Risk Factors Comparison 2023-10-20 to 2022-10-25 Form: 10-K

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

The risks and uncertainties described below are those that we have identified as material but are not the only risks and uncertainties facing the Company. If any of the events contemplated by the following risks occurs, our business, financial condition, or results of operations could be materially adversely affected. Additional risks and uncertainties not currently known to us, or that we currently believe are immaterial, also may adversely impact our business, including our ability to execute our strategic growth and profitability objectives. Risks Related to Economic Conditions Supply chain issues, including shortages of adequate component supply **,** that increase our costs or cause delays in our ability to fulfill orders, ~~and our~~ - **or a** failure **by us** to estimate customer demand properly **,** ~~may result or~~ could have an adverse impact on our business and operating results and our relationships with customers. We are reliant on our supply chain for components and raw materials to manufacture our products and provide services to our customers, and this reliance could have an adverse impact on our business and operating results. ~~A~~ **We may experience a** reduction or interruption in supply **due to factors beyond our control** , including **as a** ~~disruptions due to the COVID- 19 pandemic,~~ geopolitical conflicts ~~such as the invasion of Ukraine by Russia~~ and the imposition of international sanctions in response thereto, a significant natural disaster, **pandemics, or** shortages in global freight capacity ~~, significant increases in the price of critical components and~~ **. Our vendors may be unable to meet our demand for** raw materials ~~, a failure to appropriately forecast or adjust our~~ - **or** ~~requirements for~~ components **,** ~~or raw materials based on our~~ - **or** ~~business needs, or volatility in demand for our products could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships. Our vendors also may be unable to meet our demand,~~ significantly increase lead times for deliveries, **which** ~~or impose significant price increases that we~~ may be unable to offset through alternate sources of supply, **or impose significant increases in the** price ~~increases~~ **of critical components and raw materials that we may be unable to pass along** to our customers **. In addition, a failure by us to appropriately forecast or adjust** ~~or~~ **our** ~~increased~~ **requirements for components or raw materials based on our business needs and volatility in demand for our products may impact our ability to timely procure raw materials and components necessary to maintain desired** productivity in our operations **. These supply chain issues could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships** . We procure certain components for our products from single or limited suppliers. In the event of supply disruptions from these suppliers, we may not be able to diversify our supply base for such components in a timely manner or may experience quality issues with alternate sources. Further, we procure a significant portion of our components from suppliers located in China, and we are therefore exposed to potential disruptions in deliveries from these suppliers due to political tensions with China, geopolitical risks, government-mandated facility closures in China due to **public health matters (such as the** COVID- 19 outbreaks **)** , energy shortages or other causes. Our growth and ability to meet customer demand depend in large part on our ability to obtain timely deliveries of components and raw materials from our suppliers, and significant disruptions in their supply could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships. We ~~currently are~~ **have in the recent past** ~~experiencing~~ **experienced** supply shortages and inflationary pressures for certain components and raw materials that ~~are~~ **were** important to our manufacturing process **due to a number of the factors described above** . Growth in the global economy may exacerbate these pressures on us and our suppliers, and we expect these supply chain challenges and cost impacts ~~to~~ **may** continue ~~for~~ **to impact us in** the ~~foreseeable~~ future. Although we have generally secured additional supply from existing or alternate suppliers or taken other mitigating actions when such disruptions have occurred in past periods, there is no guarantee we can continue to do so in the future, and our business, results of operations, and financial condition could be adversely affected. When facing component supply- related challenges, we may also increase our inventories and purchase commitments to shorten lead times and ensure adequate inventories to meet customer expectations. If the demand for our products is less than our expectations or if we otherwise fail to anticipate customer demand properly, an oversupply of components could result in inventory levels that could also lead to significant excess and obsolete inventory charges and affect our operating and financial results. Deterioration of, or instability in, the domestic and international economy and challenging end- market conditions could impact our ability to grow the business and adversely impact our ability to execute our strategy, financial condition, results of operations and cash flows. Our businesses and operating results have been, and will continue to be, affected by domestic and international economic conditions. The level of demand for our products is affected by general economic and business conditions in our served end markets. A substantial portion of our revenues is derived from customers in cyclical industries (such as the industrial and oil & gas sectors) that typically are adversely affected in periods of economic contraction or volatility. In such periods, our customers may experience deterioration of their businesses, which may reduce or delay our sales. We have experienced contraction and challenging demand conditions in many of our served markets historically, and it is reasonably possible that we could experience such conditions in the future which may adversely affect ~~the results of~~ our ~~operations and~~ **ability to execute our strategy,** financial condition **, results of operations and cash flows** . Disruptions in global oil markets have adversely affected our business and results of operations and similar events in the future may adversely affect our business and results. A portion of our revenues is derived from customers in the midstream and downstream oil & gas industry. ~~Changes~~ **Disruptions** in ~~demand for~~ **the global** oil **& gas markets (such as those** due to ~~the disruption caused by~~ the COVID- 19 pandemic ~~,~~ **and** the **Ukraine /** Russia ~~- Ukraine~~ conflict and ~~related~~ **the resulting international** sanctions ~~, or~~ **) and** other ~~factors~~ **changes in demand for oil** can negatively affect oil prices ~~,~~ and negatively affect cash flows for many of those customers. This has resulted in, and in the future could result in, lower capital expenditures and project modifications, delays or cancellations ~~in~~ **by those customers, reducing the demand for certain of our products serving** that end market ~~that may~~ **, which could** adversely affect ~~the~~ **our** results of ~~our~~ operations and financial condition. Uncertainty over global tariffs, or the financial impact of tariffs, may negatively affect our results. Changes in U. S. domestic and global tariff frameworks have increased our costs of producing goods and resulted in additional risks to our supply chain. We have developed and implemented strategies to mitigate previously implemented and, in some cases, proposed tariff increases, but there is no assurance we will be able to continue to mitigate prolonged tariffs. Further, uncertainties about future tariff changes could result in mitigation actions that prove to be ineffective or detrimental to our business. Risks Related to Our Business and Operations We may not be able to fully realize expected cost savings from our ASCEND transformation program and from restructuring actions. On March 23, 2022, we announced the launch of ASCEND, a ~~new~~ transformation program focused on driving accelerated earnings growth and efficiency across the business with the goal of delivering improved annual operating profit once fully implemented. The ASCEND program **has** ~~focuses~~ **focused** on the following key initiatives: (i) accelerating organic growth ~~go- to- market~~ strategies, (ii) improving operational excellence and production efficiency by utilizing a lean approach and (iii) driving greater efficiency and productivity in selling, general and administrative expenses. In addition, from time to time, we implement other plans that incur restructuring costs to (i) eliminate redundancies in our corporate or regional structures (ii) eliminate excess capacity in our facilities as a result of integration of acquisitions or divestitures of product lines, or (iii) eliminate product or service lines that do not meet targeted profitability metrics. Although we expect that the improved operating profit, cost savings and realization of efficiencies will offset the related costs of these initiatives and provide additional annual benefit, we may not fully achieve the expected benefits of these efforts (see Note 4," Restructuring Charges," Note 3." ASCEND Transformation Program" in the notes to the consolidated financial statements and" Business Update" within Item 7 for further discussion of the ASCEND program and other current restructuring activities). Logistics challenges, including global freight capacity shortages ~~or significant increases in freight costs~~ , could ~~continue to~~ increase our freight costs or cause delays in our ability to fulfill orders and could have an adverse impact on our business and operating results. The Company' s ability to import products in a timely and cost- effective manner has been, and may continue to be, adversely affected by ~~the current global shortage~~ **shortages** of freight capacity, delays at ports, port strikes, and other issues that otherwise affect transportation and warehousing providers. These issues could delay importation of products or require the Company to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher freight and logistics costs, which could have an adverse impact on the Company' s business and financial condition. Collection risk for receivables in foreign jurisdictions. We sell products and services through distributors and agents. In certain jurisdictions, those third parties represent a significant portion of our sales in their respective country. Collection times for receivables in many foreign jurisdictions may often be substantially longer than those in the United States (though less than one year). Further, for certain of our services business agency relationships, we utilize ~~an~~ intermediary ~~agent~~ **agents** and are dependent on our agents to collect payment on our behalf. The indirect sales channels expose us to the credit risk of both our channel partners and end customers and increase the risk of delayed payments or uncollectible balances. A liquidity event or dispute involving one of these channel partners may adversely affect our results of operations and financial condition **. If we fail to retain the agents and distributors upon whom we rely to market our products and services, we may be unable to effectively market our products and services and our revenue and profitability may decline. The marketing success of many of our businesses in the U. S. and abroad depends largely upon our independent agents' and distributors' sales and service expertise and relationships with customers in our end markets. Many of these agents have developed strong ties to existing and potential customers because of their detailed knowledge of our products. A loss of a significant number of these agents or distributors, or of a particular agent or distributor in a key market or with key customer relationships, could significantly inhibit our ability to effectively market our products, which could have a material adverse effect on our business, financial condition, results of operations and cash flows** . Cybersecurity vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, operations, products, solutions, services and data. Increased global cybersecurity threats, computer viruses and more sophisticated and targeted cyber- related attacks, as well as cybersecurity failures resulting from human error, vulnerabilities and technological errors pose a risk to our systems, **including third- party vendor operated systems,** operations and products and potentially those of our business partners. An attack also could result in losses due to ransomware payments, security breaches, theft, lost or corrupted data, misappropriation of sensitive, confidential or personal data or information, loss of trade secrets and commercially valuable information, production downtimes and operational disruptions. We attempt to mitigate these risks by employing measures including employee training, network monitoring and testing, maintenance of protective systems, contingency planning, and the engagement of third- party experts but we remain potentially vulnerable to additional known or unknown threats. There is no assurance the financial or operational impact from such threats will not be material. A material disruption at a significant manufacturing facility could adversely affect our ability to generate sales and result in increased costs that we cannot recover. Our financial performance could be adversely affected due to our inability to meet customer demand for our products or services in the event of a material disruption at one of our significant manufacturing or services facilities. Equipment failures, natural disasters, health issues (including **pandemics like** COVID- 19), power outages, fires, explosions, terrorism, adverse weather conditions, labor disputes or other influences could create a material disruption. Interruptions to production could increase our cost of sales, harm our reputation and adversely affect our ability to attract or retain our customers. Our business continuity plans may not be sufficient to address disruptions attributable to such risks. Any interruption in production capability could require us to make substantial capital expenditures to remedy the situation, which could adversely affect our financial condition and results of operations. Our business operates in highly competitive markets, so we may be forced to cut prices or incur additional costs. Our business generally faces substantial competition, domestically and internationally, in our end markets. We may lose market share in certain businesses or be forced to reduce prices or incur increased costs to maintain existing business. We compete globally on the basis of product design, quality, availability, performance and customer service. Present or future competitors in our markets may have new technologies or more attractive products and services or greater financial, technical or other resources which could put us at a competitive disadvantage. In addition, some of our competitors may be willing to reduce prices and accept lower margins to compete with us. Our international operations pose political, currency and other risks. We expect sales from and into foreign markets to continue to represent a significant portion of our revenue. In addition, many of our manufacturing operations and suppliers are located outside the United States, including China, the United Kingdom and the Netherlands. Our ~~international~~ **sales and** ~~operations~~ - **operating** ~~present significant~~ **activities outside of the U. S. are,** and ~~varied~~ **will continue to be, subject to a number of** risks, **including: • unfavorable fluctuations** ~~such as from political tensions among China and the United States, potential temporary closures of our manufacturing and sourcing operations~~ in **foreign** ~~China,~~ currency exchange ~~rate~~ **rates** ~~fluctuations~~ **; • adverse changes in foreign tax** , **legal** ~~exposure to local economic~~ and ~~political conditions,~~ **regulatory requirements; •** export and import restrictions and controls on repatriation of cash ~~. Foreign currency exchange rates result~~ **; • political and economic instability; • difficulty** in ~~volatility in our financial results~~ **protecting intellectual property; • government embargoes** , **tariffs and trade protection measures, such** as ~~over one~~ **“ anti** - ~~third~~ **dumping ” duties applicable to classes** of **products, and import or export licensing requirements, as well as the imposition of trade sanctions against a class of products imported from or sold and exported to, or the loss of “ normal trade relations ” status with, countries in which we conduct business, that could significantly increase our cost of products or otherwise reduce** our sales ~~are generated~~ **and harm our business; • cultural norms and expectations that may sometimes be inconsistent with our Code of Conduct and our requirements about the manner in which our employees, agents and distributors conduct business; • differing labor regulations; and • acts of hostility, terror or war. Our operations** outside ~~of~~ the United States **require us to comply with a number of United States and international regulations. For example, we are subject to the Foreign Corrupt Practices Act (the “ FCPA ”), which prohibits United States companies or their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals** in ~~currencies~~ **their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. Our activities in countries outside the United States create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of the FCPA, even though these parties are not always subject to our control. We have internal control policies and procedures and have implemented training and compliance programs with respect to the FCPA. However, we cannot assure that our policies, procedures and programs always will protect us from reckless or criminal acts committed by our employees or agents. In the event that we believe or have reason to believe that our employees or agents have or may have violated applicable anti- corruption laws, including the FCPA, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances. In addition, we are subject to and must comply with all applicable export controls and economic sanctions laws and embargoes imposed by the United States and** other ~~than~~ **various governments. Changes in export control or trade sanctions laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to compliance programs and increase compliance costs, and violations of** ~~the~~ **these** ~~U~~ **laws or regulations may subject us to fines, penalties and other sanctions, such as loss of authorizations needed to conduct aspects of our international business or debarments from export privileges** . ~~S~~ **Violations of the FCPA or export controls or sanctions laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, financial condition, results of operations, and cash flows** . ~~dollar~~ **We intend to continue to pursue international growth opportunities, which could increase our exposure to risks associated with international sales and operations. As we expand our international operations, we may also encounter new risks that could adversely affect our revenues and profitability. Failure to properly manage these risks could adversely affect our business, financial condition, results of operations and cash flows** . In addition, United States tax reform has significantly changed how foreign operations are taxed in the United States. Therefore, we continue to review our organizational structure, and changes to where income is generated, may have a material adverse effect on our liquidity and results of operations. ~~To the extent that we expand our international presence, these risks may increase.~~ Our customers and other business partners often require terms and conditions that expose us to significant risks and liabilities. We operate in end markets and industries in which our customers and business partners seek to contractually shift significant risks associated with their operations or projects to us. We structure our commercial and contracting practices to assess and manage the risks we are assuming, but we cannot assure that material liabilities will not arise from our contracts with our business partners. Also, our contracting standards may be more stringent than those of certain competitors, and as a result, we may experience market share losses or the reduction in growth opportunities. Imposition of climate- related laws and regulations that disadvantage the oil & gas industry compared to other industries or consumer behavior that reduces demand for petroleum products may have an adverse impact on our results of operations. A significant portion of our revenues are derived from the sale of products and services to end users in the oil & gas industry. Accordingly, our results of operations may be adversely affected by the imposition of climate- related laws and regulations that disadvantage the oil & gas industry compared to other industries and have the effect of reducing the production of petroleum products. In addition, a reduction in the production of petroleum products as a result of consumer behavior that embraces alternative sources of energy over oil & gas could similarly adversely affect our results of operations by reducing the demand for our products and services. Risks Related to ~~COVID- 19 We have been and continue to be negatively impacted by the COVID- 19 pandemic and its related impacts to our employees, operations, customers and suppliers. The COVID- 19 pandemic first had a significant impact on our global operations in the third quarter of fiscal 2020, continues to adversely impact our business and may continue to affect our business in the future. Such impacts include, and could continue to include, reductions in demand for certain of our products and services,~~

~~the inability of our global teams and suppliers to meet our customers' demand, other disruptions of supply chain, restrictions on our employees' ability to visit customers, our service technicians' ability to travel to job sites, or labor constraints resulting from employee turnover or departures due to resistance to vaccine mandates. Other adverse effects could result from government-imposed mandatory closures of job sites, manufacturing facilities or other important business locations, work- from- home orders, or other such restrictions. Should such conditions occur, persist or increase in severity, they could materially affect our ability to adequately staff and maintain our operations and impact our financial results. The duration and ultimate impact of the COVID- 19 pandemic on our business, results of operations and financial condition, including liquidity, capital and financing resources, will depend on numerous evolving factors and future developments. Such factors and developments may include the geographic spread, severity and duration of the COVID- 19 pandemic, including whether there are periods of increased COVID- 19 cases, disruption to our operations resulting from employee illnesses, the long- term efficacy of vaccines or their effectiveness against variants such as the Omicron variant, governmental responses to outbreaks including health and safety measures, such as mandatory facility closures of non- essential businesses, stay- at- home orders or similar restrictions, social distancing mandates and travel bans, and import and export restrictions, which could disrupt our relationship with customers. If we are unable to respond to and manage the impact of these events, our business and results of operations may be adversely affected. Although our current accounting estimates contemplate current and expected future conditions, as applicable, it is reasonably possible that actual conditions could differ from our expectations, which could materially affect our results of operations and financial position. In particular, a number of estimates have been and will continue to be affected by the ongoing COVID- 19 pandemic. The severity, magnitude and duration of the pandemic, as well as its economic consequences, are uncertain, result in significant volatility for our business and are difficult to predict. As a result, our accounting estimates and assumptions may change over time in response to COVID- 19. Such changes could result in future impairments of goodwill, intangible assets, long- lived assets, incremental credit losses on accounts receivable, the valuation of our inventory, or a decrease in the carrying amount of our deferred tax assets. Any of these events could amplify the other risks and uncertainties described herein and could have an adverse effect on our business and financial results. Risks Related to~~ the Execution of Our Strategy If we fail to develop new products, or customers do not accept our new products, our business could be adversely affected. Our ability to develop innovative new products can affect our competitive position and often requires the investment of significant resources. Difficulties or delays in research, development, production or commercialization of new products, or failure to gain market acceptance of new products and technologies, may reduce future sales and adversely affect our competitive position. There can be no assurance that we will have sufficient resources to make such investments, that we will be able to make the technological advances necessary to maintain competitive advantages or that we can recover major research and development expenses. If we fail to make innovations, launch products with quality problems, experience development cost overruns, or the market does not accept our new products, then our financial condition, results of operations, cash flows and liquidity could be adversely affected. Our growth strategy includes strategic acquisitions, which we may not be able to consummate or successfully integrate. We plan to make acquisitions to grow our business, enhance our global market position and broaden our industrial tools product offerings. Our ability to successfully execute acquisitions will be impacted by factors including the availability of financing on terms acceptable to us, the potential reduction of our ability or willingness to incur debt to fund acquisitions, the reluctance of target companies to sell in current markets, our ability to identify acquisition candidates that meet our valuation parameters and increased competition for acquisitions. The process of integrating acquired businesses into our existing operations also may result in unforeseen operating difficulties and may require additional financial resources and attention from management that would otherwise be available for the ongoing development or expansion of our existing operations. Although we expect to successfully integrate any acquired businesses, we may not achieve the desired net benefit in the timeframe planned. Failure to effectively execute our acquisition strategy or successfully integrate the acquired businesses could have an adverse effect on our competitive position, reputation, financial condition, results of operations, cash flows and liquidity. We may not be able to realize planned benefits from acquired companies. We may not be able to realize planned benefits from acquired companies. Achieving those benefits depends on the timely, efficient and successful execution of a number of post- acquisition events, including integrating the acquired business into the Company. Factors that could affect our ability to achieve these benefits include: • difficulties in integrating and managing personnel, financial reporting and other systems used by the acquired businesses; • the failure of acquired businesses to perform in accordance with our expectations; • failure to achieve anticipated synergies between our business units and the business units of acquired businesses; • the loss of customers of acquired businesses; • the loss of key managers and employees of acquired businesses; or • other material adverse events in the acquired businesses. If acquired businesses do not operate as we anticipate, it could materially impact our business, financial condition and results of operations. The indemnification provisions of acquisition agreements may result in unexpected liabilities. Certain acquisition agreements from past acquisitions require the former owners to indemnify us against certain liabilities related to the operation of each of their companies. In most of these agreements, the liability of the former owners is limited to specific warranties given in the agreement as well as in amount and duration. Certain former owners also may not be able to meet their indemnification responsibilities. We may be subject to the same risk with respect to future acquisitions as well. As a result of those limitations, we may face unexpected liabilities that adversely affect our profitability and financial position. Divestitures and discontinued operations could negatively impact our business, and retained liabilities from businesses that we have sold could adversely affect our financial results. In connection with the execution of our strategy to become a pure- play industrial tools and services company, we have completed several divestitures, including the divestiture of our former EC & S segment. These divestitures pose risks and challenges that could negatively impact our business, including retained liabilities related to divested businesses, obligations to indemnify buyers against contingent liabilities and potential disputes with buyers. If we do not realize the expected benefits of these divestitures or our post- completion liabilities and continuing obligations are substantial and exceed our expectations, our financial position, results of operations and cash flows could be negatively impacted. Any divestiture may result in a dilutive impact to our future earnings if we are unable to offset the dilutive impact from the loss of revenue and profits associated with the divestiture, as well as significant write- offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial condition. Our goodwill and other intangible assets represent a substantial amount of our total assets. Our total assets reflect substantial intangible assets, primarily goodwill. As of August 31, ~~2022~~ **2023** , goodwill and other intangible assets totaled $ ~~299~~ **304** million, or 40 % of our total assets. The goodwill results from acquisitions, representing the excess of the purchase price over the fair value of the net tangible and other identifiable intangible assets we have acquired. We assess annually, and more frequently if a triggering event occurs, whether there has been impairment in the value of our goodwill or indefinite- lived intangible assets. If future operating performance at one or more of our reporting units were to fall below current levels, we could be required to recognize a non- cash charge to operating earnings to impair the related goodwill or other intangible assets. We recognized $ 1 million ~~and $ 6 million~~ in impairment charges in fiscal 2022 ~~and 2021, respectively,~~ related to the goodwill in our Cortland Industrial operating segment (Other Segment) (see Note ~~7~~ **6** ," Goodwill, Intangible Assets and Long- Lived Assets" in the notes to the consolidated financial statements and" Critical Accounting Estimates" for further discussion on goodwill, intangible asset and long- lived asset impairments). Any future goodwill or intangible asset impairments could negatively affect our financial condition and results of operations. Risks Related to Legal, Compliance and Regulatory Matters We are subject to many laws and regulations that may change in ways that are detrimental to our competitiveness or results. Our businesses are subject to regulation under a broad range of U. S. and foreign laws and regulations. Some of those laws and regulations may change in ways that will require us to modify our business practices and objectives in ways that adversely impact our financial condition or results of operations, including by restricting existing activities and products, subjecting our operations to escalating costs or prohibiting us from operating in certain jurisdictions. Examples of laws or regulations that may have an adverse effect on our operations, financial condition and growth strategies include tax law, export and import controls, anti- corruption law, competition law, data privacy regulations, currency controls and economic or political sanctions. In addition, changes in laws or regulations, for example, the proposed regulations of the Securities and Exchange Commission with respect to climate- related disclosures, may significantly increase our costs, adversely affecting our results of operations. Legal compliance risks could result in significant costs to our business or cause us to restrict current activities or curtail growth plans. We directly or indirectly operate in industries, markets and jurisdictions in which we are exposed to compliance risks and that are subject to significant scrutiny by regulators, governmental authorities and other persons. We structure and strengthen our risk management and compliance programs to mitigate such risks and foster compliance with all applicable laws, but our practices may not be sufficient to eliminate these risks. The global and diverse nature of our operations, the complex and high- risk nature of some of our markets, our reliance on third- party agents and representatives to support sales and other business activities, and increasingly stringent laws and enforcement activities could result in violations of law, enforcement actions or private litigation resulting in significant defense and investigation costs, fines and penalties, and a broad range of remedial actions, including potential restrictions on our operations and other adverse changes to our business plans. See Note ~~17~~ **16** ," Commitments and Contingencies" in the notes to the consolidated financial statements for additional information about compliance risks. Health, safety and environmental laws and regulations may result in additional costs. We are subject to federal, state, local and foreign laws and regulations governing public and worker health and safety. Violations of these laws could result in significant harm and financial liabilities that could adversely affect our operating results and reputation. Pursuant to such laws, governmental authorities have required us to contribute to the cost of investigating or remediating certain matters at current or previously owned and operated sites. In addition, we have provided environmental indemnities for previously owned operations in connection with the sale of certain businesses and product lines. Liability as an owner or operator, or as an arranger for the treatment or disposal of hazardous substances, can be joint and several and can be imposed without regard to fault. There is a risk that costs relating to these matters could be greater than what we currently expect or exceed our insurance coverage, or that additional remediation and compliance obligations could arise which require us to make material expenditures. More stringent environmental laws, unanticipated remediation requirements or the discovery of previously unknown conditions could materially harm our financial condition and operating results. We are also required to comply with environmental laws and regulations to maintain operating permits and licenses, some of which are subject to discretionary renewal from time to time, for many of our businesses, and our business operations could be restricted if we are unable to renew existing permits or to obtain any additional permits that we may require. Unfavorable tax law changes may adversely affect results. We are subject to income taxes in the United States and in various foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate could be adversely affected by changes in tax law (including a potential increase in the U. S. federal income tax rate), the mix of earnings among countries with differing statutory tax rates, or changes in the valuation allowance of deferred tax assets. Costs and liabilities arising from legal proceedings could be material and adversely impact our financial results. We are subject to legal and regulatory proceedings, including litigation asserting product liability and warranty claims. We maintain insurance and have established reserves for these matters as appropriate and in accordance with applicable accounting standards and practices. Insurance coverage, to the extent it is available, may not cover all losses arising from such contingencies. Also, estimating legal reserves or possible losses involves significant judgment and may not reflect the full range of uncertainties and unpredictable outcomes inherent in litigation and investigations, and the actual losses arising from particular matters may exceed our current estimates and adversely affect our results of operations. We also expect that additional legal proceedings and other contingencies will arise from time to time, and we cannot predict the occurrence, magnitude and outcome of such additional matters. Moreover, we operate in jurisdictions where claims involving us may be adjudicated within legal systems that are less developed and less reliable than those of the U. S. or other more developed markets, and this can create additional uncertainty about the outcome of proceedings before courts or other governmental bodies in such markets. Risks Related to Our Capital Structure Our indebtedness could harm our operating flexibility and competitive position. We have incurred, and may in the future incur, significant indebtedness in connection with acquisitions or other strategic growth initiatives. While at current debt levels we have significant flexibility on our financial debt covenants, should we incur additional indebtedness to fund acquisitions or other strategic growth initiatives, our level of debt and the limitations imposed on us by our debt agreements could adversely affect our operating flexibility and put us at a competitive disadvantage. Our ability to make scheduled principal and interest payments, refinance our indebtedness and satisfy our other debt and lease obligations will depend upon our future operating performance and credit market conditions, which could be adversely affected by factors beyond our control. In addition, there can be no assurance that future borrowings or equity financings will be available to us on favorable terms, or at all, for the payment or refinancing of our indebtedness. If we are unable to service our indebtedness, our business, financial condition and results of operations will be adversely affected. The financial and other covenants in our debt agreements may adversely affect us. Our senior credit facility contains financial and other restrictive covenants. These covenants could limit our financial and operating flexibility as well as our ability to plan for and react to market conditions, meet our capital needs and support our strategic priorities and initiatives should we take on additional indebtedness for acquisition or other strategic objectives. Our failure to comply with these covenants also could result in events of default which, if not cured or waived, could require us to repay indebtedness before its due date, and we may not have the financial resources or otherwise be able to arrange alternative financing to do so. Our compliance with the covenants of our senior credit facility may be adversely affected by severe market contractions or disruptions to the extent they reduce our earnings for a prolonged period and we are not able to reduce our debt levels or cost structure accordingly. Borrowings under our senior credit facility are secured by most domestic personal property assets and are guaranteed by most of our domestic subsidiaries and by a pledge of the stock of most of our domestic and certain foreign subsidiaries. If borrowings under our senior credit facility were declared or became due and payable immediately as the result of an event of default and we were unable to repay or refinance those borrowings, our lenders could foreclose on the pledged assets and stock. Any event that requires us to repay any of our debt before it is due could require us to borrow additional amounts at unfavorable borrowing terms, cause a significant reduction in our liquidity and impair our ability to pay amounts due on our indebtedness. Moreover, if we are required to repay any of our debt before it becomes due, we may be unable to borrow additional amounts or otherwise obtain the cash necessary to repay that debt, when due, which could have a material adverse effect on our business, financial condition and liquidity. **We may incur increased interest expense as a result of our variable rate debt. Borrowings under our revolving line of credit and our $ 200 million term loan incur interest which is variable based on fluctuations in the referenced SOFR (" Secured Overnight Financing Rate"). Increases in the referenced SOFR will increase our borrowing costs and negatively impact financial results and cash flows. Risks Related to Ownership of Our Common Stock The market price of our common stock may be volatile. A relatively small number of shares are normally traded in any one day and higher volumes could have a significant effect on the market price of our common stock. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section and elsewhere in this report or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. Because our quarterly revenues and operating results may vary significantly in future periods, our stock price may fluctuate. Our revenue and operating results may vary significantly from quarter to quarter. A high proportion of our costs are fixed, due in part to significant selling and manufacturing costs. Small declines in revenues could disproportionately affect operating results in a quarter and the price of our common stock may fall. Other factors that could significantly affect quarterly operating results include, but are not limited to: • demand for our products and services; • the timing of sales of our products and services; • changes in foreign currency exchange rates; • changes in applicable tax rates; • an impairment of goodwill or other intangible assets; • the occurrence of restructuring charges; • unanticipated delays or problems in introducing new products; • announcements by competitors of new products, services or technological innovations; • changes in our pricing policies or the pricing policies of our competitors; • increased expenses, whether related to sales and marketing, raw materials or supplies, labor matters, product development or administration; • major changes in the level of economic activity in major regions of the world in which we do business; • costs related to possible future acquisitions or divestitures of technologies or businesses; • an increase in the number or magnitude of product liability or environmental claims; and • our ability to expand our operations and the amount and timing of expenditures related to expansion of our operations, particularly outside the U. S. Various provisions and laws could delay or prevent a change of control. The anti- takeover provisions of our articles of incorporation and bylaws and provisions of Wisconsin corporation law could delay or prevent a change of control or may impede the ability of the holders of our common stock to change our management. In particular, our articles of incorporation and bylaws, among other things: • require a supermajority shareholder vote to approve a merger of the Company with another entity; • regulate how shareholders may present proposals or nominate directors for election at shareholders' meetings; and • authorize our board of directors to issue preferred stock in one or more series, without shareholder approval.** General Risk Factors Geopolitical unrest and terrorist activities may cause the economic conditions in the U. S. or abroad to deteriorate, which could harm our business. Terrorist attacks against targets in the U. S. or abroad, rumors or threats of war, other geopolitical activity or trade disruptions, such as those caused by the Russia- Ukraine conflict **, the armed conflict involving Hamas and Israel,** or any conflict or threatened conflict between China and Taiwan, may cause general economic conditions in the U. S. or abroad to deteriorate. The occurrence of any of these events could result in a prolonged economic slowdown or recession in the U. S. or in other areas and could have a significant impact on our business, financial condition or results of operations. Our inability to attract, develop and retain qualified employees could have a material adverse impact on our operations. Our ability to deliver financial results and drive growth and pursue competitive advantages in our business substantially depends on our ability to retain key employees and continually attract new talent to the business. If we experience losses of key employees, such as our executives, or experience significant delays or difficulty in replacing them, our operations, competitive position and financial results may be adversely affected. Competition for highly qualified personnel is intense, and our competitors and other employers may attempt to hire our skilled and key employees. Additionally, we need qualified managers and skilled employees with technical and manufacturing industry experience to operate our businesses successfully. From time to time there may be shortages of skilled labor which may make it more difficult and expensive for us to attract and retain qualified employees or lead to increased labor costs. Our intellectual property portfolio may not prevent competitors from developing products and services similar to or duplicative to ours, and the value of our intellectual property may be negatively impacted by external dependencies. Our patents, trademarks and other intellectual property may not prevent competitors from independently developing or selling products and services functionally equivalent or superior to our own or adequately deter misappropriation or improper use of our innovations and technology. In addition, further steps we take to protect our intellectual property, including non- disclosure agreements, may not prevent the misappropriation of our business critical secrets and information. In such circumstances, our competitive position and the value of our brand may be negatively impacted. Our competitors or other persons could assert that we have infringed their intellectual property rights. We may be the target of enforcement of patents or other intellectual property rights by third parties. We have implemented legal reviews and other controls in our new product development and marketing processes system to mitigate the risk of infringing third- party rights, but those controls may not prove adequate or deter all claims. Responding to infringement claims, regardless of their merits, can be expensive and time consuming. If we are found to infringe any third-party rights, we could be required to pay substantial damages or we could be enjoined from offering some of our current products and services.