

Risk Factors Comparison 2025-02-18 to 2024-02-20 Form: 10-K

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

As a global manufacturer of systems and equipment designed to move, measure, control, dispense and spray fluid and powder materials, our business is subject to various risks and uncertainties. Below are risk factors that could materially and adversely affect our business, financial condition and results of operations. Economic, Financial and Political Risks Economic Environment- Demand for our products depends on the level of commercial and industrial activity worldwide. The demand for our products depends, in part, on the general economic conditions of the industries, geographies or economies in which our customers operate. An economic downturn, recession, depression, sustained inflationary pressures or financial market turmoil may depress demand for our equipment in all or some major geographies and markets. Economic uncertainty and volatility in various geographies and industries in which we conduct business may adversely affect our net sales and earnings. If our distributors and original equipment manufacturers are unable to, or have a diminished ability to, purchase our products because of unavailable credit or unfavorable credit terms, depressed end- user demand, or are simply unwilling to purchase our products, our net sales and earnings will be adversely affected. An economic downturn may have an adverse effect on our results of operations and financial condition and affect our ability to satisfy the financial covenants in the terms of our financing arrangements. We cannot predict the timing, severity or duration of any such downturn, or the timing of any recovery. Currency- Changes in currency translation rates could adversely impact our revenue, earnings and the valuation of assets denominated in foreign currencies. A significant number of routine transactions to which we are a party are conducted in foreign currencies. Changes and volatility in exchange rates have impacted, and in the future may impact, our sales, cost of materials and earnings and the valuation of assets denominated in foreign currencies. A majority of our manufacturing and cost structure is based in the U. S. In addition, **the** decreased value of local currency may make it difficult for some of our distributors and end users to purchase our products. A significant fluctuation in exchange rates may negatively impact our financial condition and results of operations. ~~Russian Invasion of Ukraine and Political Instability – Russia’s invasion of Ukraine, and the sanctions and actions taken against Russia and Belarus in response to the invasion, has adversely impacted our business and may continue to do so.~~ Uncertainty surrounding political leadership, as well as geopolitical unrest, could cause economic conditions in the U. S. or abroad to deteriorate, which could limit our growth opportunities and otherwise harm our business. ~~The Russian invasion of Ukraine in 2022 and the resulting sanctions and actions taken against Russia and Belarus by the U. S., the United Kingdom, the European Union, Switzerland and others considerably restricted our ability to sell certain products in Russia and Belarus. As a consequence, beginning in 2022, we indefinitely suspended sales into Russia and Belarus, which continued throughout the entirety of 2023 and into 2024. We expect our ability to sell certain products in Russia and Belarus to continue to be restricted for the foreseeable future. While our sales into Russia and Belarus prior to 2022 were not material to our overall business, a significant escalation or expansion of the conflict beyond its current geographic, political and economic scope and scale could have a material adverse effect on our business, results of operations and financial condition, and could exacerbate other risks discussed in this report. Such risks include, but are not limited to: an increase in the frequency and severity of cybersecurity threats against us and the parties with whom we do business; unfavorable changes in exchange rates; further shortages, delivery delays and price inflation in a wide variety of raw materials and components; widespread reductions in end- user demand; and increased logistical challenges.~~ Domestic political instability, including government shut downs, may limit our ability to grow our business. International political instability (including tensions between the U. S. and the countries in which we conduct business, rumors or threats of war, terrorism and other hostilities, and geopolitical activity or trade disruptions, such as those caused by the Russia- Ukraine and Israel- Hamas conflicts, or any conflict or threatened conflict between China and Taiwan) may cause economic conditions in the U. S. or abroad to deteriorate. The occurrence of any of these events could result in a prolonged economic slowdown, prevent us or our customers from expanding into certain geographies or limit our ability to grow our business. Civil disturbances may **also** harm our business. Interest Rate Fluctuations and Credit Markets – Declines in interest rates, asset values and investment returns could increase our pension costs and required pension contributions. Increases in interest rates, or the reduced availability of credit due to instability in the financial markets, could limit our ability to pursue growth initiatives and our customers’ ability to invest in their businesses, which could adversely impact demand for our products. The Company sponsors a qualified defined benefit pension plan for certain U. S. employees and retirees of the Company. The pension plan is funded with trust assets invested in a diversified portfolio of equity, fixed income and other investments. Declines in interest rates, the market value of plan assets, and investment returns could significantly increase our future estimated pension liabilities, net periodic pension costs and pension contribution requirements and, as a result, adversely affect our results of operations and financial condition. While we believe our current cash position is strong and will enable us to fund many of our foreseeable growth initiatives, including acquisitions and capital investments, rising interest rates or reduced access to debt financing could impact our ability to pursue these initiatives. Reduced credit availability or a higher cost of capital may also limit the ability of end users of our products to invest in their businesses, which could depress demand for our equipment in all or some major geographies and markets. Operational Risks Global Sourcing- Risks associated with foreign sourcing, supply interruption, delays in raw material or component delivery, supply shortages and counterfeit components may adversely affect our production or profitability. While we manufacture many of our parts and product components in the U. S., we source certain of our materials and components from suppliers outside the U. S., and from suppliers within the U. S. who engage in foreign sourcing. Long lead times or supply interruptions associated with a global supply base may reduce our flexibility and make it more difficult to respond promptly to fluctuations in demand or respond quickly to product quality

problems. The availability and prices for raw materials, parts and components may be curtailed for a variety of reasons. Our suppliers may allocate the supply of certain raw materials, parts or components to other purchasers. Changes in exchange rates between the U. S. dollar and other currencies and fluctuations in the price of raw materials and components have impacted and may continue to impact the manufacturing costs of our products and affect our profitability. Geopolitical instability (including in Europe and the Middle East), protective tariffs, unpredictable changes in duty rates, and changes in trade policies, agreements, relations and regulations have made and may continue to make certain foreign- sourced parts of limited availability or no longer competitively priced. Long supply chains may be disrupted by environmental events, public health crises, political or other factors. Raw materials may become limited in availability from certain regions. Port labor issues may delay shipments. We source a large volume and a variety of electronic components, which exposes us to an increased risk of counterfeit components entering our supply chain. If counterfeit components unknowingly become part of our products, we may need to stop delivery and rework our products. We may be subject to warranty claims and may need to recall products. While many of our raw materials, parts and components are generally commercially available from a number of sources, some of them are sourced from single suppliers, which has limited, and could continue to limit, their availability when those suppliers are unable or unwilling to meet our production requirements and we are unable to timely source such items from an alternative supplier. In addition, we source some of our materials, parts and components from suppliers located in China. As such, we are 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 or other causes. Shortages, delivery delays and price inflation in a wide variety of raw materials and components (including but not limited to electronic components, castings, engines and motors) and logistical challenges (including but not limited to increased freight costs, shipping container shortages, trucking shortages, ocean, railway and air freight capacity constraints, labor shortages and port delays) have adversely affected production and profitability and may ~~continue to~~ adversely affect production and profitability **in the future**. Information Systems- Interruption of or intrusion into information systems may impact our business. We rely on information systems and networks to conduct and support our business. Some of these systems and networks are managed, hosted and provided by third parties. We use these systems and networks to record, process, summarize, transmit and store electronic information, and to manage or support our business processes and activities. We **may experience interruptions, delays and outages in service and availability from time to time, including infrastructure changes, human or software errors, upgrade disruptions and capacity constraints. We also face the risk that the measures we** have implemented ~~measures and incurred costs intended~~ to secure our information systems and networks and prevent unauthorized access to or loss of sensitive data **are by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems.** However, these measures may not be effective against all eventualities, and there is a possibility that our information systems, networks, and those of our third- party service providers may be exposed to risks, including unauthorized access, operational errors, fraudulent activities, system failures, poor password management, and other potential irregularities. Our employees, customers and others may be the subject of social engineering attacks and induced to disclose confidential, proprietary or other sensitive information, including their network credentials, to cybercriminals, who may then gain access to our and our customers' information, data and information technology systems. Cybersecurity threats are increasing in frequency, sophistication and severity. We have experienced and expect to continue to experience cybersecurity threats and attacks on our systems and networks and those of our third- party service providers. To date, none of the cybersecurity threats and attacks we have experienced have had a material adverse impact on our operations, business or financial condition. The tactics and capabilities of cybercriminals are growing increasingly sophisticated, and it is virtually impossible for any organization, including us, to completely eliminate the risk of cyberattacks. Security breaches or intrusion into our information systems or networks or the information systems or networks of the third parties with whom we do business pose a risk to the confidentiality, availability and integrity of our data and of our customers, suppliers and employees, and could lead to any one or more of the following: the compromising of confidential information; manipulation, unauthorized use, theft or destruction of data; product defects or malfunctions; production downtimes and operations disruptions; litigation; regulatory action; reputational harm, including loss of confidence by our customers, suppliers and employees in our ability to adequately protect their information; fines; ransoms; and other costs and adverse consequences. As a manufacturer, our operating technology assets and systems are susceptible to disruption through cyberattacks. We anticipate that meaningful investments in our operating technology infrastructure will be necessary as we continue to assess our operating technology posture and respond to the increasingly- pronounced risks posed by third- party cyber actors. The occurrence of a security breach or an intrusion into an information system or a network, or the breakdown, interruption ~~in~~ or inadequate upgrading or maintenance of our information processing software, hardware or networks or the internet, may adversely affect our business, reputation, results of operations and financial condition. We do not currently maintain specific cyber insurance coverage. Any insurance coverage we do have may be inadequate to compensate ~~us~~ for losses arising from any security breach or cybersecurity incident, and may in the future not be available to us on economically reasonable terms, or at all. The laws, regulations and customer- imposed controls governing cybersecurity and privacy continue to evolve and are becoming increasingly complex. We will be required to commit significant resources to keep pace with continued changes in information technology processes, legal, regulatory and customer requirements, and the increased frequency and severity of cyberattacks and the sophistication of the methods used by those who perpetrate them. There can be no assurance that our efforts will be successful. In addition, we are subject to new cybersecurity disclosure rules, and we may face increased costs and be required to incur significant costs in the event of an actual or perceived cybersecurity incident and to comply with these rules. Intellectual Property- Demand for our products may be affected by new entrants who copy our products or infringe on our intellectual property. Competitors may allege that our products infringe the intellectual property of others. From time to time, we have been faced with instances where competitors have infringed or unfairly used our intellectual property or taken advantage of our design and development efforts. The ability to protect and

enforce intellectual property rights varies across jurisdictions. Competitors who attempt to copy our products are prevalent in Asia, and they are increasingly offering their low- cost copies outside of Asia, including in Europe and North America. While we believe these copies oftentimes are of inferior quality to our products and lack much of the technology and many of the features inherent in our products, if we are unable to effectively meet these challenges, they could adversely affect our revenues and profits and hamper our ability to grow. Competitors and others may also initiate litigation to challenge the validity of our intellectual property or allege that we infringe their intellectual property. We may be required to pay substantial damages if it is determined our products infringe their intellectual property. We may also be required to develop an alternative, non- infringing product that could be costly and time- consuming, or acquire a license (if available) on terms that are not favorable to us. Regardless of whether infringement claims against us are successful, defending against such claims could significantly increase our costs, divert management' s time and attention away from other business matters, and otherwise adversely affect our results of operations and financial condition.

Generative Artificial Intelligence (" AI") – Use of generative AI technologies in the conduct of our business could result in the unintentional loss of confidential or proprietary information and have other adverse impacts on us. While we believe the development and adoption of generative AI technologies are in their early stages, the increased use of these technologies in the conduct of our business poses risks which, if they materialize, could adversely impact our business, financial condition, results of operation and reputation. The ~~employment-~~ **deployment of generative AI tools creates opportunities for the potential loss or misuse of personal data, the inadvertent dissemination of our confidential or proprietary information, or the unintentional use of third parties' intellectual property. In addition, the content, analyses, recommendations or other output that generative AI tools produce could be deficient, inaccurate or biased or be based on flawed or insufficient datasets.**

Foreign Operations- Conducting business internationally exposes our Company to risks that could harm our business. In ~~2023-~~ **2024**, approximately ~~47-~~ **46** percent of our sales were generated by customers located outside the U. S. Operations and sales outside of the U. S. expose us to certain risks that could adversely impact our sales volume, rate of growth or profitability. These risks include: complying with foreign legal and regulatory requirements; international trade factors (export controls, customs clearance, trade policy, trade sanctions, trade agreements, duties, tariff barriers and other restrictions); trade disruptions arising out of geopolitical activity (such as those caused by the Russia- Ukraine and Israel- Hamas conflicts, or any conflict or threatened conflict between China and Taiwan); protection of our proprietary technology in certain countries; potentially burdensome taxes; potential difficulties staffing and managing local operations; and changes in exchange rates.

Catastrophic Events- Our operations are at risk of damage, destruction or disruption by natural disasters and other unexpected events. The loss of, or substantial damage to, one of our facilities, our information system infrastructure or the facilities of our suppliers could make it difficult to manufacture ~~product-~~ **products**, fulfill customer orders and provide our employees with work. Flooding, tornadoes, hurricanes, unusually heavy precipitation or other severe weather events, earthquakes, tsunamis, fires, explosions, acts of war, terrorism, civil unrest or outbreaks, epidemics or pandemics of infectious diseases could adversely impact our operations. Personnel- Our success may be affected if we are not able to attract, develop and retain qualified personnel. Our success depends in large part on our ability to identify, recruit, develop and retain qualified personnel. If we are unable to successfully identify, recruit, develop and retain qualified personnel or adapt to changing worker expectations and working arrangements, it may be difficult for us to meet our strategic objectives and grow our business, which could adversely affect our results of operations and financial condition.

Public health crises, such as an epidemic or pandemic, could have a material and adverse effect on our business, results of operations and financial condition. A significant public health crisis, and any associated governmental, business and societal responses, could have an adverse effect on our operations, employees, supply chains, distribution channels, and end- user customers. Any such public health crisis could have negative impacts similar to those we experienced during the ~~recent-~~ COVID- 19 pandemic, including: employees being infected by, or exposed to, the virus; adverse impacts on the efficiency and productivity of our workforce and our operations; adverse impacts on our ability to manufacture products and provide related services in a timely manner; supply chain disruptions, including increased costs of raw materials and components, and delays, shortages and difficulties in sourcing raw materials and components; volatility in demand for certain of our products; inability to meet end- user customer demand; distribution and logistics challenges, including increased freight costs, reduced freight capacity, and shipping delays; restrictions on our employees' ability to meet customers in person and the cancellation, postponement and reformatting of trade shows, industry events and product demonstrations, which impacted our selling activities and our ability to convert those activities into actual sales; and a significant investment of time, energy and resources by management in mitigating the effects of the pandemic on our employees and our business and complying with existing, new or modified governmental rules, regulations, standards and mandates. We could experience similar or additional, and potentially more significant, adverse effects on our business, results of operations and financial condition as a result of any future pandemic. The extent to which a public health crisis impacts us will depend on numerous factors and future developments that are uncertain and that we are not able to predict, including: the severity of the virus and new variants of the virus; the duration and scope of the pandemic; the efficacy, distribution and adoption rate of vaccines and therapeutic treatments; infection rates in the areas in which we or our suppliers, distributors or end- user customers operate; governmental, business, societal, individual and other actions taken in response to the pandemic; the effect on our suppliers and distributors, and disruptions to the global supply chain; the impact on economic activity; the effect on our end- user customers and their demand and buying patterns for our products and services; the effect of any closures or other changes in operations of our and our suppliers', distributors' and end- user customers' facilities; the health of and the effect on our employees and our ability to meet staffing needs; our ability to sell our products and services and provide product support; restrictions or disruptions to transportation, including reduced availability of ground, sea or air transport; and the effect on our ability to access capital on favorable terms and continue to meet our liquidity needs, all of which are highly uncertain and cannot be predicted. Even after a public health crisis subsides, we may continue to experience adverse effects to our business as a result of ongoing or new economic impacts. A public health crisis, including a pandemic, could also exacerbate or trigger other risks discussed in this

report, any of which could have a material and adverse effect on our business, results of operations and financial condition.

Strategic Risks Growth Strategies and Acquisitions- Our growth strategies may not provide the return on investment desired if we are not successful in implementation of these strategies. Making acquisitions, investing in new products, expanding geographically and targeting new industries are among our growth strategies. We may not obtain the return on investment desired if we are not successful in implementing these growth strategies. The success of our acquisition strategy depends on our ability to successfully identify and properly value suitable acquisition candidates, negotiate appropriate acquisition terms, obtain financing at a reasonable cost, prevail against competing acquirers, complete the acquisitions and integrate or add the acquired businesses into our existing businesses or corporate structure. There is significant competition for quality acquisition opportunities, and there is no assurance that we will be successful in securing those opportunities, particularly in situations where other interested acquirers with greater resources than ours are involved. Once successfully integrated into our existing businesses or added to our corporate structure, an acquired business may not perform as planned, be accretive to earnings, generate positive cash flows, provide an acceptable return on investment or otherwise be beneficial to us. We may not realize projected efficiencies and cost- savings from the businesses we acquire. We cannot predict how customers, competitors, suppliers, distributors and employees will react to the acquisitions that we make. Acquisitions may result in the assumption of undisclosed or contingent liabilities, the incurrence of increased indebtedness and expenses, and the diversion of management' s time and attention away from other business matters, any of which may have an adverse effect on our business, results of operations and financial condition. We make significant investments in developing products that have innovative features and differentiated technology in their industries and in niche markets. We are adding to the geographies in which we do business with third- party distributors. We cannot predict whether and when we will be able to realize the expected financial results and accretive effect of the acquisitions that we close, the new products that we develop and the channel expansions that we make.

Impairment- If acquired businesses do not meet performance expectations, acquired assets could be subject to impairment. Our total assets reflect goodwill from acquisitions, representing the excess cost over the fair value of the identifiable net assets acquired. We test annually whether goodwill has been impaired, or more frequently if events or changes in circumstances indicate the goodwill may be impaired. If future operating performance at one or more of our operating units were to fall significantly below forecast levels or if market conditions for one or more of our acquired businesses were to decline, we could be required to incur a non- cash charge to operating income for impairment. Any impairment in the value of our goodwill would have an adverse non- cash impact on our results of operations and reduce our net worth.

Competition- Our success depends upon our ability to develop or acquire, and market and sell, new products that meet our customers' evolving needs and desires, and anticipate industry and market changes. Our profitability will be affected if we do not develop or acquire new products and technologies that meet our customers' evolving needs and desires. Our ability to develop or acquire, and market and sell, products that meet our customers' needs and desires depends upon a number of factors, including anticipating the features and products that our customers will need or want in the future, successfully implementing our acquisition strategies, identifying and entering into new markets, training our distributors, and anticipating market trends. Changes in industries and markets that we serve, including consolidation of competitors, distributors and customers, could affect our success. Changes in the competitive landscape, increases in the market reach of competitors, and improvements in the quality of competitive products could also affect our success. Price competition and competitor strategies could negatively impact our growth and have an adverse impact on our results of operations.

Major Customers- Our Contractor segment depends on a few large customers for a significant portion of its sales. Significant declines in the level of purchases by these customers could reduce our sales and impact segment profitability. Our Contractor segment, which is our largest reporting segment by sales, derives a significant amount of revenue from a few large channel partners. Substantial decreases in purchases by these customers, difficulty in collecting amounts due or the loss of their business would adversely affect the profitability of this segment. The business of these customers is dependent upon prevailing levels of residential, commercial, industrial and institutional building and remodeling activities. If these activities decline, the business of our customers could be adversely affected and their purchases of our equipment could decrease which could have an adverse impact on our results of operations.

Cyclical Industries- Our success may be affected by variations in the construction, automotive, electronics, aerospace, semiconductor, and agriculture and construction equipment industries. A substantial portion of our revenues is attributable to sales to customers in cyclical industries. Downturns in these industries could result in a deterioration of our customers' businesses and, in turn, a reduced demand for some of our products. Our business may be affected by fluctuations in residential, commercial, industrial and institutional building and remodeling activities. Changes in construction materials and techniques may also impact our business. Our business may also be affected by fluctuations of activity in the automotive, electronics, aerospace, semiconductor, and agriculture and construction equipment industries.

Legal, Regulatory and Compliance Risks Laws and Regulations- Changes in laws and regulations, and the imposition of new or additional laws and regulations, may impact how we can do business and the cost of doing business around the world. We are subject to many laws and regulations in the jurisdictions where we operate, and as the nature and geographic scope of our business grows and expands, we may become subject to additional laws and regulations previously inapplicable to our business. Changes to laws and regulations to which we are currently subject, exposure to additional laws and regulations previously inapplicable to our business, and the imposition of new laws and regulations increase our cost of doing business, may affect the manner in which our products will be produced or delivered, may affect the locations and facilities from which we conduct business, and may impact our long- term ability to provide returns to our shareholders.

Climate- Related Laws, Regulations and Accords – Climate- related laws, regulations and accords may adversely impact our operations, the industries in which we operate, and increase our cost of doing business. Growing concerns over climate change ~~has~~ **have** resulted in, and may continue to result in, new laws, regulations and accords intended to reduce emissions of certain greenhouse gases and to require reporting on such emissions and other climate- related matters. Existing and new laws, regulations and accords relating to emissions of certain greenhouse gases and the reporting of such emissions and other climate- related matters may be difficult and costly to

comply with, may adversely impact certain aspects of our operations (including but not limited to the manufacture and distribution of our products), may adversely impact certain industries in which we operate, may result in increased energy, input, compliance and other costs, and may decrease demand for certain of our products. ESG Expectations and Requirements – Expectations and requirements relating to environmental, social and governance (" ESG") matters may increase our cost of doing business and expose us to reputational harm and potential liability. Many regulators, investors, employees, vendors, customers, community members and other stakeholders are increasingly focused on ESG matters such as climate change, greenhouse gas emissions, human capital, and diversity, equity and inclusion. As the nature, scope and complexity of ESG reporting, diligence and disclosure requirements expand, we may have to devote more resources, and incur additional costs, to control, assess and report on ESG metrics. We may make public statements about various ESG- related matters and initiatives from time to time, including on our website, in our press releases, in our ESG report, and in other communications. Addressing stakeholder expectations and regulatory requirements relating to ESG matters requires an investment of time, money and other resources, any or all of which may increase our cost of doing business. ~~As In addition, as~~ investor and other stakeholder expectations relating to ESG matters change and evolve over time, any failure or perceived failure by us to adequately address those expectations may damage our reputation and adversely affect our business and results of operations. ~~Similarly~~ **In addition, our stakeholders have evolving, varied and sometimes conflicting expectations regarding any many** public statements we ~~make about~~ **aspects of our business, including our operations and** ESG- related matters ~~and initiatives may result in legal and regulatory proceedings against us which could adversely affect our business and results of operations.~~ ~~Anti- Corruption and Trade Laws-~~ We may incur costs and suffer damages if our employees, agents, distributors or suppliers violate anti- bribery, anti- corruption or trade laws and regulations. As a global manufacturer, we are subject to a variety of complex and stringent laws and regulations related to bribery, corruption and trade. The continued geographic expansion of our business increases our exposure to, and ~~the~~ **cost of complying with, these laws and regulations.** Changes in export control or trade ~~sanctions-~~ **sanction** laws may restrict our business practices, including cessation of business activities in sanctioned countries or with sanctioned entities, and may result in modifications to our compliance programs and increase compliance costs. If our internal controls and compliance program do not adequately prevent or deter our employees, agents, distributors, suppliers and other third parties with whom we do business from violating anti- bribery, anti- corruption or trade laws and regulations, we may incur defense costs, fines, penalties, reputational damage and business disruptions. Tax Rates and New Tax Legislation- Changes in tax rates or the adoption of new tax legislation may affect our results of operations, cash flows and financial condition. The Company is subject to taxes in the U. S. and a number of foreign jurisdictions where it conducts business. The Company' s effective tax rate has been and may continue to be affected by changes in the mix of earnings in jurisdictions with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws or their interpretation, such as the 15 % global minimum tax under the Organization for Economic Cooperation and Development (" OECD") Pillar Two, Global Anti-Base Erosion Rules. In addition, the U. S. government could adopt changes to international trade agreements, tariffs, taxes and other related regulations. If the Company' s effective tax rate were to increase, or if the ultimate determination of the Company' s taxes owed is for an amount in excess of amounts previously accrued, the Company' s results of operations, cash flows and financial condition could be adversely affected. Legal Proceedings- Costs associated with claims, litigation, administrative proceedings and regulatory reviews, and potentially adverse outcomes, may affect our profitability. The nature of our business, including the equipment we develop, manufacture and sell, or have in the past developed, manufactured and sold, exposes us to the risk of product liability, warranty and tort (including toxic tort), commercial and employment- related claims, demands and litigation. As we grow, we are at an increased risk of being a target in matters related to the assertion of claims and demands, litigation, administrative proceedings and regulatory reviews. We may also need to pursue claims or litigation to protect our interests. The cost of pursuing, defending and insuring against such matters is increasing, particularly in the U. S. A claim against us could cause us to incur substantial and unexpected costs and affect customer confidence in our products, which may adversely affect our profitability. Further, due to adverse changes in costs to insure against such matters, we have increased our self- insured retention and deductibles and procured lower coverage limits under certain policies, which may increase our risk exposure for certain types of claims and adversely affect our profitability if we are ultimately held responsible for such claims. In some cases, our insurers may have the right to compel us to settle litigation we are defending and make a payment in connection with the settlement, even where we have a strong conviction in our defenses and believe our exposure is limited. Successful claims against the Company and settlements may adversely affect our results.