

Risk Factors Comparison 2025-03-12 to 2024-03-13 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Risks Related to our Unconsolidated Affiliate Operations in India and Foreign Currency Translations Our unconsolidated affiliate operations in India expose us to foreign currency exchange risks. Our unconsolidated affiliate operations are in India, so we are impacted by changes in foreign currency exchange rates. We determine the functional currency of our joint venture based upon the primary currency used to generate and expend cash, which is the currency of the country in which the joint venture is located. For joint ventures with functional currencies other than the U. S. dollar, our investment in that joint venture is translated into U. S. dollars using period- end exchange rates. The resulting foreign currency translation gains or losses are deferred as accumulated other comprehensive loss (“ AOCL ”) and reclassified to earnings only upon sale or liquidation of that business. Our joint venture, as well as any additional joint ventures, may present risks. We currently participate in a joint venture in India and may in the future enter into joint ventures with other companies or enterprises in international markets, including joint ventures in which we may have a lesser degree of control over the business operations, which may expose us to additional operational, financial, legal or compliance risks. We may be dependent on a joint venture counterparty for product distribution, local market knowledge or other resources. If we are unable to effectively cooperate with joint venture partners, or any joint venture partner fails to ~~meets-~~ **meet** its obligations under the joint venture arrangement, encounters financial difficulty, or elects to alter, modify or terminate the relationship, we may be unable to achieve our objectives and our results of operations may be negatively impacted thereby. Furthermore, as the joint venture is in a foreign country, social and economic events in that country could also affect the value of our investment and our ability to conduct business in that country.

Risks Related to Our Industry The loss of any large customer or a reduction in orders from any large customer could reduce our net sales and harm our operating results. Our operating results could be negatively affected by the loss of revenue from one or more large customers. Our customers are not contractually obligated to purchase any fixed quantities of products, and they may stop placing orders with us at any time. We are subject to the risk of losing large customers or incurring significant reductions in sales to these customers. We rely on suppliers and contractors, and our business could be seriously harmed if these suppliers and contractors are not able to meet our requirements. We rely on a limited number of suppliers and contractors for the manufacture of our products. If we lose the services of these key suppliers and contractors, or if they are not willing or able to satisfy our requirements, finding substitute suppliers or contractors may be time- consuming and would affect our results of operations in the near term. Changes in business conditions, pandemics, wars, including the Russian invasion of Ukraine and world sanctions on Russia, Belarus, and related parties, governmental changes, and other factors beyond our control or which we do not presently anticipate could negatively affect our suppliers and contractors, as well as our ability to receive components. There are risks associated with international manufacturing that could have a significant effect on our business. We subcontract the manufacturing of some of our goods to Asia and Mexico. These goods are manufactured pursuant to our specifications and quality assurance guidelines. Certain proprietary products are being made in Asia using materials supplied by us. We expect that a significant portion of our product sales will be derived from the sale of products for which we subcontract the manufacturing to Asia, but we cannot be certain that we will be able to maintain such subcontracting at current levels. If our ability to subcontract some of our manufacturing to Asia were to decline significantly, our business, results of operations and financial condition could be materially adversely affected. International manufacturing is subject to a number of risks, including the following: ● changes in foreign government regulations and technical standards; ● difficulty of protecting intellectual property; ● requirements or preferences of foreign nations for the manufacture of domestic products; ● the imposition of duties, border adjustment taxes or tariffs and other barriers to trade; ● fluctuations in currency exchange rates relative to the U. S. dollar; and ● political and economic instability. In particular, if another pandemic or other events result in a prolonged period of travel, commercial and other similar restrictions, we could experience global supply disruptions. These restrictions have disrupted and could continue to disrupt our ability to receive manufactured products from China and may disrupt our suppliers located elsewhere who rely on products from China. If we experience additional supply disruptions, we may not be able to develop alternate sourcing quickly. Any disruption of our production schedule caused by an unexpected shortage of supplies even for a relatively short period of time could cause us to alter production schedules or suspend production entirely, which could cause a loss of revenues, which would adversely affect our operations.

Tariff policies and potential countermeasures could increase our costs and disrupt our global supply chain, which could negatively impact the results of our operations. On February 1, 2025, President Trump announced the imposition of additional substantial tariffs on imports from various countries, including China, Canada and Mexico, and the subject countries indicated their intention to impose counter measures. Under the announced measures, a 25 % tariff will be applied to certain products from Canada and Mexico, while a 10 % tariff will be imposed on certain imports from China. If implemented, these tariffs and countermeasures could increase the cost of raw materials and components necessary for our operations, disrupt our global supply chain and create additional operational challenges. Tariffs may increase our manufacturing costs and make our products less competitive than those of our competitors whose inputs are not subject to these tariffs. Further, it is possible that government policy changes and related uncertainty about policy changes could increase market volatility and currency exchange rate fluctuations. Because of these dynamics, we cannot predict the impact of any future changes to the U. S.’ s or other countries’ trading relationships or the impact of new laws or regulations adopted by the U. S. or other countries on our business. Such changes in tariffs and trade regulations could have a material adverse effect on our financial condition, results of operations and cash flows. Our success depends in part on protection of our intellectual property, and our failure to

protect our intellectual property could adversely affect our competitive advantage, our brand recognition and our business. The success and competitiveness of our products depend in part upon our ability to protect our current and future technology, manufacturing processes and brand names, including Alpha Pro Tech, through a combination of patent, trademark, trade secret and unfair competition laws. Our patents expired in February 2024, which may make it more difficult to protect our intellectual property. **Of particular concern are developing countries, such as China and India, where the laws, courts, and administrative agencies may not protect our intellectual property rights as fully as in the United States.** We enter into confidentiality and non-disclosure of intellectual property agreements with certain of our employees, consultants and vendors and generally control access to and distribution of our proprietary information. **These agreements may be breached or we may not have adequate remedies for any breach. In addition,** ~~Despite~~ **despite** these precautions, it may be possible for a third party to copy or otherwise obtain and use our proprietary information without authorization or to develop similar information independently. Policing unauthorized use of intellectual property is difficult. The laws of other countries may afford little or no effective protection of our technology. We cannot assure you that the steps taken by us will prevent misappropriation of our technology or that agreements entered into for that purpose will be enforceable. In addition, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets and to determine the validity and scope of the proprietary rights of others. Litigation may result in substantial costs and diversion of resources, which could have a material adverse effect on our business, results of operations and financial condition. Our industry is highly competitive, which may negatively affect our ability to grow our customer base and generate sales. The markets for our products are intensely competitive. We currently experience competition from numerous companies in each of the markets in which we participate. Many of our competitors are more established, benefit from greater market recognition and have substantially greater financial, development, manufacturing and marketing resources than we have. **Additionally, the Company's competitors may adopt new technologies and technological advancements, such as using artificial intelligence and machine learning to pursue new products and approaches more quickly, successfully and effectively than the Company. The Company may not be able to compete successfully with existing competitors or with new competitors.** If we do not compete successfully with respect to these or other companies, it could materially adversely affect our business, results of operations and financial condition. The Company's results are affected by competitive conditions and customer preferences. Demand for the Company's products, which impacts revenue and profit margins, is affected by (i) the development and timing of the introduction of competitive products; (ii) the Company's response to downward pricing to stay competitive; (iii) changes in customer order patterns, such as changes in the levels of inventory maintained by customers and the timing of customer purchases; and (iv) changes in customers' preferences for our products, including the success of products offered by our competitors and changes in customer designs for our competitors' products that can affect the demand for the Company's products. **Environmental laws and regulations may subject us to significant liabilities. Our U. S. operations, including our manufacturing facilities, are subject to federal, state and local environmental laws and regulations relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes. Any violation of any of those laws and regulations could cause us to incur substantial liability to the U. S. Environmental Protection Agency, to the state environmental agencies in any affected state or to any individuals affected by any such violation. If hazardous substances are released from or located on any of our properties, we could incur substantial costs and damages. Any such liability could have a material adverse effect on our financial condition and results of operations. By way of example, but not limitation, governmental authorities in the U. S. and in other jurisdictions are increasingly focused on potential contamination resulting from the use of so-called " forever chemicals, " most notable at present are per- and polyfluoroalkyl, substances (PFAS). Products containing PFAS have been used in manufacturing, industrial, and consumer applications over many decades, including in some of our engineered materials and components, and are virtually ubiquitous in parts of the environment. Until recently, these substances were largely unregulated. Nevertheless, over the last few years, PFAS regulation has been evolving rapidly. In 2023, the U. S. EPA issued a new rule under the Toxic Substances Control Act, requiring manufacturers and importers of PFAS to submit additional reporting information about production volumes, industrial uses, byproducts, worker exposure, and disposal. In 2023, certain EU member states submitted a proposal to the European Chemicals Agency calling for the phase out of the manufacture, import, sale, and use of PFAS substances beginning in late 2025. In 2024, among other things, U. S. EPA issued new regulations regarding PFAS in drinking water, PFAS reporting obligations under Toxic Substances Control Act, and designated two PFAS chemicals (Perfluorooctanoic acid and Perfluorooctane sulfonic acid) as hazardous substances under Comprehensive Environmental Response, Compensation, and Liability Act. While PFAS regulation continues to advance at the federal level and in many states, the full scope of such regulation is still being developed. In some cases, PFAS compounds are regulated at, or even below, the ability of current technology to detect their presence, making remediation difficult and complex. We may therefore incur costs in connection with any obligations to transition away from the usage of PFAS-containing products, to dispose of PFAS-containing waste or to remediate any PFAS contamination, which could have a negative effect on our financial position, results of operations and cash flows. We may incur costs in connection with any obligations to transition away from the usage of PFAS-containing products, to dispose of PFAS-containing waste or to remediate any PFAS contamination, which could have a negative effect on our financial position, results of operations and cash flows. In addition, some environmental laws impose liability, sometimes without fault, for investigating and / or cleaning up contamination on, or emanating from, properties currently or formerly owned, leased or operated by a person, as well as for damages to property or natural resources and personal injury arising out of such contamination. Such liability may be joint and several, meaning that we could be held responsible for more than our share of the liability involved, or even the entire liability.** The Company's growth objectives are largely dependent on the timing and market acceptance of our new product offerings, including our ability to continually renew our

pipeline of new products and to bring those products to market. Our ability to continually renew our pipeline of new products and to bring those products to market may be adversely affected by difficulties or delays in product development, such as the inability to identify viable new products, obtain adequate intellectual property protection or gain market acceptance of new products. There are no guarantees that new products will prove to be commercially successful. In addition, our product development and distribution activities are subject to inherent risks related to natural disasters, including earthquakes such as the one that occurred near our facility in Utah during 2020, which could disrupt our supply chain and impair our ability to manufacture or sell our products. General Risks Global economic conditions could adversely affect the Company's business and financial results. Unfavorable economic conditions, including the impact of recessions and general economic downturns in the United States and throughout the world, may negatively affect the Company's business and financial results. These economic conditions could negatively impact (i) demand for our products, (ii) the number and types of products sold, (iii) our ability to collect accounts receivable on a timely basis from certain customers, and (iv) the ability of certain suppliers to fill our orders for raw materials or other goods and services. A prolonged recession could result in decreased revenue, margins and earnings. Additionally, the war between Russia and Ukraine has led to economic sanctions imposed against Russia by the U. S. and certain European nations. Such sanctions may impact companies in many sectors and could lead to volatility of prices in the global energy industry. The extent and strength of the sanctions are still developing, and the corresponding effect on the Company remains uncertain. In addition, the war in Ukraine has further increased existing global supply chain, logistics, and inflationary challenges. Climate change and natural disasters or other events beyond our control could disrupt our business and result in loss of revenue or higher expenses. Global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. The impacts of climate change may include physical risks (such as frequency and severity of extreme weather conditions), social and human effects (such as population displacements or harm to health and well-being), compliance costs, transition risks, shifts in market trends, and other adverse effects. Such impacts may disrupt parties in our supply chain, our customers, and our operations. Physical risks associated with climate change are subject to increasing societal, regulatory, and political focus in the U. S. and globally. Shifts in weather patterns caused by climate change are expected to increase the frequency, severity, or duration of certain adverse weather conditions and natural disasters, such as hurricanes, tornadoes, earthquakes, wildfires, droughts, extreme temperatures, or flooding, which could cause more significant business and supply chain interruptions, damage to our products and facilities as well as the infrastructure of our customers, reduced workforce availability, increased costs of raw materials and components, increased liabilities, and decreased revenues than what we have experienced in the past from such events. Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations, compromise information belonging to the Company and our customers and suppliers and expose the Company to liability, which could adversely impact the Company's business and reputation. In the ordinary course of business, the Company relies on information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities. Additionally, the Company collects and stores sensitive data, including proprietary business information. It is possible we or a third party that we rely on could incur interruptions from a loss of communications, hardware or software failures, a cybersecurity attack or an incident relating to our IT systems or technology, ransomware, phishing attacks, computer viruses or malware. In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, hacktivists, state-sponsored intrusions, industrial espionage, employee malfeasance and human or technological error. High-profile cybersecurity incidents at other companies and in government agencies have increased in recent years, and security industry experts and government officials have warned about the risks of hackers and cyberattacks targeting businesses such as ours. Despite security measures and business continuity plans, the Company's information technology networks and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attack by hackers, breaches, employee error or malfeasance, power outages, computer viruses, telecommunication or utility failures, systems failures, natural disasters or other catastrophic events. While we have not experienced any material losses related to cyber-attacks or information security breaches to date, any such event could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations and damage to the Company's reputation, which could adversely affect the Company's business. **Uncertainties with respect to the development, deployment, and use of artificial intelligence in our business and products may result in harm to our business and reputation. We are in the initial stages of incorporating artificial intelligence ("AI") into our business activities and our product and service offerings. As with many innovations, AI presents risks and challenges that could adversely impact our business. The development, adoption, and use of AI technologies are still in their early stages and ineffective or inadequate AI development or deployment practices could result in unintended consequences. For example, AI algorithms may be flawed or may be based on datasets that are biased or insufficient. In addition, any disruption or failure in the AI functionality we have incorporated or may in the future incorporate into our business activities, products or services could adversely impact our business or result in delays or errors in our offerings. The legal and regulatory landscape surrounding AI technologies is rapidly evolving and uncertain, including in the areas of intellectual property, cybersecurity and privacy and data protection. Compliance with new or changing laws, regulations or industry standards relating to AI may impose significant costs and may limit our ability to develop, deploy or use AI technologies. We also work with vendors that incorporate artificial intelligence tools into their offerings and the providers of these artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards with respect to privacy and data protection. Failure to appropriately respond to this evolving landscape may result in legal liability, regulatory action, or brand and reputational harm.** The Company's future results may be affected by various legal and regulatory proceedings and legal compliance risks. From time to time, the Company is subject to certain legal and regulatory proceedings in the ordinary course of business and otherwise. The outcome of these legal proceedings may differ from the Company's expectations because the

outcomes of litigation, including regulatory matters, are often difficult to reliably predict. Various factors or developments could lead the Company to change current estimates of liabilities and related insurance receivables where applicable, or make such estimates for matters previously not susceptible to reasonable estimates, such as a significant judicial ruling or judgment, settlement, regulatory development or change in applicable law. A future adverse ruling, settlement or unfavorable development could result in charges that could have a material adverse effect on the Company's results of operations or cash flows in any particular period. Manufacturers are required to certify that neither convicted, forced or indentured labor (as defined under U. S. law) nor child labor (as defined by law in the manufacturer's country) is used in the production process, that compensation is paid in accordance with local law and that their factories are in compliance with local safety regulations. Although we promote ethical business practices and our sourcing personnel periodically visit and monitor the operations of our independent contract manufacturers, suppliers and licensees, we do not control them or their labor practices. If one of our independent contract manufacturers, suppliers or licensees violates labor or other laws or diverges from those labor practices generally accepted as ethical in the U. S., it could result in adverse publicity for us, damage our reputation in the U. S., or render our conduct of business in a particular foreign country undesirable or impractical, any of which could harm our business. Our common stock price is volatile, which could result in substantial losses for individual shareholders. The market price of our common stock has been volatile, and we expect that it will continue to be volatile. In particular, our common stock may be subject to significant fluctuations in response to a variety of factors, including: ● general economic and business conditions; ● changing market conditions in the industries that we serve; ● monetary and fiscal policies, laws and regulations and other activities of government agencies and similar organizations; ● conditions in U. S. and global securities markets and other capital markets; ● actual or anticipated variations in quarterly operating results; ● failure to meet analyst predictions and projections; ● costs and other effects of legal and administrative proceedings, claims, settlements and judgments; ● additions or departures of key personnel; ● announcements of innovations or new services by us or our competitors; ● domestic and international health crises and pandemics; ● our sales of common stock or other securities in the future; and ● other events or factors, many of which are beyond our control. Due to these factors, you may not be able to sell your stock at or above the price you paid for it, which could result in substantial losses. ~~Item 1B. Unresolved Staff Comments.~~