparties may negatively affect their ability to pay amounts owed to us, which could materially and adversely affect our results of operations and financial condition. The COVID- 19 pandemic has resulted in significant disruption of global financial markets and could negatively impact our stock price, our access to capital, and our business and results of operations in the near and long- term.~~ We have a concentrated customer base, located primarily in a limited number of regions, which operates in highly concentrated industries. Our customer base continues to be highly concentrated. Orders from a relatively limited number of customers have accounted for, and likely will continue to account for, a substantial portion of our net sales, which may allow customers to demand pricing and other terms less favorable to us (including extended warranties, indemnification commitments, and the obligation to continue production of older products). Customer consolidation activity involving some of our largest customers could result in an even greater concentration of our sales in the future. Management changes at key customer accounts could result in a loss of future sales due to vendor preferences or other reasons and may introduce new challenges in managing customer relationships. If ~~a~~ **these** principal ~~customer~~ **customers** ~~discontinues~~ - **discontinue** ~~its~~ **their** relationship with us or ~~suffers~~ - **suffer** economic setbacks, our business, financial condition, and operating results could be materially and adversely affected. Our ability to increase sales in the future will depend in part upon our ability to obtain orders from new customers and we cannot be certain that we will be successful in these efforts. In addition, because a relatively small number of large manufacturers, many of whom are our customers, dominate the industries in which they operate, it may be especially difficult for us to replace these customers if we lose their business. A significant portion of orders in our backlog are orders from our principal customers. In addition, a substantial investment is required by customers to install and integrate capital equipment into a production line. As a result, once a manufacturer has selected a particular vendor to supply capital equipment, the manufacturer will often attempt to consolidate its other capital equipment requirements with the same vendor. Accordingly, if a customer selects a competitor' s product over ours, we could experience difficulty selling to that customer for a significant period of time. Furthermore, we typically do not have long- term contracts with our customers. As a result, our agreements with our customers do not provide assurance of future sales, and we are exposed to competitive price pressures on new orders we attempt to obtain. Our customer base is also highly concentrated in terms of geography, and the majority of our sales are to customers located in a limited number of countries. Dependence upon sales emanating from a limited number of regions increases our risk of exposure to local difficulties and challenges, such as those associated with regional economic downturns, political instability, trade wars and other trade disruptions, fluctuating currency exchange rates, natural disasters, social unrest, pandemics **such as COVID- 19** , terrorism, and acts of war. Our reliance upon customer demand arising primarily from a limited number of countries could materially and adversely impact our future results of operations. The cyclicality of the industries we serve directly affects our business. Our business depends in large part upon the capital expenditures of manufacturers in our four end- markets: Semiconductor; Compound Semiconductor; Data Storage; and Scientific & Other. We are subject to the business cycles of these industries, the timing, length, and volatility of which are difficult to predict. These industries have historically been highly cyclical and have experienced significant economic downturns in the last decade. As a capital equipment provider, our revenue depends in large part on the spending patterns of these customers, who often delay expenditures or cancel or reschedule orders in reaction to variations in their businesses or general economic conditions. In downturns, we must be able to quickly and effectively align our costs with prevailing market conditions, as well as motivate and retain key employees. However, because a portion of our costs are fixed, our ability to reduce expenses quickly in response to revenue shortfalls may be limited. Downturns in one or more of these industries have had, and will likely have, a material adverse effect on our business, financial condition, and operating results. Alternatively, during periods of rapid growth, we must be able to acquire and develop sufficient manufacturing capacity to meet customer demand and attract, hire, assimilate, and retain a sufficient number of qualified people. Our net sales and operating results may be negatively affected if we fail to **accurately** predict and effectively respond. Our failure to estimate customer demand accurately could result in inventory obsolescence, liabilities to our suppliers for products no longer needed, and manufacturing interruptions or delays which could affect our ability to meet customer demand. The success of our business depends in part on our ability to accurately forecast and supply equipment and services that meet the rapidly changing technical and volume requirements of our customers. To meet these demands, we depend on the timely delivery of parts, components, and subassemblies from our suppliers. Uncertain worldwide economic conditions and market instabilities make it difficult for us (and our customers) to accurately forecast future product demand. If actual demand for our products is different than expected, we may purchase more or fewer parts than necessary or incur costs for canceling, postponing, or expediting delivery of parts. If we overestimate the demand for our products, excess inventory could result which could be subject to heavy price discounting, which could become obsolete, and which could subject us to liabilities to our suppliers for products no longer needed. Similarly, we may be harmed in the event that our competitors overestimate the demand for their products and engage in heavy price discounting practices as a result. In addition, the volatility of demand for capital equipment poses risks for companies in our supply chain, including challenges associated with inventory management and fluctuating working capital requirements. Furthermore, certain key parts may be subject to long lead- times or may be obtainable only from a single supplier or limited group of suppliers, and some sourcing and assembly is provided by suppliers located in countries other than the United States. We may experience significant interruptions in our manufacturing operations, delays in our ability to timely deliver products or services, increased costs, or customer order cancellations as a result of: ● the failure or inability of our suppliers to timely deliver quality parts; ● volatility in the availability and cost of materials; ● difficulties or delays in obtaining required import or export approvals; ● information technology or infrastructure failures; ● natural disasters **and other events beyond our control,** such as earthquakes, tsunamis, fires, floods, ~~or~~ storms **, power outages and potential impacts of climate change** ; or ● other causes such as regional or global economic downturns or recessions, international trade disruptions, pandemics **such as COVID- 19** , political instability, terrorism, or acts of war, which could result in delayed deliveries, manufacturing inefficiencies, increased costs, or order cancellations. In addition, in the event of an unanticipated increase in demand for our products, our need to rapidly increase our business and manufacturing capacity may be limited by our working capital constraints and those of our suppliers, which may cause or exacerbate interruptions in our manufacturing and supply chain operations. Any or all of these factors could materially and adversely affect our business, financial condition, and results of operations. We rely on a limited number of suppliers, some of whom are our sole source for particular components. Certain of the parts, components, and sub- assemblies included in our products are obtained from a single source or a limited group of suppliers. Our inability to develop alternative sources, as necessary, could result in a prolonged interruption in our ability to supply related products, a failure on our part to meet the demands our customers, and a significant increase in the price of related products, which could adversely affect our business, financial condition, and results of operations. Our failure to successfully manage our outsourcing activities or failure of our outsourcing partners to perform as anticipated could adversely affect our results of operations. To better align our costs with market conditions, increase the percentage of variable costs relative to total costs, and to increase productivity and operational efficiency, we have outsourced certain functions to third parties, including the manufacture of several of our systems. While we maintain some level of internal manufacturing capability for these systems, we rely on our outsourcing partners to perform their contracted functions to allow us flexibility to adapt to changing market conditions, including periods of significantly diminished order volumes. If our outsourcing partners do not perform as required, or if our outsourcing efforts do not allow us to realize the intended cost savings and flexibility, our results of operations (and those of our third- party providers) may be adversely affected. Disputes and possibly litigation involving third party providers could result and we could suffer damage to our reputation. Dependence on ~~contract manufacturing and~~ outsourcing may also adversely affect our ability to bring new products to market. Although we attempt to select reputable providers, one or more of these providers could fail to perform as we expect. If we do not effectively manage our outsourcing efforts or if third party providers do not perform as anticipated, we may not realize the benefits of productivity improvements and we may experience operational difficulties, increased costs, manufacturing and installation interruptions or delays, inefficiencies in the structure and operation of our supply chain, loss of intellectual property rights, quality issues, increased product time- to- market, and an inefficient allocation of our human resources, any or all of which could materially and adversely affect our business, financial condition, and results of operations. The timing of our orders, shipments, and revenue recognition may cause our quarterly operating results to fluctuate significantly. We derive a substantial portion of our net sales in any fiscal period from the sale of a relatively small number of high- priced systems. As a result, the timing for the recognition of revenue for a single transaction could have a material effect on our sales and operating results for a particular fiscal period. As is typical in our industry, orders and shipments often occur during the last few weeks of a quarter. As a result, a delay of only a week or two can impact which period revenue is reported and can cause volatility in our revenue for a given reporting period. Our quarterly results have fluctuated significantly in the past and we expect this trend to continue. Our sales cycle is long and unpredictable. Historically, we have experienced long and unpredictable sales cycles (the period between our initial contact with a potential customer and the time that we recognize revenue from resulting sales to that customer). It is not uncommon for our sales cycle to exceed twelve months. The timing of an order often depends on our customer' s capital expenditure budget, over which we have no control. In addition, the time it takes us to procure and build a product to customer specifications typically ranges from three to twelve months. When coupled with the fluctuating amount of time required for shipment and installation, our sales cycles often vary widely, and these variations can cause fluctuations in our operating results. As a result of our lengthy sales cycles, we may incur significant research and development, selling, general, and administrative expenses before we generate revenue for these products. We may never generate the anticipated revenue if a customer cancels or otherwise changes its purchase plans, or if our evaluation systems do not satisfy customer requirements (which could result in working capital constraints, excess inventory or inventory obsolescence, and other harm to the Company). These risks are particularly prevalent in the semiconductor market, which is often characterized by long customer qualification times, typically twelve to eighteen months. Once qualified, the ramp to volume production can take an additional extended period of time, often twelve to twenty- four months. During these periods, little to no revenue will be recognized by us, while we will continue to incur research and development costs. Despite our efforts, our products may never be qualified and may never achieve design- tool- of- record (" DTOR ") or production- tool- of- record (" PTOR ") status, and our financial condition and results of operations may be materially and adversely affected. Our backlog is subject to customer cancellation or modification which could result in decreased sales, increased inventory obsolescence, and liabilities to our suppliers for products no longer needed. Customer purchase orders may be cancelled or rescheduled by the customer, sometimes with limited or no penalties, which may result in increased or unrecoverable costs for the Company. We adjust our backlog for such cancellations and contract modifications, among other items. A downturn in one or more of our businesses could result in an increase in order cancellations and postponements. We write- off excess and obsolete inventory based on historical trends, future usage forecasts, and other factors including the amount of backlog we have on hand. If our backlog is canceled or modified, our estimates of future product demand may prove to be inaccurate, in which case we may have understated the write- off required for excess and obsolete inventory. In the future, if we determine that our inventory is overvalued, we will be required to recognize associated costs in our financial statements at the time of such determination. In addition, we place orders with our suppliers based on our customers' orders. If our customers cancel their orders with us, we may not be able to cancel our orders with our suppliers. Resulting charges could have a material adverse effect on our results of operations and financial condition. We are exposed to risks associated with business combinations, acquisitions, strategic investments and divestitures. We have completed several significant acquisitions and investments in the past ~~,~~ **(** including our recent acquisition of Epiluvac AB **, a producer of SiC- based products and technology)** , and we will consider new opportunities in the future. Acquisitions ~~and~~ **,** investments **and other business combinations** involve numerous risks, many of which are unpredictable and beyond our control, including the following: ● the failure **of the transaction** to ~~realize expected synergies~~ **advance our business strategies** and **the failure of its anticipated benefits to materialize; ●** difficulties and costs, including the diversion of management' s attention, in integrating ~~the~~ **new** personnel, operations, technologies, and products ~~of acquired companies~~ ; ● the inability to complete **the** proposed ~~transactions~~ - **transaction** ~~as anticipated~~ **in a timely manner, if at all, due to our inability to obtain required government or other approvals without burdensome conditions, or due to other reasons** , resulting in obligations to pay professional and other expenses, including any applicable termination fees; ● unknown, underestimated, and undisclosed commitments or liabilities; ● increased amortization expenses relating to intangible assets; and ● other adverse effects on our business, including the potential impairment and write- down of amounts capitalized as intangible assets and goodwill as part of the ~~acquisition~~ **transaction** , as a result of such matters as technological advancements or worse- than- expected performance by ~~the~~ **an** acquired company. If we issue equity securities to pay for an acquisition or investment, the ownership percentage of our then- current shareholders would be reduced and the value of the shares held by these shareholders could be diluted, which could adversely affect the price of our stock. If we use cash to pay for an acquisition or investment, the payment could significantly reduce the cash that would be available to fund our operations, pay our indebtedness, or be used for other purposes, which could have a negative effect on our business. In addition, we continually assess the strategic fit of our businesses and may from time to time seek to divest portions of our Company that no longer fit our strategic plan. Divestitures involve significant risks and uncertainties, including the ability to sell such businesses at satisfactory prices, on acceptable terms, and in a timely manner. Divestitures may also disrupt other parts of our businesses, distract the attention of our management, result in a loss of key employees or customers, and require that we allocate internal resources that would otherwise be devoted to operating our existing businesses. Divestitures may expose us to unanticipated liabilities (including those arising from representations and warranties made to a buyer regarding the businesses) and to ongoing obligations to support the businesses following such divestitures, any and all of which could adversely affect our financial condition and results of operations. **As a general principle, we seek to invest our capital in areas that we believe best align with our business strategy and will help optimize future returns. Our capital investments may not generate the expected returns or hoped- for results. We may not be able to obtain necessary grants, investment tax credits, or other governmental incentives, including funding through the U. S. CHIPS and Science Act of 2022. Significant judgment is required when assessing and selecting capital investments, and we could invest in projects that are ultimately less profitable than other projects which we do not select, ultimately harming our business, results of operations and financial condition.** Risks Associated with Operating a Global Business We are exposed to risks of operating businesses outside the United States. A majority of our sales are to customers, and significant elements of our supply chain are from suppliers, who are located outside of the United States, which we expect to continue **. Our percentage revenue from the sale of products and the provision of services to non- U. S. customers was 76 %, 69 % and 62 % for fiscal years 2023, 2022 and 2021, respectively** . Our non- U. S. sales and operations are subject to risks inherent in conducting business outside the United States, many of which are beyond our control including: ● political and social attitudes, laws, rules, regulations, and policies within countries that favor local companies over U. S. companies, including government- supported efforts to promote local competitors; ● global trade issues and uncertainties with respect to trade policies, including tariffs, trade sanctions, and international trade disputes, and the ability to obtain required import and export licenses; ● differing legal systems and standards of trade which may not honor our intellectual property rights and which may place us at a competitive disadvantage; ● pressures from foreign customers and foreign governments for us to increase our operations and sourcing in the foreign country, which may necessitate the sharing of sensitive information and intellectual property rights; ● multiple conflicting and changing governmental laws and regulations, including varying labor laws and tax regulations; ● reliance on various information systems and information technology to conduct our business, making us vulnerable to cyberattacks by third parties or breaches due to employee error, misuse, or other causes, that could result in business disruptions, loss of or damage to our intellectual property and confidential information (and that of our customers and other business partners), reputational harm, transaction errors, processing inefficiencies, or other adverse consequences; ● regional or global economic downturns or recessions, varying foreign government support, unstable political environments, and other changes in foreign economic conditions; ● the impact of public health epidemics, such as the COVID- 19 pandemic, on employees, suppliers, customers and the global economy; ● difficulties in managing a global enterprise, including staffing, managing distributors and representatives, and repatriating cash; ● longer sales cycles and difficulties in collecting accounts receivable; and ● different customs and ways of doing business. **To date, our operations have not been materially adversely affected by** ~~Global~~ **global** ~~conditions and~~ **conflicts including Russia' s invasion of Ukraine, the current Israel / Palestine conflict, or the recent attacks on merchant ships in the Red Sea. However, further escalation of these or** other ~~factors, such as the COVID- 19 pandemic, the current conflict~~ **conflicts could** ~~in Ukraine, and attendant transportation and freight cost challenges, have resulted in, and may continue to~~ result in, **among other negative consequences, a disruption to the global economy and supply chain leading to** a shortage of parts, materials and services needed to manufacture and timely deliver our products **(and we note that the Ukraine- Russia geographic region is a significance source of critical raw materials, including neon and palladium, used for semiconductor manufacturing)** . ~~These conditions have~~ **Any such shortages could** negatively ~~impacted~~ -- **impact** our suppliers' ability to meet our demand requirements and, in turn, our ability to satisfy our customer demand. Parts shortages **may and** have required, and may continue to require, that we plan ahead further than usual, and increase our purchase commitments to secure critical components in a timely manner. These challenges, together with other challenges associated with operating an international business, may adversely affect our ability to recognize revenue, our gross margins on the revenue we do recognize, and our other operating results. Changes in U. S. trade policy and export controls and ongoing trade disputes between the U. S. and China have adversely affected, and may continue to adversely affect, our business, results of operations, and financial condition. The U. S. government has implemented, and may continue to implement, ~~several~~ changes in trade policy which have adversely affected and could continue to adversely affect the Company' s ability to sell and service its products to and for customers located in China and in certain other countries. On October 7, 2022, the U. S. Commerce Department, Bureau of Industry and Security (" BIS ") announced new rules aimed in part at restricting China' s ability to obtain advanced computing chips and manufacture advanced semiconductors. Previous changes in trade policy by BIS have included, without limitation, the elimination of license exception CIV, the implementation of new regulations governing the sale of equipment to defined " Military End Users " and for defined " Military End Uses ", the addition of several companies to the U. S. Commerce Department' s Unverified List and Entity List (including Semiconductor Manufacturing International Corporation and certain related entities), and the expansion of the " foreign direct product rule " to restrict the sale of certain products if Huawei Technologies Co., Ltd. or its affiliates are parties to a transaction involving the products. The effect of these changes, among others, is that U. S. companies are now required to obtain export licenses – now at times with a presumption of denial-- before providing commodities, software, and technology (which are subject to the regulations) to customers for whom licensing requirements did not previously apply. These changes have had, and will likely continue to have, a negative effect on our ability to sell and service certain equipment in China. The heightened export restrictions may also result in shipping delays, as the new regulations are interpreted and applied, and may inhibit technical discussions with existing or prospective customers, negatively impacting our ability to pursue sales opportunities. The administrative processing, attendant delays and risk of ultimately not obtaining required export approvals pose a particular disadvantage to the Company relative to our non- U. S. competitors who are not required to comply with U. S. export controls. This difficulty and uncertainty has adversely affected our ability to compete for and win business from customers in China. Foreign customers affected by these and future U. S. government sanctions or threats of sanctions may respond by developing their own solutions to replace our products or by utilizing our foreign competitors' products. This " trade war " with China, together with the prospect of additional governmental action related to export controls restrictions, international sanctions, and / or tariffs, has adversely affected, and is likely to continue to adversely affect, demand for our products and the results of our operations. The changes in U. S. trade policy and export controls, as well as sanctions imposed by the U. S. against certain Chinese companies, have triggered retaliatory action by China and could trigger further retaliation (including the possible escalation of geopolitical tensions between China and Taiwan). In addition, China has provided, and is expected to continue to provide, significant assistance, financial and otherwise, to its domestic industries, including some of our competitors. We face increasing competition as a result of significant investment in the semiconductor industry by the Chinese government and various state- owned or affiliated entities that is intended to advance China' s stated national policy objectives **(including a heightened focus on the production of legacy node and mature chips in response to U. S. and foreign government regulation impeding the production of advanced node chips)** . In addition, the Chinese government may restrict us from participating in the China market or may prevent us from competing effectively with Chinese companies. Further, we hold inventory of products that may be affected by the recent U. S. government actions, including potential order cancellations. While we continue to take steps to mitigate our exposure to this developing situation, if the sale of these products is delayed or we are unable to return or dispose of our inventory on favorable economic terms, we may incur additional carrying costs for the inventory or otherwise record charges associated with this inventory. We may be unable to obtain required export licenses for the sale of our products. Whether with respect to sales to customers located in China or otherwise, products which (i) are manufactured in the United States, (ii) incorporate controlled U. S. origin parts, technology, or software, or (iii) are based on U. S. technology, are subject to the U. S. Export Administration Regulations (" EAR ") when exported to and re- exported from international jurisdictions, in addition to the local jurisdiction' s export regulations applicable to individual shipments. Currently, our laser annealing, MOCVD, MBE **, SiC** and certain other systems and products are controlled for export under the EAR. Licenses or proper license exceptions may be required for the shipment of our products to certain customers or countries. Obtaining an export license or determining whether an export license exception exists often requires considerable effort by us and cooperation from the customer, which can add time to the order fulfillment process. We may be unable to obtain required export licenses or qualify for export license exceptions and, as a result, we may be unable to export products to our customers and / or meet their servicing needs (requiring us to refund customer prepayments for products we are unable to ship). Non- compliance with the EAR or other applicable export regulations could result in a wide range of penalties including the denial of export privileges, fines, criminal penalties, and the seizure of commodities. In the event that an export regulatory body determines that any of our shipments violate applicable export regulations, we could be fined significant sums and our export capabilities could be restricted, which could have a material adverse impact on our business **and reputation** . We are exposed to various risks associated with global regulatory requirements. As a public company with global operations, we are subject to the laws of the United States and multiple foreign jurisdictions, and the rules and regulations of various governing bodies, which may differ among jurisdictions. We are required to comply with legal and regulatory requirements pertaining to such matters as data privacy (including the European Union General Data Protection Regulation and similar laws), anti- corruption (such as the Foreign Corrupt Practices Act and other local laws prohibiting improper payments to governmental officials), labor laws, immigration, customs, trade, taxes, corporate governance, conflict minerals, and antitrust regulations, among others. In addition, we are required to comply with laws and regulations pertaining to carbon emissions, and other regulatory requirements addressing climate change concerns. These laws and regulations, which are ever- evolving and at times complex and inconsistent, impose costs on our business and divert management time and attention from revenue- generating activities. Changes to or ambiguities in these laws and regulations may create uncertainty regarding our compliance requirements. While we intend to comply with these regulatory requirements, if we are found by a court or regulatory agency to have failed in these efforts, our business, financial condition, and results of operations could be adversely affected. Risks Related to Intellectual Property and Cybersecurity Disruptions in our information technology systems or data security incidents could result in significant financial, legal, regulatory, business, and reputational harm to us. We are increasingly dependent on information technology systems and infrastructure, including mobile technologies, to operate our business. In the ordinary course of our business, we collect, store, process and transmit significant amounts of sensitive information, including intellectual property, proprietary business information, personally- identifiable information of individuals, and other confidential information, including that of our customers and other business partners. It is critical that we do so in a secure manner to maintain the confidentiality, integrity, and availability of this sensitive information. We have also outsourced elements of our operations (including elements of our information technology infrastructure) to third parties, and as a result, we manage a number of third- party vendors who have access to our computer networks and our confidential information. All information systems are subject to breach and disruption. Potential vulnerabilities can be exploited from inadvertent or intentional actions of our employees, third- party vendors, business partners, or by malicious third parties. Attacks of this nature are increasing in their frequency, levels of persistence, sophistication, and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of expertise and motives (including industrial espionage), including organized criminal groups, nation states, and others. In addition to the extraction of sensitive information, attacks could include the deployment of harmful malware, ransomware, or other means which could affect service reliability and threaten the confidentiality, integrity, and availability of information. **These risks have been exacerbated by an increase in employees working from home, ongoing geopolitical tensions and conflicts, and by the possible use of artificial intelligence (" AI ") to directly attack information systems with greater speed and efficiency than human bad actors.** We have experienced, and our third- party providers have experienced, cybersecurity attacks, some of which have been, and may continue to be, successful. Significant disruptions in our information technology systems (or those of our key suppliers, contract manufacturers, distributors, sales agents and other partners) or other data security incidents could adversely affect our business operations and result in the loss or misappropriation of, and unauthorized access to, sensitive information. Future or ongoing disruptions or incidents, whether from attacks on our technology environment or from computer viruses, natural disasters, terrorism, war or other causes, could result in a material disruption in our business operations, force us to incur significant costs and engage in litigation, harm our reputation, and subject us to liability under laws, regulations, and contractual obligations. We may be unable to effectively enforce and protect our intellectual property rights. Our success as a company depends in part upon the protection of our intellectual property rights. We rely primarily on patent, copyright, trademark, and trade secret laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our proprietary information, technologies, processes, and brand identity. We own various U. S. and international patents and have additional pending patent applications relating to certain of our products and technologies. The process of seeking patent protection is lengthy and expensive, and we cannot be certain that pending or future applications will result in issued patents or in patents which provide meaningful protection or commercial advantage. In addition, our intellectual property rights may be circumvented, invalidated, or rendered obsolete by the rapid pace of technological change, or through efforts by others to reverse engineer our products or design around patents that we own. Policing unauthorized use of our products and technologies is difficult and time consuming and the laws of other countries may not protect our proprietary rights as fully or as readily as U. S. laws. Given these limitations, our success will depend in part upon our ability to innovate ahead of our competitors. In addition, our outsourcing efforts require that we share certain portions of our technology with our outsourcing partners, which poses additional risks of infringement and trade secret misappropriation. Infringement of our rights by a third party, possibly for purposes of developing and selling competing products, could result in uncompensated lost market and revenue opportunities. Similar exposure could result in the event that former employees seek to compete with us through their unauthorized use of our intellectual property and proprietary information. We cannot be certain that the protective steps and measures we have taken will prevent the misappropriation or unauthorized use of our proprietary information and technologies, nor can we be certain that applicable intellectual property laws, regulations, and policies will not be changed in a manner detrimental to the sale or use of our products. Litigation has been required in the past ~~, is currently ongoing~~ , and may be required in the future, to enforce our intellectual property rights, protect our trade secrets, and to determine the validity and scope of proprietary rights of others. As a result of any such litigation, we could lose our ability to enforce one or more patents, incur substantial costs, and jeopardize relationships with current or prospective customers or suppliers. Any action we take to enforce or defend our intellectual property rights could absorb significant management time and attention, and could otherwise negatively impact our operating results. We may be subject to claims of intellectual property infringement by others. We receive communications from time to time from other parties asserting the existence of patent or other rights which they believe cover certain of our products. We also periodically receive notices from customers who believe that we are required to indemnify them for damages they may incur related to infringement claims made against these customers by third parties. Our customary practice is to evaluate such assertions and to consider the available alternatives, including whether to seek a license, if appropriate. However, we cannot ensure that licenses can be obtained or, if obtained, will be on acceptable terms or that costly litigation or other administrative proceedings will not occur. If we are not able to resolve a claim, negotiate a settlement of the matter, obtain necessary licenses on commercially reasonable terms, or successfully prosecute and defend our position, our business, financial condition, and results of operations could be materially and adversely affected. Financial, Accounting and Capital Market Risks Our operating results may be adversely affected by tightening credit markets. As a global company with worldwide operations, we are subject to volatility and adverse consequences associated with economic downturns and recessions in different parts of the world. In the event of a downturn, many of our customers may delay or reduce their purchases of our products and services. If negative conditions in the credit markets, including ~~continued~~ **a recommencement of** increases in interest rates, prevent our customers from obtaining credit or necessary financing, product orders in these channels may decrease, which could result in lower revenue. In addition, we may experience cancellations of orders in backlog, rescheduling of customer deliveries, and attendant pricing pressures. If our suppliers face challenges in obtaining credit, in selling their products, or otherwise in operating their businesses, their ability to continue to supply materials to us may be negatively affected. In addition, we finance some of our sales through trade credit. In addition to ongoing credit evaluations of our customers' financial condition, we seek to mitigate our credit risk by obtaining deposits and letters of credit on certain of our sales arrangements. We could suffer significant losses if a customer whose accounts receivable we have not secured fails or is otherwise unable to pay us, or if financial institutions providing letters of credit become insolvent. A loss in collections on our accounts receivable would have a negative impact on our financial condition and results of operations. We are subject to foreign currency exchange risks. We are exposed to foreign currency exchange rate risks that are inherent in our anticipated sales, purchase commitments, and assets and liabilities that are denominated in currencies other than the U. S. dollar. Although we attempt to mitigate our exposure to fluctuations in currency exchange rates, hedging activities may not always be available or adequate to mitigate the impact of our exchange rate exposure. Failure to sufficiently hedge or otherwise manage foreign currency risks properly could materially and adversely affect our financial condition, results of operations, and liquidity. We may be required to take impairment charges on assets. We are required to assess goodwill and indefinite- lived intangible assets annually for impairment, or on an interim basis whenever certain events occur or circumstances change, such as an adverse change in business climate or a decline in the overall industry, that would more likely than not reduce the fair value below its carrying amount. As part of our long term strategy, we may pursue future acquisitions of, or investments in, other companies or assets which could potentially increase our assets. We are required to test certain of our assets, including acquired intangible assets, property, plant, and equipment, and equity investments without readily observable market prices, for recoverability and impairment whenever there are indicators of impairment such as an adverse change in business climate. Adverse changes in business conditions or worse- than- expected performance by these acquired companies could negatively impact our estimates of future operations and result in impairment charges to these assets. Changes in accounting pronouncements or taxation rules, practices, or rates may adversely affect our financial results. Changes in, or newly enacted, accounting pronouncements or taxation rules, practices or rates can materially affect our revenue recognition practices, effective tax rates, results of operations, and our financial condition. In addition, varying interpretations of accounting pronouncements or taxation practices, and the questioning of our current or past practices, may adversely affect our reported financial results. **The "** ~~Beginning in 2022, the U. S.~~ Tax ~~Cuts~~ **Relief for American Families** and ~~Jobs~~ **Workers** Act of **2024 " is** ~~2017 eliminated the option to deduct research and development expenditures~~ currently ~~and requires taxpayers~~ **under Senate consideration. The passage of this bill as proposed would have a material impact** to ~~capitalize and amortize~~ **our income tax provision, specifically due to** ~~them~~ - **the immediate expensing of Sec 174 R & D expenses** ~~over five years for research performed in the U. S. and fifteen years for research performed outside the U. S. Additionally~~ , **which will lower our Foreign- Derived Intangible Income** ~~on August 16, 2022, the Inflation Reduction Act~~ (~~the~~ " ~~IRA~~ **FDII** ") **deductions and thus increase our effective** ~~was signed into law. The IRA includes a new 15 % corporate alternative minimum~~ tax **rate** ~~on corporations whose average annual adjusted financial statement income during the most recently completed three- year period exceeds $ 1 billion and a 1 % excise tax on stock repurchases made by certain publicly traded U~~ . **Additionally** ~~S. corporations, and is effective for tax years beginning after December 31, 2022. Finally~~ , recommendations made ~~by~~ **pursuant to** the Organization for Economic Cooperation and Development' s (~~the~~ " OECD ") Base Erosion and Profit Shifting **(" BEPS ")** project have ~~the potential to lead~~ - **led** to changes in tax laws in numerous countries and could increase our tax obligations in countries where we do business. ~~The~~ **As part of BEPS 2. 0, the** OECD has ~~released several components~~ **focused on ensuring multinational businesses with consolidated global revenues in excess** of ~~its comprehensive plan to~~ **750 million euros pay their tax in the' right place' (Pillar 1) and at least at a' minimum** ~~create~~ -- **rate' (Pillar 2), including ensuring that multinational enterprises are paying tax at** an ~~agreed set~~ **effective rate** of ~~international rules~~ **15 %** ~~for~~ - **or higher in every** ~~addressing base erosion and profit shifting, and governmental authorities from various jurisdictions~~ - **jurisdiction** ~~(including~~ **in which** ~~the~~ **they** ~~United States) continue~~ **operate, regardless of the local headline tax rate or the impact of local tax reliefs. We may be subject** to ~~discuss~~ **the Pillar Two requirements in the future should our global revenues exceed the Pillar Two thresholds. While we do not currently expect Pillar Two to have a material impact on our effective tax rate, we are in the process of assessing and monitoring** potential ~~legislation~~ **impacts and developments. These** and other ~~reforms, including proposals for global minimum tax rates. Any of these~~ developments or changes in federal or international tax laws, rules, practices or rates (including future changes or modifications to existing practices) could have an adverse material impact on our ability to utilize our deferred tax attributes, our effective tax rate and results of operations including cash flows and financial position. In addition, as of each reporting date, we evaluate the realizability of our deferred tax assets which may result in the recognition and / or release of a valuation allowance. ~~In 2022, we recognized a net decrease of $ 104. 9 million of our valuation allowance, primarily related to the reversal of valuation allowances on domestic deferred tax assets.~~ Any changes in the valuation allowance will have a direct impact on our effective tax rate. The realization of net deferred tax assets relies on our ability to generate future taxable income, and, as such, if the Company is unable to generate sufficient future taxable income, we may not obtain the full benefit of these deferred tax assets. Finally, we are subject to income tax on a jurisdictional or legal entity basis and significant judgment is required in certain instances to allocate our taxable income to a jurisdiction and to determine the related income tax expense and benefits. Losses in one jurisdiction generally may not be used to offset profits in other jurisdictions. As a result, changes in the mix of our earnings (or losses) between jurisdictions, among other factors, could alter our overall effective income tax rate, possibly resulting in significant tax rate increases. Furthermore, we are regularly audited by various tax authorities, and these audits may result in increased tax provisions which could negatively affect our operating results in the periods in which such determinations are made or changes occur. Our current debt facilities **may contain certain restrictions** , **covenants and repurchase provisions that may limit our ability to raise the funds necessary to meet our working capital needs, which may** ~~including~~ **include the cash conversion of the** ~~our 2. 70 % Convertible Senior~~ Notes ~~due~~ **or repurchase of the Notes for cash upon a fundamental change. As of December 31,** 2023 ~~(the " 2023 Notes ")~~ , ~~our 3~~ **we had $ 26** . **5 million in principal amounts outstanding in** ~~50 % Convertible Senior Notes due 2025 (the "~~ 2025 Notes ~~")~~ , **$ 25** ~~or our 3~~ . **0 million in principal amounts outstanding in** ~~75 % Convertible Senior Notes due 2027 (the "~~ 2027 Notes ~~")~~ **, and $ 230. 0 million in principal amounts outstanding in 2029 Notes** (~~the 2023 Notes, 2025 Notes, and 2027 Notes,~~ together, the " Notes ") ~~, and our revolving credit facility (the " Credit Facility "), may contain certain restrictions, covenants and repurchase provisions that may limit our ability to raise the funds necessary to meet our working capital needs, which may include the cash conversion of the Notes or repurchase of the Notes for cash upon a fundamental change~~ . ~~As~~ **In addition, as** of December 31, ~~2022, we had $ 20. 2 million in principal amounts outstanding in~~ 2023 ~~Notes, $ 132. 5 million in principal amounts outstanding in 2025 Notes, and $ 125. 0 million in principal amounts outstanding in 2027 Notes. The 2023 Notes matured on January 15, 2023 and were paid in cash and settled at that time. In addition, as of December 31, 2022~~ , we had an undrawn senior secured revolving credit facility **(the " Credit Facility ")** in an aggregate principal amount of $ 150. 0 million, including a $ 15. 0 million letter of credit sublimit. These debt facilities **(collectively, the " Debt Facilities "),** contain certain covenant and other restrictions that may limit our ability to, among other things, incur additional debt or create liens, sell certain assets, and merge or consolidate with third parties, which may, in turn, preclude us from responding to changes in business and economic conditions, engaging in transactions that might otherwise be beneficial to us ~~, or obtaining additional financing~~ . Our ability to comply with some of these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control such as prevailing economic conditions. In addition, our failure to comply with these covenants could result in a default under the **Debt** ~~Notes or Credit Facility~~ **Facilities** , which could accelerate the debt. If any of our debt is accelerated, we may not have sufficient funds available to repay such debt, which could materially and negatively affect our financial condition and results of operation. In addition, our ability to repurchase or to pay cash upon conversion of the Notes, or maturity of the Credit Facility, may be limited by law, by regulatory authority or by agreements governing our indebtedness that exist at the time of repurchase, conversion, or maturity. Our failure to settle the debt as required would constitute a default under the applicable debt facility and **may** ~~could also~~ lead to a default under the other debt facilities. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness. Finally, holders of the Notes will have the right to require us to repurchase all or any portion of their Notes upon the occurrence of a fundamental change before the maturity date. Additionally, in the event the conditional conversion features of the ~~2023 Notes, 2025 Notes, and 2027~~ Notes are triggered (as is currently the case for the 2027 Notes through March 31, ~~2023~~ **2024**), holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert the Notes, or if a fundamental change occurs before maturity, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted, which could adversely impact our liquidity. Additionally, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the Notes surrendered therefor or pay cash with respect to the Notes being converted. In addition, even if holders do not elect to convert the Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long- term liability, which could result in a material reduction of our net working capital. Issuance of our common stock, if any, upon conversion of the Notes, as well as the capped call transactions and the hedging activities of the option counterparties, may impair or reduce our ability to utilize our foreign tax credits or our research and development credits carryforwards in the future. Pursuant to U. S. federal and state tax rules, a corporation is generally permitted to deduct from taxable income in any year net operating losses (" NOLs ") carried forward from prior years and to reduce from tax liabilities in any year foreign tax credits and R & D credits carried forward from prior years. As of December 31, ~~2022~~ **2023** , we had U. S. federal ~~foreign tax credits carryforwards of approximately $ 8. 7 million expiring in 2027, and~~ R & D credits carryforwards of approximately $ ~~36~~ **34** . ~~5~~ **9** million expiring in varying amounts between ~~2023~~ - **2030** and ~~2042~~ **2043** . If we were to experience a " change in ownership " under Section 382 of the Internal Revenue Code (" Section 382 "), the federal credits carry forward limitation under Section 383 of the Internal Revenue Code would impose an annual limit on the amount of tax liabilities that may be offset by ~~foreign tax credits and~~ R & D credits generated prior to the change in ownership. If an ownership change were to occur, we may be unable to use a significant portion of our ~~foreign tax credits and~~ R & D credit carryforwards to offset future tax liabilities. The shares of common stock, if any, issued upon conversion of the Notes will, upon such issuance, be taken into account when determining the cumulative change in our ownership for Section 382 purposes. As a result, any conversion of the Notes that we elect to settle in shares may materially increase the risk that we could experience an ownership change for these purposes in the future. The capped call transactions may affect the value of the 2027 Notes and our common stock. With respect to the 2027 Notes, we have entered into capped call transactions with certain option counterparties. The capped call transactions were expected generally to reduce the potential dilution upon conversion of the 2027 Notes and / or offset any cash payments we are required to make in excess of the principal amount of converted 2027 Notes, as the case may be, with such reduction and / or offset subject to a cap. The option counterparties or their affiliates may enter into or modify hedge positions by entering into or unwinding various derivatives with respect to our common stock and / or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2027 Notes (and are likely to do so during any observation period related to a conversion of the 2027 Notes). This activity could also cause fluctuations in the market price of our common stock and the 2027 Notes, which could affect the ability of the noteholders to convert the 2027 Notes and, to the extent the activity occurs during any observation period related to a conversion of the 2027 Notes, it could affect the number of shares and value of the consideration that noteholders will receive upon conversion of the 2027 Notes. General Risk Factors The price of our common shares is volatile and could decrease. The stock market in general and the market for technology stocks in particular has experienced significant volatility. The trading price of our common shares has fluctuated significantly and could decline independent of the overall market, and shareholders could lose all or a substantial part of their investment **. For example, in 2023 our stock price ranged from a closing high of $ 31. 65 to a closing low of $ 17. 81** . The market price of our common shares could continue to fluctuate in response to several factors, including among others: ● difficult macroeconomic conditions, economic recessions, international trade disputes, unfavorable geopolitical events, and general stock market uncertainties, such as those occasioned by a global liquidity crisis and a failure of large financial institutions; ● actual or anticipated variations in our results of operations; ● issues associated with the performance of our products, or the performance of our internal systems such as our customer relationship management (" CRM ") system or our enterprise resource planning (" ERP ") system; ● announcements of financial developments or technological innovations; ● our failure to meet the performance estimates of investment research analysts; ● changes in recommendations and financial estimates by investment research analysts, and decisions by investment research analysts to cease coverage of our Company; ● margin trading, short sales, hedging and derivative transactions involving our common stock; ● our failure to successfully implement cost reduction initiatives and restructuring activities, if and when required; ● ~~delays~~ **our failure to maintain an effective system of disclosure controls and internal control over financial reporting, which may result in our inability to timely and accurately report our financial results** or difficulties in satisfying internal control evaluations and attestation requirements of Section 404 of the Sarbanes Oxley Act of 2002; ● the commencement of, and rulings on, litigation and legal proceedings; and ● the occurrence of major catastrophic events. Securities class action litigation is often brought against a company following periods of volatility in the market price of its securities. These lawsuits, if and when brought, can result in substantial costs and a diversion of management' s attention and resources, which can adversely affect our financial condition, results of operations, and liquidity. Our inability to attract, retain, and motivate employees could have a material adverse effect on our business. Our success depends largely on our ability to attract, retain, and motivate employees, including those in executive, managerial, engineering and marketing positions, as well as highly skilled and qualified technical personnel. Competition for qualified design and technical personnel is intense, particularly in the semiconductor industry and especially when business cycles are improving. Competitors may try to recruit, and may succeed in recruiting, our most valuable technical employees. To attract and retain key employees, we must provide competitive compensation packages, including cash and stock- based compensation, among other benefits. If the value of our stock- based incentive awards decreases, or if our total compensation packages are not viewed as competitive, our ability to attract and retain key employees could suffer. We do not have key person life insurance on any of our executives, and we may not be able to readily replace key departed employees. Our inability to attract, retain, and motivate key personnel could have a significant negative effect on our business, financial condition, and results of operations. We are subject to risks of non-compliance with environmental, health, and safety regulations. We are subject to environmental, health, and safety regulations in connection with our business operations, including but not limited to regulations relating to the development, manufacture and use of our products, recycling and disposal of related materials, and the operation and use of our facilities and real property. Failure or inability to comply with existing or future environmental, health and safety regulations ~~,~~ **--** including **, for example,** those relating to carbon emissions ~~and~~ **,** climate change, **and the use and sale of products containing per- and polyfluoroalkyl substances (“ PFAS ”)--** could result in significant remediation liabilities, the imposition of fines, the suspension or termination of research, development, or use of certain of our products, and other harm to the Company, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, changes in environmental laws and regulations, including those relating to greenhouse gas emissions and other climate change matters, could require us (and / or our key suppliers, contract manufacturers and other partners) to install new equipment, alter operations to incorporate new technologies, or implement new processes, among other measures, which may cause us to incur significant costs and divert management attention. We are committed to ensuring safe working conditions, treating our employees with dignity and respect, and sourcing, manufacturing, and distributing our products in a responsible and environmentally friendly manner, and any failure on our part to do so may cause reputational and other harm for the Company. Furthermore, some of our operations involve the storage, handling, and use of hazardous materials that may pose a risk of fire, explosion, or environmental release. Such events could result from acts of terrorism, natural disasters, or operational failures and may result in injury or loss of life to our employees and others, local environmental contamination, and property damage. These events may cause a temporary shutdown of an affected facility, or portion thereof, and we could be subject to penalties or claims as a result. Each of these events could have a material adverse effect on our business, financial condition, and results of operations. We are exposed to risks associated with the increased attention by our stakeholders to environmental, social and governance (“ ESG ”) matters. Our stakeholders, including customers, investors, advisory firms, employees, and suppliers, among others, have increasingly focused on our ESG initiatives, including those regarding climate change, human rights, inclusion and diversity, among others. These expectations can extend, and have extended, to our corporate practices, initiatives, and disclosures, as well as stakeholder standards or preferences for investments or doing business. Third- party rating agencies have also established standards for a range of ESG- related factors, which may be inconsistent and are subject to change. These expectations and stakeholder requirements may impact the attractiveness of our business, the manner in which we do business, our reputation, the costs of doing business, and the willingness of our stakeholders to engage with, invest in, or ~~26~~ **retain us. We may be further impacted by the adoption of ESG- related regulation and legislation in the jurisdictions in which we do business – including, for example, the SEC’ s proposed rule published in March of 2022 which would require companies to include significantly enhanced climate- related disclosures in their Reports on Form 10- K-- which could result in increased compliance, operational, and other costs. From time to time the Company communicates its strategies, commitments and targets relating to ESG matters. These strategies, commitments and targets reflect our current plans and aspirations, and we may be unable to achieve them. In**