Risk Factors Comparison 2023-03-15 to 2022-07-26 Form: 10-K

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Set forth below are certain risk factors that we believe are material to our stockholders. The risks described in these risk factors, some of which we have actually experienced, could harm our business, financial condition, cash flows, results of operations and reputation. You should also consider these risk factors when you read " forward- looking statements " elsewhere in this report. You can identify forward- looking statements by terms such as " may, " " hope, " " should, " " expect, " " plan, " " anticipate, " " intend, " " believe, " " estimate, " " predict, " " potential " or " continue, " the negative of those terms or other comparable terminology. Forward- looking statements are only predictions and can be adversely affected by any of the following risks: Risks related to our Material Weaknesses and Restatements We have identified material weaknesses in our internal control over financial reporting and those weaknesses have led to a conclusion that our internal control over financial reporting and disclosure controls and procedures were not effective as of December 31, ~~2021~~ **2022** . Our inability to remediate the material weaknesses, our discovery of additional weaknesses, and our inability to achieve and maintain effective disclosure controls and procedures and internal control over financial reporting, could adversely affect our results of operations, our stock price and investor confidence in our company. Section 404 of the Sarbanes- Oxley Act of 2002 requires that companies evaluate and report on the effectiveness of their internal control over financial reporting. In addition, we engaged our independent registered public accounting firm to report on its evaluation of those controls. As disclosed in more detail under Item 9A, " Controls and Procedures " below, we have identified ~~three~~ **four** material weaknesses as of December 31, ~~2021~~ **2022** in our internal control over financial reporting resulting from (i) a lack of ~~effective review~~ **sufficient number of finance, accounting and internal** controls **personnel** ~~to mitigate the risks of material misstatements within significant accounts of smaller reporting locations~~ , (ii) a lack of design and effective controls to monitor at the corporate level significant balances recorded within the trial balances of smaller reporting locations, ~~and~~ (iii) a lack of ~~design and~~ effective **review** controls ~~over the preparation, review and approval of cash account reconciliations and direct access~~ to ~~bank~~ **mitigate the risks of material misstatements within significant** accounts ~~in~~ **of** smaller reporting locations **, and (iv) a lack of effective IT general controls over certain IT applications supporting financial reporting** . Due to the material weaknesses in our internal control over financial reporting, we have also concluded our disclosure controls and procedures were not effective as of December 31, ~~2021~~ **2022** . Failure to have effective internal control over financial reporting and disclosure controls and procedures can impair our ability to produce accurate financial statements on a timely basis and has led and could again lead to a restatement of our financial statements. For example, the identified material weaknesses resulted in material adjustments to the consolidated financial statements for the years ending December 31, 2020 and 2019, and interim and year to date periods through the nine months ended October 3, 2021. If, as a result of the ineffectiveness of our internal control over financial reporting and disclosure controls and procedures, we cannot provide reliable financial statements, our business decision processes may be adversely affected, our business and results of operations could be harmed, investors could lose confidence in our reported financial information and our ability to obtain additional financing, or additional financing on favorable terms, could be adversely affected. Our management has taken action to begin remediating the material weaknesses; however, certain remedial actions have ~~not started or have~~ only recently been undertaken, and while we expect to continue to implement our remediation plans throughout the fiscal year ending December 31, ~~2022~~ **2023** , we cannot be certain as to when remediation will be fully completed. Additional details regarding the initial remediation efforts are disclosed in more detail in Part II, Item 9A, " Controls and Procedures " below. In addition, we could in the future identify additional internal control deficiencies that could rise to the level of a material weakness or uncover other errors in financial reporting. During the course of our evaluation, we may identify areas requiring improvement and may be required to design additional enhanced processes and controls to address issues identified through this review. In addition, there can be no assurance that such remediation efforts will be successful, that our internal control over financial reporting will be effective as a result of these efforts or that any such future deficiencies identified may not be material weaknesses that would be required to be reported in future periods. In addition, we cannot assure you that our independent registered public accounting firm will be able to attest that such internal controls are effective when they are required to do so. If we fail to remediate these material weaknesses and maintain effective disclosure controls and procedures or internal control over financial reporting, we may not be able to rely on the integrity of our financial results, which could result in inaccurate or additional late reporting of our financial results, as well as delays or the inability to meet our future reporting obligations or to comply with SEC rules and regulations. This could result in claims or proceedings against us, including by shareholders or the SEC. The defense of any such claims could cause the diversion of the Company' s attention and resources and could cause us to incur significant legal and other expenses even if the matters are resolved in our favor. Risks Related to our Markets and Industry We face significant competition and, if we are not able to respond, our revenues may decrease. We operate in a highly competitive environment in each of the markets we serve, and we face competition in each of our segments from numerous competitors. We consider product innovation, product quality, performance, customer service, on- time delivery, price, distribution capabilities and breadth of product offerings to be the primary competitive factors in our markets. Our competitors may be able to offer more attractive pricing, duplicate our strategies, or develop enhancements to products that could offer performance features that are superior to our products. Competitive pressures, including those described above, and other factors could adversely affect our competitive position, resulting in a loss of market share or decreases in prices, either of which could have a material adverse effect on our business, financial condition, cash flows or results of operations. In addition, some of our competitors are based in foreign countries and have cost structures and prices based on foreign currencies. The majority of our transactions are denominated in either U. S. dollar or Euro currency. Accordingly, currency fluctuations could cause our U. S. dollar and / or Euro priced products to be less competitive than our competitors' products that are priced in other currencies. We, along with our customers and vendors, face the uncertainty in the public and private credit markets and in general economic conditions in the United States and around the world. In recent years there has been at times disruption and general slowdown of the public and private capital and credit markets in the United States and around the world. **In particular, U. S. and global economies are experiencing high inflation, increasing interest rates and recessions.** Such conditions can adversely affect our revenue, results of operations and overall financial growth. Our business can be affected by a number of factors that are beyond our control such as general geopolitical, economic and business conditions and conditions in the financial services market, which each could materially impact our business, financial condition, cash flows and results of operations. Additionally, many lenders and institutional investors, at times, have reduced funding to borrowers, including other financial institutions. A constriction on future lending by banks or investors could result in higher interest rates on future debt obligations, restrict our ability to obtain sufficient financing to meet our long- term operational and capital needs or limit our ability in the future to consummate strategic acquisitions. Any uncertainty in the credit markets **or increase in interest rates** could also negatively impact the ability of our customers and vendors to finance their operations **on acceptable terms or at all** which, in turn, could result in a decline in our sales and in our ability to obtain necessary raw materials and components ~~, thus potentially having~~ **. Our customers may also reduce their purchases of our products because of increased costs from inflation or uncertainties relating to the current recessionary environment. The occurrence of any of the foregoing risks could have** an adverse effect on our business, financial condition, cash flows or results of operations. Implementation of our acquisition strategy may not be successful, which could affect our ability to increase our revenues, reduce our profitability or lead to significant impairment charges. One of our strategies has been and is to increase our revenues and expand our markets through acquisitions that will provide us with complementary products. We expect to face competition for acquisition candidates that may limit the number of acquisition opportunities available to us and may result in higher acquisition prices. In addition, our announcement in March 2022 that our Board is reviewing strategic alternatives available to the Company may impact our ability to complete acquisitions. We cannot be certain that we will be able to identify, acquire or profitably manage additional acquired companies or successfully integrate such additional acquired companies without substantial costs, delays or other problems. Acquisitions may also involve a number of special risks, including: adverse effects on our reported operating results; use of cash; diversion of management' s attention; loss of key personnel at acquired companies; or unanticipated management or operational problems or legal liabilities **. In addition, uncertainty in the credit markets and increases in interest rates could negatively impact our ability to finance acquisitions on acceptable terms or at all** . Moreover, there can be no assurance that companies we have previously acquired or that we may acquire in the future ultimately will achieve the revenues, profitability or cash flows, or generate the synergies upon which we justify our investment in them; as a result, any such under- performing acquisitions could result in impairment charges which would adversely affect our results of operations. The acquired assets of businesses include goodwill and indefinite- lived intangible assets that are required to be tested for impairment at least annually or more frequently if impairment indicators are present. Events or changes that could indicate that the carrying value of our goodwill or indefinite- lived intangible assets may not be recoverable include reduced future cash flow estimates, slower growth rates in industry segments in which we participate and a decline in our stock price and market capitalization. In addition, any prolonged material disruption of our employees, distributors, suppliers or customers, whether due to COVID- 19 or otherwise, would negatively impact our global sales and operating results and could lead to impairments and other valuation allowances **relating to acquired businesses as well as our overall business** . Risks Related to our Operations If we cannot continue operating our manufacturing facilities at current or higher levels, our results of operations could be adversely affected. We operate a number of manufacturing facilities for the production of our products. The equipment and management systems necessary for such operations may break down, perform poorly or fail, resulting in fluctuations in manufacturing efficiencies. Such fluctuations may affect our ability to deliver products to our customers on a timely basis, which could have a material adverse effect on our business, financial condition, cash flows or results of operations. We are working to continuously enhance and improve lean manufacturing techniques as part of the ~~COS~~ **CIRCOR Operating System** . We believe that this process produces meaningful reductions in manufacturing costs. However, continuous improvement of these techniques may cause short- term inefficiencies in production. If we are not successful in continuously improving our processes, our results of operations may suffer. Further, a catastrophic event could result in the loss of the use of all or a portion of one of our manufacturing facilities. Although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur. Any of these events individually or in the aggregate could have a material adverse effect on our business, financial condition and operating results. If we cannot pass on higher raw material or manufacturing costs to our customers, we may become less profitable. One of the ways we attempt to manage the risk of higher raw material and manufacturing costs is to increase selling prices to our customers. The markets we serve are extremely competitive and customers may not accept price increases or may look to alternative suppliers, which may negatively impact our profitability and revenues **. This risk may be heightened in the current highly inflationary and recessionary economic environment** . The inability of our suppliers to provide us with adequate quantities of materials to meet our customers' demands on a timely basis has had, and may continue to have, an adverse effect on our business; in addition, if the quality of the materials provided does not meet our standards, we may lose customers or experience lower profitability. Some of our customer contracts require us to compensate those customers if we do not meet specified delivery obligations. We rely on numerous suppliers to provide us with our required materials and in many instances these materials must meet certain specifications. In addition, we continue to increase our dependence on lower cost foreign sources of raw materials, components, and, in some cases, completed products. While we actively manage our supply chain, having a geographically diverse supply base inherently poses significant logistical challenges, and we could experience diminished supplier performance resulting in longer than expected lead times and / or product quality issues. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods and other climatic events, **natural disasters, acts of war or political instabilities or pandemics or other illness outbreaks,** could disrupt our supply chain, and cause our suppliers to incur significant costs in preparing for or responding to these effects **or events** . These or other ~~meteorological~~ **similar** changes **or events** could lead to increased costs. The occurrence of such factors could have a negative impact on our ability to deliver products to customers within our committed time frames and could adversely impact our results of operations, financial condition and cash flows. For example, during the second half of 2021, the COVID- 19 pandemic, as well as labor shortages and logistics constraints, contributed to supply chain shortages and negatively impacted our results of operations as we faced unexpected difficulties obtaining raw material, castings, and components across CIRCOR. In the near term, we anticipate continued greater than usual uncertainty as a result of global supply chain challenges and that shortages of components and raw materials may continue to negatively impact the operation of our business. If we experience delays in introducing new products or if our existing or new products do not achieve or maintain market acceptance, our revenues may decrease. Our industries are characterized by: intense competition; changes in end- user requirements; technically complex products; and evolving product offerings and introductions. We believe our future success depends, in part, on our ability to anticipate or adapt to these factors and to offer, on a timely basis, mission- critical products that meet customer demands. Failure to develop new and innovative products or to custom design existing products could result in the loss of existing customers to competitors or the inability to attract new business, either of which may adversely affect our revenues. The development of new or enhanced products is a complex and uncertain process requiring the anticipation of technological and market trends. We may experience design, manufacturing, marketing or other difficulties, such as an inability to attract a sufficient number of qualified engineers, which could delay or prevent our development, introduction or marketing of new products or enhancements and result in unexpected expenses. If we fail to manufacture and deliver high quality products in accordance with industry standards, we will lose customers. Product quality and performance are a priority for our customers since many of our product applications involve caustic or volatile chemicals and, in many cases, involve processes that require precise control of fluids. Our products are used in the aerospace, military, commercial aircraft, analytical equipment, oil & gas refining, power generation, chemical processing and maritime industries. These industries require products that meet stringent performance and safety standards, such as the standards of the International Organization for Standardization, Underwriters' Laboratory, American National Standards Institute, American Society of Mechanical Engineers and the European Pressure Equipment Directive. If we fail to maintain and enforce quality control and testing procedures, our products will not meet these stringent performance and safety standards that are required by many of our customers. Non- compliance with the standards could result in a loss of current customers and damage our ability to attract new customers, which could have a material adverse effect on our business, financial condition, cash flows or results of operations. We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business, financial condition, cash flows and results of operations. We rely on information technology networks and systems, including systems of third parties and the Internet, to process, transmit and store electronic information, and manage or support a variety of business processes, including operational and financial transactions and records, personal identifying information, payroll data and workforce scheduling information. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of Company and customer information. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, no such measures can eliminate the possibility of the systems' improper functioning or the improper access or disclosure of confidential or personally identifiable information such as in the event of cyber- attacks. Security breaches, whether through physical or electronic break- ins, computer viruses, ransomware, impersonation of authorized users, attacks by hackers or other means, can create system disruptions or shutdowns or the unauthorized disclosure of confidential information. Additionally, outside parties frequently attempt to fraudulently induce employees, suppliers or customers to disclose sensitive information or take other actions, including making fraudulent payments or downloading malware, by using " spoofing " and " phishing " emails or other types of attacks. Our employees have been and likely will continue to be targeted by such fraudulent activities. Outside parties may also subject us to distributed denial of services attacks or introduce viruses or other malware through " trojan horse " programs to our users' computers in order to gain access to our systems and the data stored therein. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and continuously become more sophisticated, often are not recognized until launched against a target and may be difficult to detect for a long time, we may be unable to anticipate these techniques or to implement adequate preventive or detective measures. When Company, personal or otherwise protected information is improperly accessed, tampered with or distributed, we face significant financial exposure, including incurring significant costs to remediate possible injury to the affected parties. We may also be subject to sanctions and civil or criminal penalties if we are found to be in violation of the privacy or security rules under federal, state, or international laws protecting confidential information. Any failure to maintain proper functionality and security of our information systems could results in the loss of trade secrets or other proprietary or competitively sensitive information, compromise personally identifiable information regarding customers or employees, interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties. The costs associated with maintaining robust information security mechanisms and controls are also increasing and are likely to increase further in the future. We continuously seek to maintain a robust program of information security and controls, but the impact of a material information technology event could have a material adverse effect on our competitive position, reputation, results of operations, financial condition and cash flows. Terrorist activity, acts of war, and / or political instability around the world could cause economic conditions to deteriorate and adversely impact our businesses. In the past, terrorist attacks have negatively impacted general economic, market and political conditions. Terrorist acts, acts of war or political instability (wherever located around the world) could cause damage or disruption to our business, our facilities or our employees which could significantly impact our business, financial condition or results of operations. The potential for future terrorist attacks, the national and international responses to terrorist attacks, political instability, and other acts of war or hostility, have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. U. S. Government imposed sanctions and export restrictions on certain businesses in Russia as a result of its actions in Ukraine could cause us to experience adverse effects with respect to certain business partners or customers, including inability to ship, or collect payments for, completed orders. In addition, with manufacturing facilities located worldwide, including facilities located in North America, Western Europe, Morocco, **China,** and India, we may be impacted by terrorist actions not only against the United States but in other parts of the world as well. In some cases, we are not insured for losses and interruptions caused by terrorist acts and acts of war. The impact of the COVID- 19 pandemic has adversely impacted, and continues to pose risks to, our business, results of operations and financial condition. The situation relating to the COVID- 19 pandemic and its potential effects on our business and financial results remains dynamic. The broader implications for our business and results of operations remain uncertain and will depend on many factors outside our control, including, without limitation, the timing, extent, trajectory and duration of the pandemic **(including COVID- 19 variants)** , the development, availability and effectiveness of treatments and vaccines, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and enterprise and consumer behaviors **. We may face the same risks with respect to any future pandemics or other illness outbreaks** . If these and other effects of the COVID- 19 pandemic, including its effect on broader economies, financial markets and overall demand environment for our products, continue or worsen, ~~it could have a material adverse effect on~~ **or if any future pandemic or other illness outbreak were to occur,** our business, financial condition, results of operations, or cash flows **could be materially and adversely affected** . The COVID- 19 pandemic ~~has and~~ **or any other future pandemic or other illness outbreak** may further increase the likelihood and severity of other risks discussed in this " Risk Factors " section, including but not limited to risks related to competition, development of the market for and demand for our products, delays in the development and production of our products, availability and cost of raw materials required to produce our products and other supply chain disruptions, labor shortages reliance on third parties, our international scale, our exposure to currency exchange rate fluctuations and the credit risks of our customers and resellers, and volatility in the capital markets. Risks Related to our International Operations If we are unable to continue operating successfully overseas or to successfully expand into new international markets, our revenues may decrease. We derive a significant portion of our revenue from sales outside the United States. In addition, one of our key growth strategies is to sell our products in international markets not significantly served by us in portions of Europe, Latin America and Asia. We market our products and services outside of the United States through direct sales, distributors, and technically trained commissioned representatives. We may not succeed in our efforts to further penetrate these markets. Moreover, conducting business outside the United States is subject to risks, including currency exchange rate fluctuations; changes or instability in regional, political or economic conditions, outbreak of war or expansion of hostilities, trade protection measures such as tariffs or import or export restrictions; and complex, varying and changing government regulations and legal standards and requirements, particularly with respect to price protection, competition practices, export control regulations and restrictions, customs and tax requirements, immigration, anti- boycott regulations, data privacy, intellectual property, anti- corruption and environmental compliance, including U. S. customs and export regulations and restrictions and the Foreign Corrupt Practices Act. Additionally, the U. S. Government continues to impose and / or consider imposing sanctions on certain businesses and persons in Russia. We continue to monitor and evaluate additional sanctions and export restrictions that may be imposed by the U. S. Government and any responses from Russia that could directly affect our supply chain, or our ability to continue delivering products to or receiving payments from our business partners or customers, including customers who may decide to completely withhold contract payments owed to us. The occurrence of any of these factors could materially and adversely affect our operations. Our international activities expose us to fluctuations in currency exchange rates that could adversely affect our results of operations and cash flows. Our international manufacturing and sales activities expose us to changes in foreign currency exchange rates. Our major foreign currency exposures involve the markets in Western Europe and Asia. Fluctuations in foreign currency exchange rates could result in our (i) paying higher prices for certain imported goods and services, (ii) realizing lower prices for any sales denominated in currencies other than U. S. dollars, (iii) realizing lower net income, on a U. S. dollar basis, from our international operations due to the effects of translation from weakened functional currencies, and (iv) realizing higher costs to settle transactions denominated in other currencies. Any of these risks could adversely affect our results of operations and cash flows. ~~We use derivatives to help manage the currency risk related to certain business transactions denominated in foreign currencies. To the extent these transactions are completed, the contracts minimize our risk from exchange rate fluctuations because they offset gains and losses on the related derivatives. However, there can be no assurances that we will be able to effectively utilize these forward exchange contracts in the future to offset significant risk related to fluctuations in currency exchange rates. In addition, there can be no assurances that counterparties to such contracts will perform their contractual obligations to us in order for us to realize the anticipated benefits of the contracts.~~ A change in international governmental policies or restrictions could result in decreased availability and increased costs for certain components and finished products that we purchase from sources in foreign countries, which could adversely affect our profitability. Like most manufacturers of flow control products, we attempt, where appropriate, to reduce costs by seeking lower cost sources of certain components and finished products. Many such sources are located in developing countries such as India and China, where a change in governmental approach toward U. S. trade could restrict the availability to us of such sources. In addition, periods of war or other international tension and global health pandemics could interfere with international freight operations and hinder our ability to purchase such components and products. A decrease in the availability of these items could hinder our ability to timely meet our customers' orders. We attempt, when possible, to maintain alternate sources for these components and products and the capability to produce such items in our own manufacturing facilities. However, the cost of obtaining such items from alternate sources or producing them ourselves is often considerably greater, and a shift toward such higher cost production could therefore adversely affect our profitability. Risks Related to our Business Strategy Our ability to execute our strategy is dependent upon our ability to attract, train and retain qualified personnel. Our continued success depends, in part, on our ability to identify, attract, motivate, train and retain qualified personnel in key functions and geographic areas, including the members of our senior management team. In particular, we are dependent on our ability to recruit and retain qualified engineers with the requisite education, background and industry experience to assist in the development, enhancement, introduction and manufacture of our products. Failure to attract, train and retain qualified personnel, whether as a result of an insufficient number of qualified candidates or the allocation of inadequate resources to training, integration and retention, could impair our ability to execute our business strategy and could have an adverse effect on our business prospects. Our success also depends to a large extent upon our ability to attract and retain key executives. The loss of the services of one or more of these key employees could have an adverse effect, at least in the short to medium term, on significant aspects of our business, including the ability to manage our business effectively and the successful execution of our strategies. **Our ability to attract and retain qualified personnel has been, and may continue to be, negatively affected by our Board' s pending strategic alternative review process.** If **we fail to** ~~certain~~ **retain** ~~of these~~ **qualified personnel, particularly key** employees ~~decide to leave us~~, we could incur disruptions to the completion of certain initiatives and we could incur significant costs in hiring, training, developing and retaining their replacements. Recent changes in the Company' s executive management team may be disruptive to, or cause uncertainty in, our business, results of operations and the price of the Company' s common stock. On December 10, 2021, Abhishek Khandelwal announced his resignation from his position as Chief Financial Officer of the Company effective December 31, 2021, and the Company' s Board of Directors appointed Arjun Sharma, Senior Vice President of Business Development as the Company' s interim Chief Financial Officer effective January 1, 2022. Subsequently, on January 19, 2022, Mr. Scott A. Buckhout stepped down from his position as Chief Executive Officer of the Company, effective immediately, and the Company' s Board of Directors promoted Aerospace & Defense Group President Tony S. Najjar to the position of Chief Operating Officer and appointed him as interim Chief Executive Officer effective immediately. **On August 10, 2022, the Company' s Board of Directors approved the change of Mr. Najjar' s title to President & Chief Executive Officer and Mr. Sharma' s title to Chief Financial Officer and Senior Vice President of Business Development.** These changes in the Company' s executive management team may be disruptive to, or cause uncertainty in, the Company' s business, and any additional changes to the executive management team could have a negative impact on the Company' s ability to manage and grow its business effectively. Any such disruption or uncertainty or difficulty in efficiently and effectively filling key roles could have a material adverse impact on the Company' s results of operations and the price of the Company' s common stock. Our review of strategic alternatives may not result in the identification or completion of a transaction, or create additional value for our stockholders **, and the process may have an adverse effect on our business** . On March 14, 2022, the Company announced that the Board of Directors had initiated a review of potential strategic alternatives to enhance shareholder value. At this time it has not made any decisions as to any potential strategic alternatives. We cannot make any assurance that the Board' s review will result in a transaction or other strategic change to the Company or its business, or that the outcome of the review will provide greater value to our stockholders than the current price of our common stock **. The strategic review process may require significant resources and expenses. In addition, speculation and uncertainty regarding the strategic review process may cause or result in disruption of our business; distraction of our employees; difficulty in recruiting, hiring, motivating, and retaining qualified personnel; difficulty in maintaining or negotiating and consummating new business or strategic relationships or transactions; potential litigation; and increased stock price volatility. If we are unable to mitigate these or other potential risks related to the uncertainty caused by the strategic review process, it may adversely affect our business or adversely impact our business, financial condition, results of operations and cash flows** . Risks Related to Legal, Regulatory and Compliance Matters We face risks from product liability lawsuits that may adversely affect our business. We, like other manufacturers, face an inherent risk of exposure to product liability claims in the event that the use of our products results in personal injury, property damage or business interruption to our customers. We may be subjected to various product liability claims, including, among others, asbestos- related claims, claims that our products include inadequate or improper instructions for use or installation, or inadequate warnings concerning the effects of the failure of our products. Although we maintain quality controls and procedures, including the testing of raw materials and safety testing of selected finished products, we cannot be certain that our products will be free from defect. In addition, in certain cases, we rely on third-party manufacturers for our products or components of our products. Although we have liability insurance coverage, we cannot be certain that this insurance coverage will continue to be available to us at a reasonable cost or, if available, will be adequate to cover any such liabilities. For example, liability insurance typically does not afford coverage for a design or manufacturing defect unless such defect results in injury to person or property. We generally attempt to contractually limit liability to our customers to risks that are insurable but are not always successful in doing so. Similarly, we generally seek to obtain contractual indemnification from our third- party suppliers, and for us to be added as an additional insured party under such parties' insurance policies. Any such indemnification or insurance is limited by its terms and, as a practical matter, is limited to the credit worthiness of the indemnifying or insuring party. In the event that we do not have adequate insurance or contractual indemnification, product liabilities could have a material adverse effect on our business, financial condition, cash flows or results of operations. The costs of complying with existing or future governmental regulations on importing and exporting practices and of curing any violations of these regulations, could increase our expenses, reduce our revenues or reduce our profitability. We are subject to a variety of laws and international trade practices, including regulations issued by certain United States governmental agencies and authorities in the European Union. We cannot predict the nature, scope or effect of future regulatory requirements to which our international trading practices might be subject or the manner in which existing laws might be administered or interpreted. Future regulations could limit the countries into which certain of our products may be sold or could restrict our access to, and increase the cost of obtaining products from, foreign sources. We continue to monitor and evaluate additional sanctions and export restrictions that may be imposed by the U. S. Government with respect to Russia, and any responses from Russia, that could impact our business. Sanctions or restrictions could cause us to be unable to complete contractual commitments to end customers, cause our end customers to fail to compensate us for previously ordered or delivered products, or cause funds or products to be subjected to legal holds. The aggregate revenue from customers in Russia and Ukraine for each of the fiscal years ended **2022 and** 2021 ~~and 2020~~ was less than 1 % of consolidated net revenues, primarily related to our Downstream Oil & Gas business in the Industrial reporting segment **. Currently we have a pending project in Russia that could result in a $ 4. 0 million reversal of unbilled and other receivable if tighter sanctions or restrictions prevented us from delivering the project and receiving payment** . In addition, actual or alleged violations of such regulations could result in enforcement actions and / or financial penalties that could result in substantial costs. If we incur higher costs as a result of trade policies, treaties, government regulations or tariffs, we may become less profitable. There is currently significant uncertainty about the future relationship between the United States and China, including with respect to trade policies, treaties, government regulations and tariffs. The past U. S. presidential administration had called for substantial changes to U. S. foreign trade policy and had implemented greater restrictions on international trade and significant changes in tariffs on goods imported into the U. S. Under the current administration, we expect that tariff increases will primarily impact our Industrial segment. We are unable to predict whether or when additional tariffs will be imposed or the impact of any such future tariff changes. The costs of complying with existing or future environmental regulations and curing any violations of these regulations could increase our expenses or reduce our profitability. We are subject to a variety of environmental laws relating to the storage, discharge, handling, emission, generation, use and disposal of chemicals, solid and hazardous waste and other toxic and hazardous materials used to manufacture, or resulting from the process of manufacturing, our products. We cannot predict the nature, scope or effect of future regulatory requirements to which our operations might be subject or the manner in which existing or future laws will be administered or interpreted. Future regulations could be applied to materials, products or activities that have not been subject to regulation previously. The costs of complying with new or more stringent regulations, or with more vigorous enforcement of these or existing regulations, could be significant. Environmental laws require us to maintain and comply with a number of permits, authorizations and approvals and to maintain and update training programs and safety data regarding materials used in our processes. Violations of these requirements could result in financial penalties and other enforcement actions. We also could be required to halt one or more portions of our operations until a violation is cured. Although we attempt to operate in compliance with these environmental laws, we may not succeed in this effort at all times. The costs of curing violations or resolving enforcement actions that might be initiated by government authorities could be substantial. Regulations related to " conflict minerals " may cause us to incur additional expenses and could limit the supply and increase the cost of certain metals used in manufacturing our products. Under the conflict minerals rule, public companies must disclose whether specified minerals, known as conflict minerals, are necessary to the functionality or production of products manufactured or contracted to be manufactured. The rule requires a disclosure report to be filed by May 31st of each year. The conflicts mineral rule could affect sourcing at competitive prices and availability in sufficient quantities of certain minerals used in the manufacture of our products, including tantalum, tin, gold and tungsten. The number of suppliers who provide conflict-free minerals is limited. In addition, there may be material costs associated with complying with the disclosure requirements, such as costs related to determining the source of certain minerals used in our products, as well as costs of possible changes to products, processes, or sources of supply as a consequence of such verification activities. As our supply chain is complex, we may not be able to sufficiently verify the origins of the relevant minerals used in our products through the due diligence procedures that we implement, which may harm our reputation. In addition, we may encounter challenges to satisfy those customers who require that all of the components of our products be certified as conflict- free, which could place us at a competitive disadvantage if we are unable to do so. Risks Related to our Common Stock The trading price of our common stock continues to be volatile, and investors in our common stock may experience substantial losses. The trading price of our common stock may be, and, in the past, has been volatile. Our common stock could decline or fluctuate in response to a variety of factors, including, but not limited to: our **Board' s pending strategic review process; our** failure to meet our performance estimates or performance estimates of securities analysts; changes in financial estimates of our revenues and operating results or buy / sell recommendations by securities analysts; the timing of announcements by us or our competitors concerning significant product line developments, contracts or acquisitions or publicity regarding actual or potential results or performance; fluctuation in our quarterly operating results caused by fluctuations in revenue and expenses; substantial sales of our common stock by our existing stockholders; general stock market conditions **; rising interests rates or inflation; our prior restatement of our financials** ; and fluctuations in oil and gas prices or other economic or external factors. While we attempt in our public disclosures to provide forward- looking information in order to enable investors to anticipate our future performance, such information by its nature represents our good- faith forecasting efforts. As a result, our actual results have differed materially, and going forward could differ materially, from our forecasts, which could cause further volatility in the value of our common stock. In recent years the stock market as a whole has experienced dramatic price and volume fluctuations. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of their securities. This type of litigation could result in substantial costs and a diversion of management attention and resources. Risks Related to our Indebtedness If we are unable to generate sufficient cash flow, we may not be able to service our debt obligations, including making payments on our outstanding term loan. Our ability to make payments of principal and interest on our indebtedness when due, including the significant indebtedness that we incurred in connection with our acquisition of Colfax Corporation' s Fluid Handling business (" FH "), depends upon our future performance, which will be subject to general economic conditions (including recovery from the COVID- 19 pandemic **, increasing inflation and interest rates and recessionary risks**), industry cycles and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our outstanding debt, we may be required to, among other things: • seek additional financing in the debt or equity markets; • refinance or restructure all or a portion of our indebtedness; • divert funds that would otherwise be invested in our operations; • sell selected assets; or • reduce or delay planned capital expenditures or operating expenditures. Such measures might not be sufficient to enable us to service our debt, which could negatively impact our financial results. In addition, we may not be able to obtain any such financing, refinancing or complete a sale of assets on economically favorable terms **or at all** . In the case of financing or refinancing, favorable interest rates will be dependent on the health of the debt capital markets and our credit rating **. Our ability to obtain such financing or refinancing may be negatively impacted by current disruptions in the credit markets, and our costs of such financing or refinancing may not be on economically acceptable or desirable terms because of increasing interest rates** . Our existing indebtedness could also have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions, reducing funds available for working capital, capital expenditures, acquisitions and other general corporate purposes or creating competitive disadvantages relative to other companies with lower debt levels. Our credit agreement requires that we maintain certain ratios and limits our ability to make acquisitions, incur debt, pay dividends, make investments, sell assets or merge. Our credit agreement, dated December 20, 2021, **amended on April 8, 2022, and May 27, 2022 (** as amended ~~(~~**,** the" ~~New~~ Credit Agreement"), governs our senior secured term loan and senior secured revolving credit facility. This agreement includes provisions which place limitations on certain activities, including, without limitation, our ability to: incur additional indebtedness; create liens or encumbrances on our assets; provide guarantees; make certain investments, loans and acquisitions; pay certain dividends or redeem, repurchase or retire certain capital stock or certain indebtedness; engage in certain transactions with our affiliates; enter into certain restrictive agreements; or dispose of or sell assets; or enter into mergers or similar transactions. These restrictions may limit our ability to operate our business and may prohibit or limit our ability to execute our business strategy, compete, enhance our operations, take advantage of potential business opportunities as they arise or meet our capital needs. Furthermore, future debt instruments or other contracts could contain more restrictive financial or other covenants. The breach of any of these covenants by us or the failure by us to meet any of these conditions or requirements could result in a default under any or all of our indebtedness, which could result in the lenders thereunder ending their obligation to make loans to us and declaring any outstanding indebtedness under the credit agreement or other applicable debt instrument immediately due and payable. Alternatively, our lenders could charge us substantial consent fees to secure amendments or waivers for our non- compliance with financial or other debt covenants. If we are unable to service our indebtedness, our business, financial condition, cash flows and results of operations would be materially adversely affected. Discontinuation, replacement or reform of LIBOR could affect interest rates under our credit agreement and financing costs. Borrowings under the ~~New~~ Credit Agreement are made at variable rates, based on London Interbank Offered Rate (" LIBOR ") as a reference rate. **The** ~~On July 27, 2017 the UK Financial Conduct Authority, which regulates LIBOR, announced that it desired to phase out LIBOR by the end of 2021. On November 30, 2020, the~~ ICE Benchmark Administration Limited, which administers LIBOR, **has** announced that it ~~planned~~ **plans** to **cease** ~~consult on ceasing~~ publication of ~~LIBOR on December 31, 2021 for~~ the **remaining** ~~one week and two month~~ LIBOR tenors ~~(for which publication has now ceased), and~~ on June 30, 2023 ~~for all other LIBOR tenors, including the LIBOR tenor that we use~~. In light of ~~these~~ **this** ~~announcements~~ - **announcement** , the future of LIBOR at this time is uncertain and any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR' s phaseout could cause LIBOR to perform differently than in the past or cease to exist. In the United States the Alternative Reference Rate Committee convened by the US Federal Reserve identified the Secured Overnight Financing Rate (" SOFR ") as its preferred alternative reference rate to the US Dollar LIBOR. **Our Credit Agreement includes a provision for determining the reference rate in the event LIBOR is discontinued, including a potential transition to the use of SOFR as the new reference rate.** Prior to the phase- out of LIBOR, we expect to reach agreement with our lenders ~~on an amendment to the New Credit Agreement~~ to use SOFR in lieu of LIBOR. We do not expect a significant change to the effective interest rate on our borrowing as a result of any replacement reference rate **, however, it is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates** . Whether SOFR attains market acceptance as a LIBOR replacement tool is uncertain. In the event we are unable to reach agreement on a replacement reference rate, the loans outstanding under the ~~New~~ Credit Agreement from time to time using LIBOR as a reference rate will convert to the base rate, which could result in higher interest rates on these term loans and any such revolving loans.