Risk Factors Comparison 2024-03-29 to 2023-02-24 Form: 10-K

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OPERATIONAL RISKS TO THE COMPANY AND OUR BUSINESS Markets are highly competitive which could limit the Company' s growth and reduce profitability. The market for sporting goods is highly fragmented and intensely competitive. A majority of the Company' s products are in markets that are experiencing low growth rates. Escalade competes with a variety of regional, national and international manufacturers for customers, employees, products, services and other important aspects of the business. The Company has historically sold a large percentage of its sporting goods products to mass merchandisers and has increasingly attempted to expand sales to specialty retailer and dealer markets and to on- line retailers. In addition to competition for sales into those distribution channels, vendors also must compete in sporting goods with large format sporting goods stores, traditional sporting goods stores and chains, warehouse clubs, discount stores and department stores. Competition from on- line retailers may also impact sales. Some of the current and potential competitors are larger than Escalade and have substantially greater financial resources that may be devoted to sourcing, promoting and selling their products, and may discount prices more heavily than the Company can afford. If the Company is unable to predict or effectively react to changes in consumer demand, it may lose customers and sales may decline. Success depends in part on the ability to anticipate and respond in a timely manner to changing consumer demand and preferences regarding sporting goods. Products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. The Company often makes commitments to manufacture products months in advance of the proposed delivery to customers. If Escalade misjudges the market for products, sales may decline significantly. The Company may have to take significant inventory markdowns on unpopular products that are overproduced and / or miss opportunities for other products that may rise in popularity, both of which could have a negative impact on profitability. A major shift in consumer demand away from sporting goods products could also have a material adverse effect on the Company' s business, results of operations and financial condition. The Company ~~has~~ **' s operating results have** been ~~experiencing~~ **adversely impacted by** higher inventory levels ~~, which adversely impacts the Company' s operating results~~ . In response to supply chain issues and other factors, the Company accelerated its product purchases to meet expected demand. Although the Company endeavors to accurately predict changes in customer demands and consumer spending patterns with respect to the Company' s products, demand for products can change significantly between the time inventory is ordered and the date of sale. While the Company continues to experience product demand in excess of ~~historical~~ **pre- COVID- 19** levels, the Company' s inventories ~~throughout~~ **at the beginning of** ~~2022~~ **2023** were higher than desired. **During 2023** ~~In some instances~~ , ~~product was received after~~ the **Company successfully reduced** ~~peak sales season had occurred, thereby further contributing to above normal~~ inventory **to more normalized** levels **across most of its categories** . ~~Accordingly,~~ **The reduction in inventories and** increased costs associated with **the higher** inventory **levels,** adversely impacted the Company' s operating results in ~~2022~~ **2023** ~~and may continue to do so until inventories are optimized~~ . The Company may pursue strategic acquisitions, divestitures, or investments and the failure of a strategic transaction to produce anticipated results or the inability to fully integrate an acquired company could have an adverse impact on the Company' s business. The Company has made acquisitions of complementary companies or businesses, which have been part of the strategic plan, and may continue to pursue acquisitions in the future from time to time. Acquisitions may result in difficulties in assimilating acquired companies, and may result in the diversion of capital and management' s attention from other business issues and opportunities. The Company may not be able to successfully integrate operations that it acquires, including personnel, financial and information systems, cybersecurity measures, distribution, and operating procedures. If the Company fails to successfully integrate acquisitions, the Company' s business could suffer. In addition, acquisitions may result in the incurrence of debt, contingent liabilities, amortization expense or write- offs of goodwill or other intangibles, any of which could affect the Company' s financial position. The Company also has sometimes divested or discontinued certain operations, assets, and products that did not perform to the Company' s expectations or no longer fit with the Company' s strategic objectives. Divestitures may result in gains, losses, contingent liabilities, write- offs, tax consequences, or other related costs and expenses that could affect the Company' s financial position. Escalade will consider acquisitions, divestitures, and investments in the future, one or more of which, individually or in the aggregate, could be material to the Company' s overall business, operations or financial position. Growth may strain resources, which could adversely affect the Company' s business and financial performance. The Company has grown in the past through strategic acquisitions, and continues to make acquisitions in its Sporting Goods business. Our growth strategy also depends on our ability to grow our e- commerce business, including continued expansion and development of our own direct to consumer e- commerce distribution channel. Growth places additional demands on management and operational systems. If the Company is not successful in continuing to support operational and financial systems, expanding the management team and increasing and effectively managing customers and suppliers, growth may result in operational inefficiencies and ineffective management of the Company' s business, which could adversely affect its business and financial performance. The Company' s ability to operate and expand its business and to respond to changing business and economic conditions will be dependent upon the availability of adequate capital. The rate of expansion will also depend on the availability of adequate capital, which in turn will depend in large part on cash flow generated by the business and the availability of equity and debt capital. The Company can make no assurances that it will be able to obtain equity or debt capital on acceptable terms or at all. Our current senior secured revolving credit facility contains provisions that limit our ability to incur additional indebtedness or make substantial asset sales, which might otherwise be used to finance our operations. In the event of our insolvency, liquidation, dissolution or reorganization, the lenders under our senior secured revolving credit facility would be entitled to payment in full from our assets before distributions, if any, to our stockholders. The Company could suffer if it fails to attract and retain skilled management and key personnel. The Company’ s success depends in large part on its ability to attract and retain highly qualified management executives and key personnel. Significant competition for qualified candidates exists in the Company’ s business lines and geographic locations. If the Company is not able to hire and retain its executives and key personnel, or if the compensation costs required to attract and retain such individuals becomes more expensive, the Company may suffer adverse consequences to its business, operations, and financial condition. The Company derives a substantial portion of its revenue from a few significant customers and loss of any of these customers could materially affect our results of operations and financial condition. The Company has two major customers, each of which accounted for more than ten percent of consolidated gross sales in the Company’ s ~~2022~~ **2023** fiscal year. The Company also has several other large customers, none of which represent more than ten percent of consolidated gross sales, and historically has derived substantial revenues from these customers. Our customers continue to experience industry consolidation, which increases our risk that we may be unable to find sufficient alternative customers. The Company needs to continue to expand its customer base, including sales of new product offerings to existing customers, in order to minimize the effects of the loss of any single customer in the future. If sales to one or more of the large customers would be lost or materially reduced, there can be no assurance that the Company will be able to replace such revenues, which could have a material adverse effect on the Company' s business, results of operations and financial condition. The Company’ s customers may experience financial difficulties that could result in losses to the Company. From time to time, one or more of the Company’ s customers have experienced, are experiencing, or may in the future experience financial difficulties that impair their ability to pay all amounts owed to the Company. In such instances, the customer may file bankruptcy or take other actions to restructure the amounts owed to secured and unsecured creditors, including unsecured trade creditors such as the Company. When this occurs, the Company may not be able to collect the full amount owed to it by the customer, and in severe situations may have to write off all or a substantial portion of those customer receivables. Any significant resulting losses incurred by the Company relating to these or other customers could have a material adverse effect on the Company’ s business, results of operation, and financial condition. The Company’ s business may be adversely affected by the actions of and risks associated with third- party suppliers. The raw materials that the Company purchases for manufacturing operations and many of the products that it sells are sourced from a wide variety of third- party suppliers. The Company cannot control the supply, design, function or cost of many of the products that are offered for sale and are dependent on the availability and pricing of key materials and products. Disruptions in the availability of raw materials used in production of these products may adversely affect sales and result in customer dissatisfaction ~~. Price increases in raw materials adversely impacted the Company’ s net income in fiscal year 2022. In addition, global sourcing of many of the products sold is an important factor in the Company’ s financial performance~~ . The ability to find qualified suppliers and to access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside the United States. Political instability, financial instability of suppliers, merchandise quality issues, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, inflation and other factors relating to foreign trade are beyond the Company’ s control. Historically, instability in the political and economic environments of the countries in which the Company or its suppliers obtain products and raw materials has not had a material adverse effect on operations. However, the Company cannot predict the effect that future changes in economic or political conditions in the United States and in such foreign countries may have on operations. In the event of disruptions or delays in supply due to economic or political conditions, such disruptions or delays could adversely affect results of operations unless and until alternative supply arrangements could be made. In addition, products and materials purchased from alternative sources may be of lesser quality or more expensive than the products and materials currently purchased abroad. Deterioration in relationships with suppliers or in the financial condition of suppliers could adversely affect liquidity, results of operations and financial position. Access to materials, parts and supplies is dependent upon close relationships with suppliers and the ability to purchase products from the principal suppliers on competitive terms. The Company does not enter into long- term supply contracts with these suppliers, and has no current plans to do so in the future. These suppliers are not required to sell to the Company and are free to change the prices and other terms. Any deterioration or change in the relationships with or in the financial condition of the Company’ s significant suppliers could have an adverse impact on its ability to procure materials and parts necessary to produce products for sale and distribution. If the Company or any of the significant suppliers terminated or significantly curtailed its relationship with a significant supplier or the Company, respectively, or if a significant supplier ceased operations, the Company would be forced to expand relationships with other suppliers, seek out new relationships with new suppliers or risk a loss in market share due to diminished product offerings and availability. Any change in one or more of these suppliers’ willingness or ability to continue to supply the Company with their products could have an adverse impact on the Company’ s liquidity, results of operations and financial position. Disruptions to our supply chain could have an adverse impact on our operations. Many of the Company’ s products are manufactured outside the United States. Those products must be transported by third parties over large geographic distances. Delays in the shipment or delivery of our products could occur due to work stoppages, port strikes, lack of availability of transportation, and other factors beyond the Company’ s control. The Company continues to experience increased shipping costs for products obtained from overseas due to a shortage of available shipping containers. If the Company experiences any significant disruption in its supply chain or sharply rising costs, for any reason, such as the coronavirus pandemic, the Company may be unable to satisfy customer demand for our products resulting in lost sales. Such delays and increased costs could impair our ability to timely and efficiently deliver our products, and could adversely impact our operating results. Intellectual property rights are valuable, and any inability to protect them could reduce the value of products. The Company obtains patents, trademarks and copyrights for intellectual property, including its brand names, which represent important assets to the Company. If the Company fails to adequately protect intellectual property through patents, trademarks and copyrights, its intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate the

Company' s products or may otherwise limit any competitive design or manufacturing advantages. The Company believes that success is likely to depend upon continued innovation, technical expertise, marketing skills, branding, customer support and services rather than on legal protection of intellectual property rights. However, the Company intends to aggressively assert its intellectual property rights when necessary. The expiration or termination of our material trademarks, brand names and licensing agreements could have a material adverse effect on the Company' s business. The Company has invested substantial resources in developing and marketing the Company' s brands and products over many years. The expiration or termination of one or more of the Company' s material trademarks, patents or licensing agreements could result in the loss of such intellectual property. In such event, the Company may not be able to recoup its investments in, and continue to benefit from the affected brand names or products. The loss of such intellectual property and related rights could have a material adverse effect on the Company. Breaches of data or technology security could damage the Company' s reputation, cause the Company to incur additional expense, expose the Company to litigation, and adversely affect the Company' s business. A breach of our data or technology security could result in an unauthorized transfer or release of Company proprietary, employee, customer and other Company related information, or the loss of valuable business data or technology, that could cause a disruption in our business. Hackers are increasingly sophisticated and operate large scale and complex cyber security attacks. In the event of such an attack, we may expend significant capital and other resources to protect against, respond to, and / or alleviate problems caused by a breach. Such an event could also result in unwanted negative media attention, damage to the Company' s reputation, damage to our customers, and result in lost sales and lawsuits. The Company also must comply with increasingly complex regulatory cyber security and privacy standards, which can be costly and negatively impact the Company' s profitability. Unauthorized disclosure of sensitive or confidential customer information could harm the Company' s business and its standing with its customers. Through sales and marketing activities, the Company collects and stores certain information that customers provide to purchase products or services or otherwise communicate and interact with the Company. Despite instituted safeguards for the protection of such information, the Company cannot be certain that all of its systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate the Company' s network security and, if successful, misappropriate confidential customer or business information. In addition, an employee, a contractor or other third party with whom the Company does business may attempt to circumvent the Company' s security measures in order to obtain such information or inadvertently cause a breach involving such information. Loss of customer or business information could disrupt operations, damage the Company' s reputation, and expose the Company to claims from customers, financial institutions, payment card associations and other persons, any of which could have an adverse effect on the Company' s business, results of operations and financial condition. In addition, compliance with tougher privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes. Cybersecurity breaches or other data security incidents could result in unauthorized access, theft, modification, or destruction of Company assets, including bank accounts, intellectual property, and confidential information, which may adversely affect the Company' s business. The Company has experienced an increase in cybersecurity threats and attempts to breach the Company' s security networks. The techniques used to conduct cyber **-** attacks, including phishing, hacking, and malicious software, are increasingly sophisticated and the sources and targets of these attacks change frequently. Cyber **-** attacks may not be recognized until after attacks have been launched successfully or have been in place for a period of time. **The** ~~From time to time, the~~ Company has been **, is currently** , and likely will continue to be, the target of cyber and other security threats. To the Company' s knowledge, the Company has not experienced a significant cybersecurity breach that had a material impact on the Company' s business or operating results, although there can be no assurance that the Company' s efforts to maintain the security of the Company' s information technology networks and related systems will be effective or that attempted security breaches will not be damaging in the future. The Company maintains cyber liability insurance, however, such insurance may not be sufficient to cover the financial, legal, business or reputational losses that could result from a breach of the Company' s systems. The Company' s business involves the potential for product recalls, warranty liability, product liability, and other claims against us, which could adversely affect our reputation, earnings and financial condition. As a manufacturer, marketer and distributor of consumer products, the Company is subject to the United States Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission (" CPSC ") to recall or exclude from the market products that are found to be unsafe or hazardous. Although recalls of our products have been infrequent, the Company' s subsidiaries voluntarily recalled the Ping Pong Avenger table tennis table in 2021 due to concerns that it could create a potential fall risk to consumers and certain Goalsetter wall- mounted basketball goals in 2022 that could detach and fall to the ground unexpectedly if not installed correctly. **Our sales of such wall- mounted basketball goals have been adversely impacted as well.** Notwithstanding that we extensively and rigorously test our products, there can be no assurance we will be able to detect, prevent, or fix all defects and safety concerns. Under certain circumstances, the CPSC could require us to repurchase or recall additional products, even if we disagree with the defect determination or have data that shows the actual safety risk to be nominal. Any repurchase or recall of our products, monetary judgment, fine or other penalty could be costly and damaging to our reputation and / or adversely affect our brands. Furthermore, the occurrence of any material defects in our products could expose us to liability for warranty claims in excess of our current reserves, and / or to product liability claims that could exceed the limits of our insurance coverage, to the extent coverage may exist. If our warranty reserves and / or insurance coverage are inadequate to cover future warranty claims and / or potential product liability claims, our financial condition and operating results may be harmed. The Company may be subject to various types of litigation, and our insurance may not be sufficient to cover damages related to those claims. From time- to- time the Company may be involved in lawsuits or other claims arising in the ordinary course of business, including those related to product liability, consumer protection, employment, intellectual property, tort, privacy and data protection, and other matters. The Company may incur losses relating to claims filed against it, including costs associated with defending against such claims, and there is risk that any such claims or liabilities will exceed its insurance coverage, or affect the Company' s ability to retain adequate liability insurance in the future. Even if a claim is unsuccessful or is not fully pursued, the negative publicity surrounding any such assertions could adversely affect the Company' s reputation. Due to the inherent uncertainties of litigation and other claims, we cannot accurately predict the ultimate outcome of any such matters. Unseasonable or extreme weather conditions, alone or together with natural disasters, as well as other catastrophic events, could adversely affect the Company' s business and results of operations. Unseasonable or extreme weather conditions, natural disasters and other catastrophic events could negatively impact consumer shopping patterns, consumer confidence and disposable income, or otherwise could have a negative effect on the company' s financial performance. The Company' s business is susceptible to unseasonable weather conditions, particularly as it relates to sports equipment and recreational outdoor products, which could lead to lost sales or greater than expected markdowns. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could reduce demand for a portion of the Company' s inventory and thereby reduce sales and profitability. In addition, extreme weather conditions, natural disasters and other catastrophic events could damage or destroy our facilities, cause staffing shortages or make it difficult for customers to travel to stores and dealers where the Company' s products are sold. Such events and circumstances could negatively affect the Company' s business and results of operations from time to time . The COVID-19 pandemic continues......, financial performance and results of operations . The market price of the Company' s common stock is likely to be highly volatile as the stock market in general can be highly volatile. The public trading of the Company' s common stock is based on many factors which could cause fluctuation in the Company' s stock price. These factors may include, among other things: ● General economic and market conditions; ● Actual or anticipated variations in quarterly operating results; ● Limited research coverage by securities analysts; ● Relatively low market capitalization resulting in low trading volume in the Company' s stock; ● If securities analysts provide coverage, our inability to meet or exceed securities analysts' estimates or expectations; ● Conditions or trends in the Company' s industries; ● Changes in the market valuations of other companies in the Company' s industries; ● Announcements by the Company or the Company' s competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives; ● Capital commitments; ● Additions or departures of key personnel; ● Tariffs, quotas, customs, import and export restrictions, and other trade barriers; ● Global events, including acts or threats of war or terrorism, international conflicts, political instability, natural disasters, and public health crises (such as the COVID 19 pandemic); ● Sales and repurchases of the Company' s common stock; and ● The ability to maintain listing of the Company' s common stock on the NASDAQ Global Market and / or inclusion in market indices such as the Russell 2000. Many of these factors are beyond the Company' s control. These factors may cause the market price of the Company' s common stock to decline, regardless of operating performance. If we are unable to pay quarterly dividends at intended levels, our reputation and stock price may be harmed. Our quarterly cash dividend is currently $ 0. 15 per common share. The dividend program requires the use of a portion of our cash flow. Our ability to pay dividends will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Our Board of Directors (Board) may, at its discretion, increase or decrease the intended level of dividends or entirely discontinue the payment of dividends at any time. Any failure to pay dividends after we have announced our intention to do so may negatively impact our reputation, investor confidence in us and negatively impact our stock price. RISKS OF INTERNATIONAL OPERATIONS International operations expose the Company to the unique risks inherent in foreign operations. The Company sources many of its products and raw materials from Mexico, Brazil, China, Vietnam and other Asian countries. Foreign operations encounter risks similar to those faced by U. S. operations, as well as risks inherent in foreign operations, such as local customs and regulatory constraints, control over product quality and content, foreign trade policies, competitive conditions, foreign currency fluctuations and unstable political and economic conditions. Additionally, our international operations may be adversely affected by political events, domestic or international terrorist events and hostilities, complications due to natural, nuclear or other disasters, or public health crises. ~~For instance, recent government changes in Mexico have yielded requirements that call for increases in minimum wages at the border as well as the interior of Mexico. In addition, beginning in 2020 and continuing into 2021 and 2022, the coronavirus outbreak has resulted in increased travel restrictions and extended shutdown of certain businesses in Mexico, China and other countries in which the Company does business or has suppliers.~~ These **types of events,** ~~or any further political or governmental~~ developments **and /** or health concerns in locations in which the Company conducts business could result in social, economic and labor instability. ~~These~~ **Such** uncertainties could have a material adverse effect on the continuity of the Company' s operations and on the Company' s income and profitability. The Company' s business is subject to risks associated with sourcing and manufacturing outside of the United States, and risks arising from tariffs and / or international trade wars. The Company imports many of its raw materials and finished goods from countries outside of the United States, including but not limited to China **, Brazil, Vietnam** and Mexico. The Company' s ability to import products in a timely and cost- effective manner may be affected by conditions, such as public health crises, labor disputes, political unrest, and security requirements of the U. S. and other countries that could delay importation of products or require us to locate alternative sources. Our import operations are subject to complex custom laws, regulations, tax requirements, and trade regulations, such as tariffs set by governments through mutual agreements or bilateral actions. U. S. tariffs on goods imported into the U. S., particularly goods from China, have increased the cost of goods purchased by the Company and the ongoing adverse effects of such tariffs potentially could become even more severe. The overall effect of these risks is that our costs may increase, which in turn may result in lower profitability if we are unable to offset such increases through higher prices, and / or that we may suffer a decline in sales if our customers do not accept price increases. The United States, Mexico and Canada have entered into the United States- Mexico- Canada Agreement (" USMCA"), the successor agreement to the North American Free Trade Agreement (" NAFTA") which became effective on July 1, 2020. In January 2020, the United States entered into a" Phase 1" trade agreement with China. The Phase 1 agreement expired December 31, 2021 and has not been extended or replaced. Trade negotiations between the United States and China regarding a potential new trade agreement have not progressed and prospects for a new agreement are highly uncertain. Accordingly, it remains unclear what the U. S. administration or foreign governments, including China, specifically will or will not do with respect to tariffs, the USMCA or other international trade agreements and policies. A trade war, other governmental action related to tariffs or international trade agreements, changes in U. S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently manufacture and sell products or any resulting negative sentiments towards the United States could materially adversely affect the Company' s business, financial condition, operating results and cash flows. Substantially all of our import operations are subject to customs and tax requirements as well as trade regulations, such as tariffs and quotas set by governments through mutual agreements or bilateral actions. In addition, the countries in which our products are manufactured or imported may from time to time impose additional quotas, duties, tariffs or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or our suppliers' failure to comply with customs regulations or similar laws, could harm our business. In this regard, possible changes in U. S. policies and the potential effects of ~~Brexit have introduced~~ **foreign laws and policies** ~~greater~~ **create significant** uncertainty with respect to future tax and trade regulations. Changes in tax policy or trade regulations, such as the disallowance of tax deductions on imported merchandise or the imposition of new tariffs on imported products, could have a material adverse effect on our business and results of operations. Our operations are also subject to the effects of international trade agreements and regulations that impose requirements that could adversely affect our business, such as setting quotas on products that may be imported from a particular country. The Company could be adversely affected by changes in currency exchange rates and / or the value of the United States dollar. The Company is exposed to risks related to the effects of changes in foreign currency exchange rates and the value of the United States dollar. Changes in currency exchange rates and the value of the United States dollar can have a significant impact on earnings. While the Company carefully watches fluctuations in currency exchange rates, these types of changes can have material adverse effects on the Company' s business, results of operations and financial condition. LEGAL, TAX, ACCOUNTING AND REGULATORY RISKS The Company **has identified material weaknesses in its internal control over financial reporting. Failure to remediate, improve and maintain the quality of internal control over financial reporting could result in material misstatements in the Company' s financial statements and could materially and adversely affect the Company' s ability to provide timely and accurate financial information about the Company, which could harm the Company' s reputation and share price. Pursuant to Section 404 of the Sarbanes- Oxley Act of 2002, as amended, the Company' s management is required to report on, and the Company' s independent registered public accounting firm is required to attest to, the effectiveness of the Company' s internal control over financial reporting. The rules governing the standards that must be met for management to assess the Company' s internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Annually, the Company' s management performs activities that include reviewing, documenting and testing the Company' s internal control over financial reporting. In addition, if the Company fails to maintain the adequacy of its internal control over financial reporting, the Company' s management will not be able to conclude on an ongoing basis that the Company maintains effective internal control over financial reporting in accordance with Section 404 of the Sarbanes- Oxley Act of 2002. In connection with the preparation of the financial statements for the year ended December 31, 2023, management, with the assistance of its independent registered public accounting firm, identified deficiencies in the Company' s internal control over financial reporting. Management then concluded, with the oversight of the Company' s Audit Committee, that such deficiencies represent material weakness in the Company' s internal control over financial reporting even though these material weaknesses did not result in any material errors or any restatement of the Company' s previously reported financial results. For further discussion of these material weaknesses, see " Item 9A, Controls and Procedures. " A " material weakness " is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company' s annual or interim financial statements will not be prevented or detected on a timely basis. Management cannot be certain that other deficiencies or material weaknesses will not arise or be identified or that the Company will be able to correct and maintain adequate controls over financial processes and reporting in the future. Management and the Company' s Audit Committee are committed to achieving and maintaining a strong internal control environment and are currently evaluating remediation efforts that will be designed and implemented to enhance the Company' s control environment. The identified material weaknesses in internal control and procedures will only be considered remediated when the relevant controls have operated effectively for a sufficient period of time for management to conclude that they have been remediated. The Company believes that it will be successful in remediating the material weaknesses identified by management, although there can be no assurances in this regard. In addition, in the future, the Company may be unable to identify and remediate additional control deficiencies, including material weaknesses. If not successfully remediated, the Company' s failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in material misstatements in, or restatements of, the Company' s financial statements, could cause the Company to fail to meet its reporting obligations and / or could cause investors to lose confidence in the Company' s reported financial information, which could adversely affect the trading price of the Company' s common stock and harm the Company' s reputation. In addition, such failures could result in violations of applicable securities laws, an inability to meet NASDAQ listing requirements, a default in covenants under the Company' s credit facilities, and / or exposure to lawsuits, investigations or other legal proceedings. The Company** is subject to risks associated with laws and regulations related to health, safety and environmental protection. Products, and the production and distribution of products, are subject to a variety of laws and regulations relating to health, safety and environmental protection. Laws and regulations relating to health, safety and environmental protection have been passed in several jurisdictions in which the Company operates in the United States and abroad. Although the Company does not anticipate any material adverse effects based on the nature of operations and the thrust of such laws, there is no assurance such existing laws or future laws will not have a material adverse effect on the Company' s business, results of operations and financial condition. New laws, policies, regulations, rulemaking and oversight, as well as changes to those currently in effect, could adversely impact our earnings, cash flows and operations. Our assets and operations are subject to regulation and oversight by federal, state, and local regulatory authorities. Legislative changes, as well as regulatory actions taken by these agencies, have the potential to adversely affect our profitability. In addition, a certain degree of regulatory uncertainty is created by the U. S. political climate. It remains unclear specifically what the current presidential administration, Congress and the courts may do with respect to future policies, regulations and legal decisions that may affect us. Regulation affects many aspects of our business and extends to such matters as (i) federal, state, and local taxation; (ii) rates (which include tax, commodity, surcharges and fuel); (iii) the integrity, safety and security of facilities and operations; (iv) environmental, social and governance issues that could impact the way we conduct our business; (v) the acquisition of other businesses; (vi) the acquisition, extension, disposition or abandonment of services or facilities; (vii) reporting and information requirements; and (viii) the maintenance of accounts and records. The preparation of the Company' s financial statements requires the use of estimates that may vary from actual results. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant estimates that may affect financial statements. Due to the inherent nature of making estimates, actual results may vary substantially from such estimates, which could materially adversely affect the Company' s business, results of operations and financial condition. For more information on the Company' s critical accounting estimates, please see the Critical Accounting Estimates section of this Form 10- K. Changes in accounting standards could impact reported earnings and financial condition. The accounting standard setters, including the Financial Accounting Standards Board and the Securities and Exchange Commission, periodically change the financial accounting and reporting standards that govern the preparation of the Company' s consolidated financial statements. These changes can be hard to predict and apply and can materially affect how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retrospectively, which may result in the restatement of prior period financial statements. MACROECONOMIC AND GENERAL BUSINESS RISKS Operating results may be impacted by changes in the economy that influence business and consumer spending. Operating results are directly impacted by the health of the North American and to a lesser extent, European and Asian economies. We cannot predict how robust the economy will be or whether or not it will be sustained. If economic recovery is slow to occur, or if the economy experiences a prolonged period of decelerating or negative growth, the Company' s results of operations may be negatively impacted. In general, the Company' s sales depend on discretionary spending by consumers. Business and financial performance may be adversely affected by current and future economic conditions, including unemployment levels, energy costs, interest rates, recession, inflation, the impact of natural disasters and terrorist activities, public health crisis, and other matters that influence business and consumer spending. Fluctuation in economic conditions could prevent the Company from accurately forecasting demand for its products which could adversely affect its operating results or market share. Fluctuation in economic conditions and market instability in the United States and globally makes it difficult for the Company, customers and suppliers to accurately forecast future product demand trends, which could cause the Company to produce and / or purchase excess products that can increase inventory carrying costs and result in obsolete inventory. Alternatively, this forecasting difficulty could cause a shortage of products, or materials used in products, that could result in an inability to satisfy demand for products and a loss of market share. Failure to sustain a continuing economic recovery in the United States and elsewhere could have a substantial adverse effect on our business. Our business is tied to general economic and industry conditions as demand for sporting goods depends largely on the strength of the economy, employment levels, consumer confidence levels and the availability and cost of credit. These factors have had and could continue to have a substantial impact on our business. Adverse global economic conditions could also cause our customers and suppliers to experience severe economic constraints in the future, including bankruptcy, which could have a material adverse impact on our financial position and results of operations. Quarterly operating results are subject to fluctuation. Operating results have fluctuated from quarter to quarter in the past, and the Company expects ~~that~~ they will continue to do so in the future. Factors that could cause these quarterly fluctuations include the following: international, national and local general economic and market conditions; the size and growth of the overall sporting goods markets; intense competition among manufacturers, marketers, distributors and sellers of products; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products and sports; seasonal demand for products; adverse weather conditions that may create fluctuations in demand for certain of our products; the size, timing and mix of purchases of products; fluctuations and difficulty in forecasting operating results; ability to sustain, manage or forecast growth and inventories; new product development and introduction; ability to secure and protect trademarks, patents and other intellectual property; performance and reliability of products; customer service; the loss of significant customers or suppliers; dependence on distributors; business disruptions; disruptions or delays in our supply chain, including potential disruptions or delays arising from political unrest, war, labor strikes, natural disasters, and public heath crises such as the coronavirus pandemic; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation: exchange rates, import duties, tariffs, quotas and political and economic instability; changes in government regulations; any liability and other claims asserted against the Company; ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this Form 10- K and any other filings with the Securities and Exchange Commission. **The Company' s operating results during the peak of the COVID- 19 pandemic may not be indicative of operating results going forward. During the peak of the COVID- 19 pandemic in fiscal years 2020, 2021 and 2022, demand for the Company' s products increased substantially compared to pre- pandemic sales. While the Company' s financial results**

exceeded historical levels in many respects, such gains were offset to some degree by the adverse effects of the pandemic on the Company in other areas, such as higher supply chain costs and inventory levels, and by the adverse impacts on many of the Company' s customers and suppliers. Consumer demand for the Company' s products decreased in 2023, but remained above pre- COVID- 19 levels and market share has increased in several key categories. As a result of these pandemic related factors, the comparability of year- over- year and quarterly performance going forward may not be indicative of future performance. The ultimate extent of the effects of the COVID- 19 pandemic on the Company remains uncertain and will depend on future developments. Terrorist attacks, acts of war, natural disasters, and public health crises may seriously harm the Company' s business. Among the chief uncertainties facing the nation and the world and, as a result, our business, is the instability and ~~conflict~~ **conflicts** in the Middle East **and in Ukraine** and uncertainties regarding North Korea, Russia, China and other Asian and European countries. Obviously, no one can predict with certainty what the overall economic impact will be as a result of these circumstances. Terrorist attacks may cause damage or disruption to the Company, employees, facilities and customers, which could significantly impact net sales, costs and expenses and financial condition. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war and hostility may cause greater uncertainty and cause business to suffer in ways the Company currently cannot predict. In addition, any natural disaster or other serious disruption to one of the Company' s manufacturing or distribution sites due to fire, tornado, earthquake or other natural disasters in countries where the Company conducts business, or political unrest, war, labor strikes, work stoppages or public health crises, such as outbreaks of the coronavirus in countries where our suppliers are located could result in the disruption of the Company' s shipments and supply chain of products and raw materials. Although we ~~have continued to obtain~~ **obtained** product shipments from China and other countries ~~notwithstanding~~ **during** the ~~coronavirus~~ **peak of COVID- 19** pandemic, product shipments from China and / or other countries may be delayed in the future. ~~Although we are monitoring the situation and have adapted our ordering practices in our attempt to minimize the effects of potential disruptions, the Company cannot predict whether, for how long, or the extent to which the pandemic may disrupt the Company' s supply chain, manufacturing operations, and / or product shipments.~~ Any significant disruption **of the Company' s supply chain, manufacturing operations, and / or product shipments** resulting from similar events on a large scale or over a prolonged period could cause significant delays until the Company would be able to resume normal operations or shift to other third party suppliers, if needed. There can be no assurance that alternative capacity could be obtained on favorable terms, if at all, and could negatively affect the Company' s sales and profitability ~~will be materially reduced~~ .The **occurrence of future pandemics or similar events and their** ultimate magnitude ~~of the COVID- 19 pandemic~~ is unpredictable,volatile and uncertain.The COVID- 19 pandemic created significant public health concerns and economic disruption **,which materially impacted the Company,our customers,suppliers** and **sales channels** ~~may continue to do so indefinitely~~ .We cannot predict **whether** the ~~full impact of the~~ **coronavirus will resurface or whether future** ~~pandemic~~ **pandemics nor** ~~nor~~ - **or other public health crises will emerge.Nor** can we predict ~~with any certainty~~ **the impact of such occurrences nor** whether and to what degree ~~the~~ **any** disruptions **might be** caused **thereby** ~~by the pandemic and reactions thereto will continue~~ . **In** ~~Much~~ **such** ~~is still unknown~~ **events,many indeterminable factors may arise** ,including the duration and severity of the ~~pandemic~~ **occurrence** ,the amount of time it may take for more normalized economic activity to resume,future government actions that may be taken,the effects on the Company' s customers and suppliers,including their ability to pay for our products,the effects on operations of the Company' s logistics providers,and the impact on the ability of the Company' s employees to work and travel. ~~Continuing and potential new governmental~~ **Governmental** actions may ~~further~~ cause the Company to modify its business operations or otherwise adversely impact the Company. ~~While the Company has taken numerous steps to mitigate the potential negative effects of the COVID- 19 pandemic,there~~ **There** can be no assurance that the Company will be able to respond quickly enough or appropriately to circumstances that may change rapidly and / or that are outside of our control.The **short- term and** long- term ~~impact~~ **impacts** of ~~the pandemic~~ **such occurrences** on the Company' s business is unknown and ultimately could result in material adverse effects on the Company' s business,financial performance and results of **operations** . These risks are not exhaustive. Other sections of this Form 10- K may include additional factors which could adversely impact the Company' s business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all risk factors, nor can the Company assess the impact of all factors on business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward- looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward- looking statements as a prediction of actual results.