Risk Factors Comparison 2023-05-12 to 2022-05-09 Form: 10-K

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You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this Annual Report on Form 10- K, before making an investment in our common stock. The risks described below are not the only ones we face in our business. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially harmed. In such an event, our common stock could decline in price and you may lose all or part of your investment. **Risks related** ~~The COVID- 19 pandemic has had and may continue~~ to ~~have adverse effects on~~ our ~~results of~~ **business and** operations ~~, financial condition and stock price. The ongoing impacts of the public health crisis caused by the COVID- 19 pandemic on our business and financial results continue to be unknown. The COVID- 19 pandemic has significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets. The COVID- 19 pandemic and the measures taken by many countries in response have adversely affected, and could in the future have a material adverse effect on our business, results of operations, financial condition and stock price. Our sales were significantly impacted by economic conditions driven by the COVID- 19 pandemic and resulted in a decrease in sales volume and earnings in fiscal year 2021. While demand for our products appears to have recovered in 2022, the sustainability of the recovery remains unclear. The U. S. economy continues to be significantly impacted by the COVID- 19 pandemic. Parts of the economy have started to re- open but economic conditions remain subject to ongoing surges and local measures, creating a very fluid economic environment. Certain economic indicators, such as the improvement in the job market, reflect the continued resumption of economic activity that had been curtailed due to the COVID- 19 pandemic. The full extent of the impact of the COVID- 19 pandemic on the Company' s operational and financial performance is currently uncertain and will depend on many factors outside the Company' s control, including, without limitation, the timing, extent, trajectory and duration of the pandemic and the impact of the pandemic on the global economy including labor market conditions, economic activity, supply- chain shortages and disruptions, inflationary pressure and demand for the Company' s products. Additional future impacts on the Company may include, but are not limited to, material adverse effects on: demand for the Company' s products; the Company' s supply chain and sales and distribution channels; the Company' s ability to execute its strategic plans; and the Company' s profitability and cost structure. To the extent COVID- 19 adversely affects our business, results of operations and financial condition, it may also have the effect of heightening many of the other risks described in this section.~~ Our results and financial condition are affected by global and local market conditions, and competitors' pricing strategies, which can adversely affect our sales, margins, and net income. Our results of operations can be affected by local, national and worldwide market conditions. The consequences of domestic and international economic uncertainty or instability, volatility in commodity markets, and domestic or international policy uncertainty, all of which we have seen in the past, can all impact economic activity. Unfavorable conditions can depress the demand for our products and thus sales in a given market and may prompt competitor' s pricing strategies that adversely affect our margins or constrain our operating flexibility. Certain macroeconomic events, such as ~~the past crisis~~ **crises** in the financial markets, could have a more wide- ranging and prolonged impact on the general business environment, which could also adversely affect us. In particular, the ~~ongoing~~ COVID- 19 pandemic ~~has~~ negatively impacted local, national and worldwide economies, and introduced market volatility. Whether we can manage these risks effectively depends on several factors, including (i) our ability to manage movements in commodity prices and the impact of government actions to manage national economic conditions such as consumer spending, inflation rates and unemployment levels, particularly given the past volatility in the global financial markets, (ii) the impact on our margins of labor costs given our labor- intensive business model, the trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day- to- day operations of our manufacturing facilities and (iii) other factors, which may be beyond our control. Digital technologies will continue to erode the demand for our printed business documents. The increasing sophistication of software, internet technologies, and digital equipment combined with our customers' general preference, as well as governmental influences for paperless business environments will continue to reduce the number of traditional printed documents sold. Moreover, the documents that will continue to coexist with software applications will likely contain less value- added print content. Many of our custom- printed documents help companies control their internal business processes and facilitate the flow of information. These applications will increasingly be conducted over the internet or through other electronic payment systems. The predominant method of our customers' communication to their customers is by printed information. As their customers become more accepting of internet communications, our clients may increasingly opt for what is perceived to be a less costly electronic option, which would reduce our revenue. The pace of these trends is difficult to predict. These factors will tend to reduce the industry- wide demand for printed documents and require us to gain market share to maintain or increase our current level of print- based revenue which could place pressure on our operating margins. In response to the gradual obsolescence of our standardized forms business, we continue to develop our capability to provide custom and full- color products. If new printing capabilities and new product introductions do not continue to offset the obsolescence of our standardized business forms products, and we are unable to increase our market share, our sales and profits will be affected. Decreases in sales of our standardized business forms and products due to obsolescence could also reduce our gross margins or impact the value of our recorded goodwill and intangible assets. This reduction could in turn adversely impact our profits, unless we are able to offset the reduction through the introduction of new high margin products and services or realize cost savings in other areas. We obtain our raw materials from a limited number of suppliers, and any disruption in our relationships with these suppliers, or any substantial increase in the price of raw materials or material shortages could have a material adverse effect on us. We currently purchase the majority of our paper products from one major supplier at favorable costs based on the volume of business, and traditionally we have purchased our paper products from a limited number of suppliers, all of which must meet stringent quality and on- time delivery standards under long- term contracts. Fluctuations in the quality of our paper, unexpected price changes or other factors that relate to our suppliers could have a material adverse effect on our operating results. In particular, the ~~ongoing~~ COVID- 19 pandemic ~~has~~ made it more expensive or more difficult to source raw materials for our products, whether from our existing suppliers or new suppliers. Paper supply and other raw materials **were** ~~have grown more~~ limited, and due to tight demand and supply there **was** ~~has been~~ a ~~tremendous~~ **significant** amount of upward pressure on prices ~~. These challenges have and could in the future negatively impact the cost or availability of our raw materials~~ . Paper is a commodity that is subject to frequent increases or decreases in price, and these fluctuations are sometimes significant. The prices for paper and many of our raw materials have been volatile and may continue to increase due to overall inflationary pressure and global market conditions. We believe there is no effective market of derivative instruments to insulate us against unexpected changes in price of paper in a cost- effective manner, and negotiated purchase contracts provide only limited protection against price increases. Generally, when paper prices increase, we attempt to recover the higher costs by raising the prices of our products to our customers. In the price- competitive marketplaces in which we operate, however, we may not always be able to pass through any or all of the higher costs. As such, any significant increase in the price of paper or shortage in its availability ~~, whether due to the COVID- 19 pandemic, the strength of the U. S. dollar, changes in mill ownership or other factors,~~ could have a material adverse effect on our results of operations. Challenging financial market conditions and changes in long- term interest rates could adversely impact the funded status of our pension plan. We maintain a noncontributory defined benefit retirement plan (the " Pension Plan ") covering approximately 13 % of our employees **. As of February 28, 2023, the Pension Plan was 99 % funded on a projected benefit obligation (PBO) basis and 105 % on an accumulated benefit obligation (ABO) basis** . Included in our financial results are Pension Plan costs that are measured using actuarial valuations. The actuarial assumptions used may differ from actual results. In addition, as our Pension Plan assets are invested in marketable securities, ~~severe~~ fluctuations in market values **can** ~~could potentially~~ negatively impact our funded status, recorded pension liability, and future required minimum contribution levels. A decline in long- term debt interest rates puts downward pressure on the discount rate used by plan sponsors to determine their pension liabilities. Each 10 basis point change in the discount rate impacts our computed pension liability by approximately $ ~~750~~ **525** , 000. Similar to fluctuations in market values, a drop in the discount rate **can** ~~could potentially~~ negatively impact our funded status, recorded pension liability and future contribution levels. Also, continued changes in the mortality **assumptions can** ~~tables could potentially~~ impact our funded status. Additionally, as we experienced in recent months, the number of retirees taking lump sum distributions could be sufficiently high as to cause a settlement charge, which would impact current earnings of the Pension Plan ~~. As of February 28, 2022, the Pension Plan was 91 % funded on a projected benefit obligation (PBO) basis and 98 % on an accumulated benefit obligation (ABO) basis~~ . We may be unable to identify or to complete acquisitions or to successfully integrate the businesses we acquire. We have evaluated, and may continue to evaluate, potential acquisition transactions. We attempt to address the potential risks inherent in assessing the attractiveness of acquisition candidates, as well as other challenges such as retaining the employees and integrating the operations of the businesses we acquire. Integrating acquired operations involves significant risks and uncertainties, including maintenance of uniform standards, controls, policies and procedures; diversion of management' s attention from normal business operations during the integration process; unplanned expenses associated with integration efforts; and unidentified issues not discovered in due diligence, including legal contingencies. Due to these risks and others, there can be no guarantee that the businesses we acquire will lead to the cost savings or increases in net sales that we expect or desire. Additionally, there can be no assurance that suitable acquisition opportunities will be available in the future, which could harm our strategic business plan as acquisitions are part of our strategy to offset normal print attrition ~~. We may be required to write down goodwill and other intangible assets, which could cause our financial condition and results of operations to be negatively affected in the future. When we acquire a business, a portion of the purchase price may be allocated to goodwill and other identifiable intangible assets. The amount of the purchase price which is allocated to goodwill and other intangible assets is the excess of the purchase price over the net identifiable tangible assets acquired. The annual impairment test is based on several factors requiring judgment. An impairment may be caused by any number of factors outside our control, such as a decline in market conditions, including due to the COVID- 19 pandemic, another pandemic or some other event, protracted recovery from poor market conditions, or other factors that may be tied to such negative economic events, including changes to a competitor' s pricing strategies. To date, we have not been required to take an impairment charge relating to our existing business, but continued sale- side pressures due to technology transference, competitor pricing pressures, and economic uncertainties could result in a determination that a portion of the recorded value of goodwill and intangible assets may be required to be written down. Although an impairment charge relating to our existing business would be a noncash expense, it would impact our reported operating results and financial position. The Company has mitigated some of this risk by changing from indefinite lives to definite lives accounting for all intangibles assets. Under definite lives accounting, the value of intangible assets is gradually amortized over time, instead of being left on the Company' s books in full and only being written down when an impairment event is deemed to have occurred. At February 28, 2022, our consolidated goodwill and other intangible assets were approximately $ 88. 7 million and $ 45. 6 million, respectively~~ . Our distributor customers may be acquired by other manufacturers who redirect business within their plants. Some of our customers are being absorbed by the distribution channels of some of our manufacturing competitors. However, we do not believe this will significantly impact our business model. We have continued to sell to some of these customers even after they were absorbed by our competition because of the breadth of our product line and our geographic diversity. Our distributors face increased competition from various sources, such as office supply superstores. Increased competition may require us to reduce prices or to offer other incentives in order to enable our distributors to attract new customers and retain existing customers. Low price, high value office supply chain stores offer standardized business forms, checks and related products. Because of their size, these superstores have the buying power to offer many of these products at competitive prices. These superstores also offer the convenience of " one- stop " shopping for a broad array of office supplies that our distributors do not offer. In addition, superstores have the financial strength to reduce prices or increase promotional discounts to expand market share. This could result in us reducing our prices or offering incentives in order to enable our distributors to attract new customers and retain existing customers, which could reduce our profits. We could experience labor disputes, labor shortages and increases in cost of labor that could disrupt our business in the future and impact operating results. As of February 28, ~~2022~~ **2023** , approximately ~~9~~ **8** % of our employees are represented by labor unions under collective bargaining agreements, which are subject to periodic negotiations. While we believe we have a good working relationship with all of the unions, there can be no assurance that any future labor negotiations will prove successful, which may result in a significant increase in the cost of labor, or may break down and result in the disruption of our business or operations. Conditions caused by the COVID- 19 pandemic and other economic factors have contributed to tightening and increased competitiveness in the labor market, increasing labor costs. A prolonged labor shortage could potentially adversely affect our business operations and further increase labor costs. We face intense competition to gain market share, which may lead some competitors to sell substantial amounts of goods at prices against which we cannot profitably compete. Our marketing strategy is to differentiate ourselves by providing quality service and quality products to our customers. Even if this strategy is successful, the results may be offset by reductions in demand or price declines due to competitors' pricing strategies or other micro or macro- economic factors. We face the risk of our competition following a strategy of selling its products at or below cost in order to cover some amount of fixed costs, especially in stressed economic times. Environmental regulations may impact our future operating results. We are subject to extensive and changing federal, state and foreign laws and regulations establishing health and environmental quality standards, concerning, among other things, wastewater discharges, air emissions and solid waste disposal, and may be subject to liability or penalties for violations of those standards. We are also subject to laws and regulations governing remediation of contamination at facilities currently or formerly owned or operated by us or to which we have sent hazardous substances or wastes for treatment, recycling or disposal. We may be subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability at any of our facilities, or at facilities we may acquire. We are subject to taxation related risks. We are subject to U. S. federal income tax as well as income tax of multiple state jurisdictions. ~~The~~ **Applicable** tax rates ~~applicable~~ and the jurisdictions within which we operate can vary and therefore our effective tax rate may be adversely affected by changes in the mix of our earnings by jurisdiction. We may be subject to audits of our income, sales and other transaction taxes by U. S. federal and state authorities. Outcomes from these audits could have an adverse effect on our financial condition and results of operations. Income, sales or other tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are applied. **Most recently, on August 16, 2022, legislation commonly known as the Inflation Reduction Act (the" IRA") was signed into law. Among other things, the IRA includes a 1 % excise tax on corporate stock repurchases, applicable to repurchases after December 31, 2022, and also a new minimum tax based on book income.** The Tax Cuts and Jobs Act enacted on December 22, 2017 resulted in changes in our federal corporate tax rate, our deferred income taxes and limitations on the deductibility of interest expense and executive compensation and the transition of U. S. international taxation from a worldwide tax system to a modified territorial tax system **.** There may be changes in tax legislation, including a repeal or modification of the Tax Cuts and Jobs Act of 2017, changes in tax rates and tax base such as limiting, phasing- out or eliminating deductions, revising tax law interpretations in jurisdictions, and changes in other tax laws. The U. S. government has proposed changes to increase the tax rates on corporations. All of these factors and uncertainties may adversely affect our results of operations, financial position and cash flows. We are exposed to the risk of non- payment by our customers on a significant amount of our sales. Our extension of credit involves considerable judgment and is based on an evaluation of each customer' s financial condition and payment history. We monitor our credit risk exposure by periodically obtaining credit reports and updated financials on our customers. We generally see a heightened amount of bankruptcies by our customers during economic downturns. In particular, the COVID- 19 pandemic, and its impact on our customers, could have a negative impact on our collection efforts. While we maintain an allowance for doubtful receivables for potential credit losses based upon our historical trends and other available information, in times of economic turmoil, there is heightened risk that our historical indicators may prove to be inaccurate. The inability to collect on sales to significant customers or a group of customers could have a material adverse effect on our results of operations. Our business incurs significant freight and transportation costs. We incur transportation expenses to ship our products to our customers. Significant increases in the costs of freight and transportation could have a material adverse effect on our results of operations, as there can be no assurance that we could pass on these increased costs to our customers. Government regulations can and have impacted the availability of drivers, which will be a significant challenge to the transportation industry. Costs to employ drivers have increased and transportation shortages have become more prevalent. Additionally, the challenge of employing new drivers for the increasingly larger web- based economy could create shortages in trucks and drivers which could impact our sales. **During fiscal year 2023, we experienced significantly higher freight and transportation costs as a result of overall inflationary pressures, and transportation and logistics constraints resulting from the COVID- 19 pandemic.** A natural disaster, catastrophe, pandemic or other unexpected events could adversely affect our operations. The occurrence of one or more unexpected events, including war, acts of terrorism or violence, civil unrest, epidemics or pandemics, fires, tornadoes, hurricanes, earthquakes, floods and other forms of severe weather in the United States could adversely affect our operations and financial performance. Although we maintain third party insurance against various liability risks and risks of property loss for items we believe are economically reasonable to insure, we could incur uninsured losses and liabilities arising from such events which would adversely affect our results of operations and financial condition. ~~If our internal controls are~~

~~found~~ **The COVID- 19 pandemic has had and may continue** to ~~be ineffective,~~ **have adverse effects on** our **results of operations,** financial **condition and** ~~results or our~~ stock price ~~could be~~ **. The COVID- 19 pandemic caused a significant downturn in global economic activity and subsequently caused significant market volatility and operational challenges. The COVID- 19 pandemic and the measures taken by many countries in response have** adversely affected **and could in the future** ~~. We believe that we currently~~ have ~~adequate internal control procedures in place. However, increased risk of internal control breakdowns generally exists in~~ a **material adverse effect on our** business ~~environment that is decentralized. In addition~~ , **results of operations,** ~~if our internal control over~~ financial **condition and** ~~reporting is found to be ineffective, investors may lose confidence in the reliability of our financial statements, which may adversely affect our~~ stock price **. Our sales were significantly impacted by economic conditions driven by the COVID- 19 pandemic and resulted in a decrease in sales volume and earnings in fiscal year 2021. While the demand for our products appears to have recovered in 2022 and 2023, economic uncertainties could continue to affect customer demand for our products and services, and the longer term effects of the pandemic, including supply chain disruptions and inflationary pressures are unknown and could have a material adverse effect on our results of operations** . We depend on the reliability of our IT and network infrastructure as well as those of third parties. If these systems fail, our operations may be adversely affected. We depend on information technology and data processing systems to operate our business, and a significant malfunction or disruption in the operation of our systems may disrupt our business and adversely affect our ability to operate and compete in the markets we serve. This could take various forms, including through the injection of ~~Ransomware~~ **ransomware** on our IT infrastructure rendering it inoperable without the payment of some form of cyber currency. These systems include systems that we own and operate, as well as systems of our vendors or other third parties. Such systems are susceptible to ~~Ransomware~~ **ransomware** attacks, malfunctions, interruptions and phishing scams, for example. We also periodically upgrade and install new systems, which if installed or programmed incorrectly, may cause significant disruptions. These disruptions could interrupt our operations and adversely affect our results of operations, financial condition and cash flows. Increasing global cybersecurity attacks and regulatory focus on privacy and security issues could impact our business, expose us to increased liability, subject us to lawsuits, investigations and other liabilities and restrictions on our operations that could significantly and adversely affect our business. Along with our own data and information in the normal course of our business, we and our customers and partners collect and retain significant volumes of certain types of data, some of which are subject to specific laws and regulations. Complying with varying jurisdictional requirements is becoming increasingly complex and could increase the costs and difficulty of compliance, and violations of applicable data protection laws. Many of our clients provide us with information they consider confidential or sensitive, and many of our client' s industries have established standards for safeguarding the confidentiality, integrity and availability of information relating to their businesses and customers. Data stored in our systems or available through web portals is susceptible to cybercrime or intentional disruption, which have increased globally across all industries in terms of sophistication and frequency. Disclosure of data maintained on our network, a security breach of our systems or other similar events may damage our reputation, subject us to regulatory enforcement action, third party litigation and cause significant reputational or financial harm for our clients and partners. Any of these outcomes may adversely affect our results of operations, financial condition and cash flows. **As previously disclosed, the Company was targeted with an encryption ransomware attack on November 30, 2022. The attack was discovered while it was in process and immediate action was taken to isolate our network to limit the scope of any damage. The attack resulted in a brief disruption to the operation of our systems as we took our servers offline to eradicate the ransomware and restore our data and applications from secure backups. The Company did not communicate with the ransomware threat actor and never considered paying any ransom demand. Instead, the Company eliminated the ransomware and immediately proceeded to restore its critical files and functions. The Company incurred no material expense in connection with the ransomware attack. Based on the information currently known to date, the incident has not had a significant financial impact and the Company does not believe the incident will have a material impact on its business, results of operations or financial condition. Despite us improving our Information Technology General Controls, we cannot give any assurances that the Company will not become the subject of a future more sophisticated, or more harmful attack.** Increases in the cost of employee benefits could impact our financial results and cash flow. Our expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could impact our financial results and cash flow. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform could result in significant changes to the U. S. healthcare system. Additionally, the ~~ongoing~~ COVID- 19 pandemic may result in temporary or permanent healthcare reform measures, would could result in significant cost increases and other negative impacts to our business. While the Company has various cost control measures in place and employs an outside oversight review on larger claims, employee health benefits have been and are expected to continue to be a significant cost to us and may increase due to factors outside the Company' s control. **Risks related to our securities Because of the volatility in the stock market in general, the market price of our Common Stock will also likely be volatile. The stock markets have historically experienced price and volume fluctuations that at times have been extreme and have affected, and continue to affect, the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. If the market price of our Class A common stock falls below your investment price, you may lose some or all of your investment. In the past, companies that have experienced volatility in the marker price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management' s attention.**