

Risk Factors Comparison 2025-03-05 to 2024-02-28 Form: 10-K

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Listed below are certain risk factors associated with us and our businesses. In addition to the potential effect of these risk factors discussed below, any risk factor which could result in reduced earnings, operating losses, or reduced liquidity, could in turn adversely affect our ability to service our liabilities or pay dividends on our common stock or adversely affect the quoted market prices for our securities.

Operational Risk Factors We operate in mature and highly competitive markets, resulting in pricing pressure and the need to continuously reduce costs. Many of the markets we serve are highly competitive, with a number of competitors offering similar products. We focus our efforts on the middle and high- end segment of the market where we feel that we can compete due to the importance of product design, quality and durability to the customer. However, our ability to effectively compete is impacted by a number of factors. The occurrence of any of these factors could result in reduced earnings or operating losses.

- Competitors may be able to drive down prices for our products beyond our ability to adjust costs because their costs are lower than ours, especially products sourced from Asia.
- Competitors' financial, technological and other resources may be greater than our resources, which may enable them to more effectively withstand changes in market conditions.
- Competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements.
- **Consolidation of our competitors or customers in any of the markets in which we compete may result in reduced demand for our products.**
- A reduction of our market share with one or more of our key customers, or a reduction in one or more of our key customers' market share for their end- use products, may reduce demand for our products.
- New competitors could emerge by modifying their existing production facilities to manufacture products that compete with our products.
- We may not be able to sustain a cost structure that enables us to be competitive.
- Customers may no longer value our product design, quality or durability over the lower cost products of our competitors. Our development of innovative features for current products is critical to sustaining and growing our sales. Historically, our ability to provide value- added custom engineered products that address requirements of technology and space utilization has been a key element of our success. We spend a significant amount of time and effort to refine, improve and adapt our existing products for new customers and applications. Since expenditures for these types of activities are not considered research and development expense under accounting principles generally accepted in the United States of America (" GAAP "), the amount of our research and development expenditures, which is not significant, is not indicative of the overall effort involved in the development of new product features. The introduction of new product features requires the coordination of the design, manufacturing and marketing of the new product features with current and potential customers. The ability to coordinate these activities with current and potential customers may be affected by factors beyond our control. While we will continue to emphasize the introduction of innovative new product features that target customer- specific opportunities, we do not know if any new product features we introduce will achieve the same degree of success that we have achieved with our existing products. At times we work with new and existing customers on specific product innovations. Sometimes we have a cost sharing arrangement for development efforts although we may also fully bear the development costs. If a customer were to ultimately reject or abandon custom product innovation efforts, we may not be able to recover our development costs.

- 8- Higher costs or limited availability of our raw materials could negatively impact our financial results. Certain raw materials used in our products are commodities that are subject to significant fluctuations in price in response to world- wide supply and demand as well as speculative investor activity. Zinc and brass are the principal raw materials used in the manufacture of security products. Stainless steel and aluminum are the major raw materials used in the manufacture of marine components. These raw materials are purchased from several suppliers and are generally readily available from numerous sources. We occasionally enter into short- term raw material supply arrangements to mitigate the impact of future increases in commodity- related raw material costs and ensure supply. Materials purchased outside of these arrangements are sometimes subject to unanticipated and sudden price increases. Certain components used in our products are manufactured by foreign suppliers located in China and elsewhere. Global economic and political conditions, including natural disasters, terrorist acts, transportation disruptions, global conflicts and public health crises such as pandemics, could prevent our vendors from being able to supply these components. Should our vendors not be able to meet their supply obligations or should we be otherwise unable to obtain necessary raw materials or components, we may incur higher supply costs or may be required to reduce production levels.

In addition, either the imposition of new tariffs or increases in existing tariffs by the U. S. government on imports from China, Mexico or other countries from which we import raw materials and other components could increase our supply costs. Increases in our supply costs may decrease our liquidity or negatively impact our financial condition or results of operations as we may be unable to offset the higher costs with increases in our selling prices or reductions in other operating costs.

Legal, Compliance and Regulatory Risk Factors
Failure Factors We may be subject to litigation, the disposition of which could have a material adverse effect on our results of operations. The nature of our operations exposes us to possible litigation claims, including disputes with customers and suppliers and matters relating to, among other things, product liability, intellectual property, employment and environmental claims. It is possible that judgments could be rendered against us in these or other types of cases for which we could be uninsured or not covered by indemnity, or which may be beyond the amounts that we currently have reserved or anticipate incurring for such matters. In addition, litigation can be costly, and the costs associated with defending litigation matters could potentially have a material adverse effect on our results of operations. Failure to protect our intellectual property rights or claims by others that we infringe their intellectual property rights could substantially harm our business. We rely on patent, trademark and trade secret laws in the United States and similar laws in other countries to

establish and maintain our intellectual property rights in our technology and designs. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. Third parties may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Further, we do not know if any of our pending trademark or patent applications will be approved. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our intellectual property rights. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions, we may be unable to protect our technology and designs adequately against unauthorized third party use, which could adversely affect our competitive position. Third parties may claim that we or our customers are infringing upon their intellectual property rights. Even if we believe that such claims are without merit, they can be time-consuming and costly to defend and distract our management's and technical staff's attention and resources. Claims of intellectual property infringement might also require us to redesign affected technology, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our technology. If we cannot or do not license the infringed technology on reasonable pricing terms or at all, or substitute similar technology from another source, our business could be adversely impacted. ~~Climate change laws and regulations could negatively impact our financial results or limit our ability to operate our businesses. All of our production facilities are located in the United States and each requires energy, including electricity and natural gas in order to conduct operations. The U. S. government has determined that the consumption of energy derived from fossil fuels is a major contributor to climate change and is contemplating regulatory changes in response to the potential impact of climate change, including laws and regulations regarding carbon emission costs, Green House Gas ("GHG") emissions and renewable energy targets. To date, laws and regulatory actions related to climate change have not had a material adverse effect on our financial results. Until the timing, scope and extent of any new or future regulation becomes known, we cannot predict the effect on our business, results of operations or financial condition. However, if new laws or regulations or regulatory actions related to climate change were to be enacted or implemented, it could negatively impact our future results from operations through increased costs of production, particularly as it relates to our energy requirements. If such increased costs of production were to materialize, we may be unable to pass price increases-~~ 9-