Risk Factors Comparison 2024-03-12 to 2023-02-23 Form: 10-K

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There are a number of factors and variables described below that may affect our future results of operations and financial condition. Other factors, of which we are currently not aware or that we currently deem immaterial, may also affect our results of operations and financial position. Risks Related to the Economy and Our Industries • General economic conditions, including those that can result in decreased customer confidence and spending, could result in our failure to achieve our historical sales growth rates and profit levels. Pandemics ~~, such as the global coronavirus outbreak~~ have **disrupted** and may in the future disrupt global supply chains, including those we rely on in China, which could materially adversely affect our operations. Both we and our customers are subject to global political, economic and market conditions, including trade and tariff uncertainties, customer inventory levels in the marketplace, borrowing ability, economic conditions in the manufacturing and / or distribution industries, increases in inflation, interest rates, freight costs and energy costs, as well as the impact of natural disasters, military actions, wars, cyber- attacks, the threat of terrorism and global pandemics or other health crises. Our consolidated results of operations are directly affected by economic conditions in North America, and our supply chain for imported product is affected by conditions in Asia (particularly China). In this regard, global supply chains and the timely availability of products, particularly products, or product components used in domestic manufacturing, imported from China and other Asian nations have been and could again be materially disrupted by quarantines, factory slowdowns or shutdowns, border closings, and travel restrictions resulting from ~~the Covid- 19 pandemic~~ **pandemics** . These events have and may continue to result in imported products not being timely received and resultant delayed or lost sales. We depend to a significant extent on products imported from China for our private brand lines, and on domestic manufacturers who utilize components imported from Asia. While **, in the past,** we have experienced lost sales due to the ~~Covid~~ **COVID** - 19 pandemic ~~and are~~ **, we continue** making efforts to secure satisfactory levels of inventory **; however,** there can be no assurance that our supply chain will not experience further disruptions significant enough to adversely affect our operations. We have in the past experienced a decline in sales as a result of poor economic conditions and the lack of visibility relating to future orders (as well as due to the other risks discussed below). Our results of operations depend upon, among other things, our ability to maintain and increase sales volumes with existing customers, our ability to limit price reductions and manage price increases, our ability to manage freight and shipping costs and maintain our margins, our ability to attract new customers and increase our market share, and the financial condition of our customers. A decline in the economy that adversely affects our customers, causing them to limit or defer their spending or that hampers their ability to pay for products would likely adversely affect our sales, prices and profitability as well. We cannot predict with any certainty whether we will be able to maintain or improve upon historical sales volumes with existing customers, maintain or grow our historical margins, and whether we will be able to attract new customers. In response to economic and market conditions, from time to time we have undertaken initiatives to reduce our cost structure where appropriate, including workforce reductions. However, these actions may not be sufficient to meet current and future changes in economic and market conditions and allow us to continue to achieve the growth rates and levels of profitability we experienced in the past. • Geopolitical instability outside of the U. S. may adversely impact the U. S. and global economies. Many economies have experienced, and continue to experience, geopolitical instability, financial turmoil, high unemployment, inflation and interest rates, and a significant depreciation of their local currencies. Policies of advanced economies have a profound effect on emerging markets, and ramifications of any trade war involving an advanced economy, like of that between the U. S. and China, could further contribute to the adverse economic and political conditions of emerging and developed economies. We source a substantial portion of our products from manufacturers that are located in China. This concentration exposes us to risks associated with doing business globally, including changes in tariffs. The Office of the United States Trade Representative previously identified certain Chinese imported goods for additional tariffs to address China' s trade policies and practices. These tariffs could have a material adverse effect on our business and results of operations. Additionally, the current administration has canceled tariff exclusions that provided tariff relief to certain products and has yet to signal whether it will reinstate such exclusions or further alter existing trade agreements and terms between China and the U. S., including limiting trade with China, adjusting the current tariffs on imports from China and potentially imposing other restrictions on exports from China to the U. S. Consequently, it is possible that tariffs may be imposed on products imported from foreign countries, including China, or that our business will be affected by retaliatory trade measures taken by China or other countries in response to existing or future tariffs. This may cause us to raise prices or make changes to our operations, any of which could have a material adverse effect on our business and results of operations. In addition, ~~the~~ ongoing **geopolitical conflicts around the world, including the** Russian invasion of Ukraine ~~and~~ **,** the **outbreak of armed hostilities in the Middle East and disruptions in international shipping resulting from recent attacks by armed groups on cargo ships in the Red Sea, and the** ~~response~~ **responses** of the international community **,** ~~has given rise to potential global security issues that~~ may adversely affect international business and economic conditions. **Due to the ongoing conflict in and around the Red Sea, we have experienced significant increases to our shipping costs, and we may continue to experience elevated shipping costs in the future.** The short and long- term implications of **global security issues** ~~the Russia- Ukraine conflict~~ are difficult to predict at this time. The imposition of sanctions and counter sanctions may have an adverse effect on energy and economic markets generally and could result in an even greater impact related to global supply chain and energy prices. In addition, a prolonged war in Ukraine **and the Middle East, and continued shipping disruptions in the Red Sea** may have adverse impacts on cyber security, global supply chains, inflationary pressures and interest rates and engender volatility in commodities and other markets, any of which could negatively affect our business. The disruption to regional and global economies could have an enduring impact on regional and global economies, and consequently, a materially adverse impact on our operations and profitability. However, due to the highly uncertain and dynamic nature of these events, it is not currently possible to estimate with any reliable measure of certainty the impact ~~of the Russia- Ukraine war~~ on our business. • Adverse weather events or natural disasters, as well as pandemics such as the coronavirus, could negatively affect or disrupt our operations. We may be affected by global climate changes or by legal, regulatory or market responses to such potential change. Certain areas in which we operate are susceptible to severe weather events, such as hurricanes, winter storms, tornadoes and floods, whether from climate change or otherwise, which can impact any of our locations as well as shipping ports and distribution centers. These events, as well as pandemics, have in the past and may in the future disrupt our locations and the supply chains dependent on such shipping ports and distribution centers. In this regard, we experienced product delivery and shipping delays due to the disrupted global product supply chains which affected our ability to timely receive and ship products, which could adversely impact sales. Our ability to provide efficient distribution of core business products from our third- party drop ship distribution centers is critical to our business strategy. Disruptions at distribution centers or shipping ports, or the unavailability of employees needed by us or third parties to operate key functions at such locations, has and in the future may affect our ability to both maintain core products in inventory and deliver products to our customers on a timely basis, which may in turn adversely affect our results of operations. We cannot predict whether or to what extent damage caused by these events will affect our operations or the economies in regions where we operate. These adverse events could result in disruption of our operations, our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events. • The imposition of tariffs and other trade barriers, as well as retaliatory trade measures, have caused us to raise the prices on certain of our products and seek alternate sources of supply, which could negatively impact our sales or disrupt our operations. Our industry is subject to risks associated with U. S. and foreign laws relating to importing products, including quotas, duties, tariffs or taxes, as well as other charges or restrictions, which could adversely affect our ability to import products at desired cost or volume levels. The United States has enacted three sets of tariffs on a variety of foreign sourced goods which have impacted a number of the private brand products we source directly from China as well as third- party branded products our U. S. suppliers source from China. We strategically increased prices in an effort to offset the incremental costs on certain products and shift certain products to alternative sources where available. Our use of alternate sources of supply, such as utilizing new vendors in additional countries, entails various risks, such as identifying, vetting and managing new business relationships, reliance on new vendors, maintaining quality control over their products, and protecting our intellectual property rights. These tariffs have increased and will continue to increase our costs of procurement. If the Company is able to adequately review its supply chain and monitor sell prices in the market, and successfully work with suppliers to mitigate costs, the Company does not expect any material impact on its business from the tariff actions and continues to believe that any impact from the tariffs currently in effect will be gradual and not material to the business, although there can be no assurance that this will be the case. There can also be no assurance that we will be able to effectively or expeditiously mitigate these trade challenges, which could disrupt our operations, negatively impact our sales and would have a material adverse effect on our financial results. However, we do not believe that we will be disproportionately impacted by these costs as compared to our competitors, and we will continue to evaluate marketplace conditions and implement other actions or strategies as the need arises. Finally, we cannot predict whether additional U. S. and foreign customs quotas, duties (including anti- dumping or countervailing duties), tariffs, taxes or other charges or restrictions, requirements as to where raw materials must be purchased, additional workplace regulations or other restrictions on our imports will be imposed in the future and if so, what effect such actions would have on our costs of operations. • There is a highly competitive labor market for certain employees we hire, which can impact our growth plans. Many of our competitors also compete with us for recruiting and retaining talented and experienced employees, particularly in markets where we and they have significant distribution facilities. ~~We have also experienced high levels of turnover in our warehouse / distribution operations, consistent with current market conditions.~~ This aspect of competition is aggravated by the current tight labor market in the U. S. for such jobs ~~due to the continued impacts of the Covid- 19 pandemic~~ . There can be no assurance the Company will be able to timely recruit, train and retain employees sufficient to support its growth strategies or will not have to incur increased compensation costs in order to do so. Our results of operations have been and in the future could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. In the event of significant numbers of employees having to miss work due to a widespread health situation or pandemic such as the coronavirus, we may not be able to quickly source replacement or temporary workers, which could adversely affect our operations, particularly in our distribution centers. • Our industry is evolving and consolidating, which could adversely affect our business and financial results. The MRO and industrial equipment industry are consolidating as customers are increasingly aware of the total costs of fulfillment and of the need to have consistent sources of supply at multiple locations. This consolidation has and will continue to cause the industry to become more competitive as greater economies of scale are achieved by competitors, or as competitors with new lower cost business models are able to operate with lower prices. • Volatility in commodity prices may adversely affect gross margins. Some of our products contain significant amounts of commodity- priced materials, such as steel, copper, petroleum derivatives or rare earth minerals, and are subject to price changes based upon fluctuations in the commodities market. Fluctuations in the price of fuel could affect transportation costs. Our ability to pass on such increases in costs in a timely manner depends on market conditions. The inability to pass along cost increases could result in lower gross margins. In addition, higher prices could impact demand for these products, resulting in lower sales volumes. If commodity prices, including the price of oil, were to remain at elevated levels this could result in higher supply and transportation costs, which could have a material adverse effect on our business and results of operations. • Events such as acts of war or terrorism, natural disasters, data security breaches, changes in law, or large losses could adversely affect our insurance coverage and insurance expense, resulting in an adverse effect on our profitability and financial condition. We insure for certain property and casualty risks consisting primarily of physical loss to property, business interruptions resulting from property losses, worker' s compensation, comprehensive general liability, and auto liability. Insurance coverage is obtained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Although we believe that our insurance coverage is reasonable, significant events such as acts of war and terrorism, economic conditions, data security breaches, judicial decisions, legislation, natural disasters and large losses could materially affect our insurance obligations and future expense. Furthermore, the occurrence of an uninsured significant event could materially adversely affect our business and results of operations. • Environmental Matters Under various national, state and local environmental laws and regulations in North America, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substance at such real property. Such laws and regulation often impose liability without regard to fault. We lease all of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances. Although we have not been notified of, and are not otherwise aware of, any material real property environmental liability, claim or non- compliance, there can be no assurance that we will not be required to incur remediation or other costs in connection with real property environmental matters in the future. If such costs were to prove material, our operating results could be adversely affected. Risks Related to Our Company and our Business • Our ability to maintain capacity at and forecast the needs of our warehousing and distribution facilities can impact our business and results of operations. Our ability to maintain available capacity in our distribution operations for stocked inventory and to enable on time shipment and deliveries, such as by timely implementing additional distribution resources, whether in the form of expanded or additional temporary and permanent facilities we operate or by outsourcing certain functions to third- party distribution and logistics partners, is critical to our ability to service our growing business. If we do not accurately forecast our future warehousing and distribution center needs, and then timely plan, fund on budget, launch and efficiently operate new distribution resources and facilities when needed, our operations and financial results could be materially adversely impacted. In addition, expanding and / or enhancing our distribution network would have an adverse impact on operating expenses as a percentage of sales, inventory turnover, and working capital requirements in the periods prior to and for some time following the commencement of operations for each such expansion or enhancement. • We rely on third- party suppliers for our products and services. The loss or interruption of these relationships could impact our sales volumes, the levels of inventory we must carry, and / or result in sales delays and / or higher inventory costs from new suppliers. We purchase a portion of our products from major distributors and directly from large manufacturers who may deliver those products directly to our customers (" drop ship "), as well as from smaller more regional vendors. These drop ship delivery relationships enable us to make available to our customers a wide selection of products without having to maintain large amounts of inventory. The termination or interruption of our relationships with any of these drop ship suppliers could materially adversely affect our business. We purchase a number of our products, particularly private brand and white label products, from vendors located outside of the United States. Raw material costs used in our vendors' products (steel, tungsten, etc.) and energy costs have significantly increased and may continue to increase, which has resulted and may continue to result in increased production costs for our vendors, which they seek to pass along to us. Difficulties encountered by one or several of these suppliers could halt or disrupt production and delay completion or cause the cancellation of our orders. Delays or interruptions in the transportation network could result in loss or delay of timely receipt of product required to fulfill customer orders. Our ability to find qualified vendors who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U. S. In this regard, in response to the tariffs imposed by the U. S. on goods imported from China, we are seeking alternative sources of supply, such as utilizing new vendors in additional countries, which entails various risks, such as identifying, vetting and managing new business relationships, reliance on these new vendors maintaining quality control over their products, and protecting our intellectual property rights **. However, there is no guarantee that the Company will be able to identify, vet, and onboard alternative vendors that provide similar cost, and quality of existing suppliers** . Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, war or other conflicts, outbreaks of pandemics and other factors are beyond our control. These and other issues affecting our vendors could materially adversely affect our revenue and gross profit. • We rely on third- party suppliers for shipping and delivery services and managing the logistics of a distribution business can impact our results of operations and margins. We face certain risks due to our reliance on common carrier delivery services for shipping inventoried merchandise to customers and our reliance on drop ship deliveries directly to customers by our product vendors for products we do not hold in inventory (such as freight cost increases, timely delivery and customer service, delays due to work stoppages, etc.). We also must effectively manage our ability to maintain available capacity in our distribution operations for stocked inventory and to enable on time shipment and deliveries, such as by timely implementing additional or alternative distribution resources, whether in the form of additional facilities we operate or by outsourcing certain functions to third- party distribution and logistics partners. Increases in freight and shipping costs charged to us by third parties could adversely affect our margins to the extent the increases cannot be passed along to customers, and factors affecting the shipping and distribution of products imported to the United States by us or our domestic vendors, such as a shortage in global availability of shipping containers, port congestion and global logistical delays and pandemic related labor shortages, have in the past and could in the future adversely affect the timely availability of products, resulting in delayed or lost sales, as well as adversely affecting our margins. The fuel costs of our independent freight companies have been volatile. Our vendors and independent freight carriers typically look to pass increased costs along to us through price increases. When we are forced to accept these price increases, we may not be able to pass them along to our customers, resulting in lower margins. • Changes in our customer, product, vendor, sourcing or channel sales mix, or failure to execute on competitive pricing programs designed to increase market share and / or customer velocity, including the use of free or reduced freight incentives, could cause our gross margin and ultimately operating margins to decline; failure to mitigate these pressures could adversely affect our operating results and financial condition. Our gross margins are dependent on variables such as customer, product and vendor mix, including sourcing and category, pricing strategies implemented to increase market share and customer velocity, including the use of free or other promotional freight plans and other variables, any or all of which could result in fluctuations or declines in our gross margins. Decisions to drop ship rather than stock products in our distribution centers, decisions to offer private brand alternatives or branded offerings, price changes by manufacturers, and pricing actions taken in response to competitors, as well as a continuation of our customers' shift to lower- priced products could also adversely affect our gross margins. • We rely to a great extent on our information and telecommunications systems, and significant system failures or outages, or our failure to properly evaluate, upgrade or replace our systems, or the failure of our security / safety measures to protect our systems and websites, could have an adverse effect on our results of operations. We rely on a variety of information and telecommunications systems including internally developed software, third- party purchased software and third- party cloud- based software in order to manage our business, including our customer, vendor, employee, facilities, finance, management and corporate operations. Our success is dependent in large part on the accuracy and proper use of our information systems, including our telecommunications systems, which are utilized in all aspects of our business. To manage our growth, we need to continually evaluate the effectiveness and adequacy of our existing systems and procedures to ensure they are keeping pace with changes in our business. These systems, whether internally developed, purchased or cloud- based may need to be modified, upgraded or replaced from time to time. System modifications, upgrades or replacements involve costs as well as the risk of implementation delays and not operating as intended. We rely on third parties such as telecommunication carriers, internet service providers and our own employees to provide the technology services and expertise on which we depend. There are risks that third parties may incur outages or circumstances where they cannot provide the services we require as intended or that our employees do not have the expertise to remediate system outages or technical problems that may arise. We have experienced some delays and operational problems in implementing new IT systems in the past. We anticipate that we will regularly need to make capital expenditures to upgrade and modify our management information systems, including software and hardware, as we grow and the needs of our business change. We have disaster recovery systems and system backups are routinely done for certain critical systems, but not for every system. The occurrence of a significant system failure, electrical or telecommunications outages or our failure to ensure our IT employees are properly trained and technically proficient, or that our systems are adequate, effective and beneficial to our business, or our failure to expand or successfully implement new systems could have a material adverse effect on our results of operations. • Use of Cloud- Based Systems and Infrastructure Provided by Third Parties Present Significant Risks to Our Business. Certain of our operating systems and management information systems resources and storage reside on a leading cloud- based platform operated by a well- known third- party provider of technology services. This managed cloud- based platform is operated on a " infrastructure as a service " (" IAAS ") model. Accordingly, exposure to third- party service outages and data loss, or a failure of the network or loss of connectivity can adversely affect our business. In addition, since the data resides on the cloud, we and our customers are forced to rely on the physical and information security of the vendor to protect their valuable information. There can be no assurance that the cloud- based systems on which we rely will not experience such outages or failures or that data privacy / information security will not be breached. • Data and security breaches, and other disruptions in our information technology systems, could compromise confidential or private information and expose us to liability, which could cause our business and reputation to suffer. Our operations are dependent upon information technology that encompasses all of our major business functions. We use our information systems to, among other things, monitor our supply chain, make purchasing decisions, manage and replenish inventories, coordinate our sales and marketing activities, fill and ship customer orders on a timely basis and to monitor and record our financial transactions and results of operations. These systems also process, transmit and store sensitive electronic data, including employee personal information, supplier and customer records, allow vendors and customers to register on our portals and websites, as applicable, or otherwise allow third parties to communicate or interact with us. In addition, we depend on IT systems of third parties, to, among other things, market and distribute products, to operate our websites, host and manage our services, store data, and process transactions. We may share information with these third parties that participate in certain aspects of our business, and we obtain external auditor certification on the controls and security of any significant outsourced service provider according to the SSAE 18 standard. However, there is always a risk that the confidentiality of data held or accessed by them may be compromised. In processing our sales orders, we often collect personal information and transmit credit card information of our customers. If there was a security breach resulting in unauthorized access to or use of such information, we could be subject to claims for identity theft, unauthorized purchases and claims alleging misrepresentation of our privacy and data security practices or other related claims. While the Company believes it conforms to appropriate Payment Card Industry (" PCI ") security standards, any breach involving the loss of credit card information may lead to significant PCI related fines. In the event of a severe breach, credit card providers may prevent our accepting of credit cards. We measure our data security effectiveness through industry accepted methods and remediate significant findings. We maintain and routinely test backup systems and disaster recovery, along with external network security penetration testing by an independent third- party as part of our business continuity preparedness. We also have processes in place to prevent disruptions resulting from the implementation of new software and systems of the latest technology. We have implemented solutions, processes, and procedures to help mitigate the risk of cyber- attacks, such as conducting annual vulnerability testing, identifying remediation initiatives and establishing emergency response plans, but there can be no assurance these efforts will successfully deter future cyber- attacks. Our **Audit Committee** ~~Board of Directors~~ is responsible for oversight of the activities of our IT department (which reports to our **Senior Vice President** ~~Chief Executive Officer)~~ and ~~receives periodic presentations from our~~ Chief Information Officer **(" CIO")) and receives quarterly reports from our CIO** that cover, among other things, ~~data security~~ **cybersecurity threats, mitigation measures,** and ~~cyber liability matters~~ **preventative procedures and software** . Although our IT systems are protected through various network security measures, our facilities and systems, and those of our third- party service providers with which we do business, may nevertheless be vulnerable to security breaches, cyber- attacks (any adverse event that threatens the confidentiality, integrity or availability of our information resources) vandalism, power outages, natural disasters, computer system failures, telecommunication or network failures, computer viruses, malware, misplaced or lost data, programming and / or human errors or other similar events. From time to time, we have experienced efforts by unknown persons, including " bots ", to access or breach our information systems, and these efforts can be expected to continue in the future. Furthermore, the ongoing military ~~conflict~~ **conflicts** between Ukraine and Russia ~~,~~ **and in the Middle East** and the potential for retaliatory acts of cyberwarfare from Russia **or other state or non- state actors** against U. S. companies ~~in response to increasing sanctions on Russia~~ could result in increased cyber- attacks against us. While we have successfully defended against such efforts in the past, there can be no assurance we will be able to protect sensitive data and / or the integrity of the Company' s information systems and to defend against such efforts in the future. Any security breach involving the misappropriation, loss or other unauthorized disclosure of our confidential information or confidential information of our customers, employees, or suppliers, whether by us or by our third- party service providers, could disrupt our business, expose us to risks of litigation (such as customer or third- party claims that their data has been compromised) and liability, result in a loss of assets or cause reputational damage, and otherwise have a material adverse effect on our operations and financial condition. Any substantial disruption of our systems could impair our ability to process orders, maintain proper levels of inventories, manage customer billings and collections, prepare and present accurate financial statements and related information, and otherwise materially adversely affect our ability to manage our business. We maintain cyber liability risk insurance, but this insurance may not be sufficient to cover all of our losses from any future breaches of our systems, or to cover the cause of the future specific situation / loss at hand. In addition, as privacy and information security laws and standards evolve, we may need to incur significant additional investment in technology and other processes to meet new legal requirements. • **We have identified material weaknesses in our internal control over financial reporting associated with certain Information Technology General Controls (ITGCs). If we are unable to remediate this, or otherwise fail to maintain proper and effective internal controls, our ability to produce timely and accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business, our stock price and access to the capital markets. As a public company, we are required to establish and periodically evaluate and assess procedures with respect to our internal control over financial reporting. In connection with our year- end assessment as part of this Annual Report, we determined that, as of December 31, 2023, we did not maintain effective internal control over financial reporting due to material weaknesses we identified in the design and operation of certain ITGCs relevant to our key accounting, reporting, and proprietary information technology (IT) systems, as more fully described in Item 9A," Controls and Procedures" of this Form 10- K. These material weaknesses did not result in any identified misstatements to the financial statements, and there were no changes to previously issued financial results. However, if we are unable to remediate this matter we cannot guarantee this will be the case in future periods. While we are in the process of implementing changes to remediate the material weaknesses identified, we cannot be certain as to when remediation will be complete or if the remediation efforts will be successful. Further, remediation efforts may place a significant burden on management and add increased pressure to our financial and IT resources and processes. As a result, we may not be successful in making the improvements necessary to remediate the material weaknesses identified by management in a timely manner or in identifying and remediating additional control deficiencies, including material weaknesses, in the future. Any failure to remediate the material weaknesses identified, or the development of new material weaknesses in our internal control over financial reporting, could result in material misstatements in our financial statements and cause us to fail to meet our reporting and financial obligations, which in turn could have a negative impact on our financial condition, results of operations or cash flows and cause a decline in the market price of our stock. •** Our foreign product procurement operations are subject to risks such as foreign regulatory trade and customs requirements such as the tariffs and duties matters discussed above, and the political and economic conditions of the jurisdictions from which we procure products. Because we sell products all across North America and procure product from abroad, including from China, we operate internationally and as a result, we are subject to risks associated with doing business globally, such as risks related to the differing legal, political and regulatory requirements and economic conditions of many jurisdictions. Risks inherent to operating internationally include: • Changes in a country' s economic or political conditions; • Tariff and trade uncertainties; • Changes in foreign currency exchange rates; • Difficulties with staffing and managing international relationships; • Unexpected changes in regulatory requirements; • Changes in transportation and shipping costs; and • Enforcement of intellectual property rights. The functional currencies of our businesses outside of the U. S. are the local currencies. Changes in exchange rates between these foreign currencies and the U. S. Dollar will affect the recorded levels of our assets, liabilities, net sales, cost of goods sold and operating margins and could result in exchange gains or losses. The primary currencies to which we have exposure are the Canadian Dollar and the Indian Rupee. Our operating results and profitability may be affected by any volatility in currency exchange rates and our ability to manage effectively our currency transaction and translation risks. For example, we currently have operations located in countries outside the United States, and non- U. S. sales accounted for approximately ~~6~~ **5** . ~~2~~ **3** % of our net sales from continuing operations during ~~2022~~ **2023** . To the extent the U. S. dollar strengthens against foreign currencies, our foreign revenues and profits will be reduced when translated into U. S. dollars. • We are exposed to various inventory risks, such as being unable to profitably resell excess or obsolete inventory and / or the loss of product return from our vendors; such events could lower our gross margins or result in inventory write- downs that would reduce reported future earnings. Our inventory is subject to risk due to changes in market demand for particular products. If we fail to manage our inventory of older products we may have excess or obsolete inventory. We may have limited rights to return purchases to certain suppliers. The elimination of purchase return privileges could lower our gross margin or result in inventory write- downs. We also take advantage of attractive product pricing by making opportunistic bulk inventory purchases; any resulting excess and / or obsolete inventory that we are not able to re- sell could have an adverse impact on our results of operations. Any inability to make such bulk inventory purchases may significantly impact our sales and profitability. • Concentration of Ownership and Control Limits Stockholders Ability to Influence Corporate Actions. Richard Leeds, Robert Leeds, and Bruce Leeds (each are brothers and directors and executive officers of the Company), together with trusts for the benefit of certain members of their respective families and other entities controlled by them, control approximately 66. ~~4~~ **2** % of the voting power of our outstanding common stock. Due to such holdings, the Leeds brothers together with these trusts and entities are able to determine the outcome of virtually all matters submitted to stockholders for approval, including the election of directors, the appointment of management, amendment of our articles of incorporation, significant corporate transactions (such as a merger or other sale of our company or our assets), the payments of dividends on our common stock and the entering into of extraordinary transactions. Under NYSE rules, as a company of which more than 50 % of the voting power is held by an individual, group or another company is a " controlled company " and may elect not to comply with certain NYSE corporate governance standards, including the requirements (1) that a majority of its board of directors consist of independent directors, (2) that its board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities and (3) that its board of directors have a nominating and corporate governance committee that is comprised entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities. As a ~~"~~ controlled company ~~"~~ , **we currently rely on** ~~the Company has elected to opt- out of the first of these~~ -- **the** ~~. The Company does however~~ **exemption from the requirement that the majority of our board of directors consist of independent directors, and although we** currently have an independent Compensation Committee and **Nominating /** Corporate Governance ~~and Nominating~~ Committee **, as long as the we remain a " controlled company, " we may elect in the future to take advantage of any of these other exemptions. Accordingly, our common stock may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements** . • Risk of Thin Trading and Volatility of our Common Stock Could Impact Stockholder Value Our common stock is currently listed on the NYSE and is thinly traded. Volatility of thinly traded stocks is typically higher than the volatility of more liquid stocks with higher trading volumes. The trading of relatively small quantities of shares of common stock by our stockholders may disproportionately influence the price of those shares in either direction. This may result in volatility in our stock price and could exacerbate the other volatility- inducing factors described below. The market price of our common stock could be subject to significant fluctuations as a result of being thinly traded. • Goodwill and intangible assets may become impaired resulting in a charge to earnings. The Company ~~has made~~ **' s** ~~acquisitions~~ - **acquisition of Indoff** in **May 2023** ~~the past and these acquisitions~~ resulted in the recording of significant intangible assets and ~~/ or~~ goodwill **totaling approximately $ 64. 8 million** . We are required to test goodwill and intangible assets annually to determine if the carrying values of these assets are impaired or on a more frequent basis if indicators of impairment exist. If any of our goodwill or intangible assets are determined to be impaired, we may be required to record a significant charge to earnings in the period during which the impairment is discovered. ~~Although the~~ **The consolidated** carrying amounts of **goodwill and** intangible assets ~~and goodwill~~ are ~~relatively small~~ **$ 69. 3 million** as of December 31, ~~2022~~ **2023** ~~, to the extent the Company makes acquisitions in the future there could again be material amounts of such assets recorded and subject to future impairment testing~~ . • Our business is dependent on certain key personnel ~~, including the recent engagement of new senior executives~~ . Our business depends largely on the efforts and abilities of certain key senior management employees. Recruiting and retaining qualified personnel is and will continue to be critical to our success. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with sufficient skills and experience required to successfully run our business. We may be unable to hire, train, retain, or motivate these key personnel on acceptable terms given the intense competition among numerous companies for similar personnel. Our inability to attract and retain such personnel could have a material adverse effect on our business and financial results. • We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our results of operations and business. From time to time, we are involved in lawsuits or other legal proceedings arising in the ordinary course of our business. These include patent, trademark or other intellectual property matters, employment law matters, states sales tax claims on internet / e- commerce transactions, product liability, commercial disputes, consumer sales practices, or other matters. In addition, as a public company we could from time to time face claims relating to corporate or securities law matters. The defense and / or outcome of such lawsuits or proceedings could have a material adverse effect on our business. See " Legal Proceedings ". • We exited our ~~France business in 2018 and our~~ North American Technology Products Group (" NATG") business in 2015 and could incur costs in excess of our estimated exit expenses. The Company has ~~completed the wind- down activities related to the sale of the France business, but may incur additional charges related to statutory tax and other indemnities given at closing. The Company has~~ substantially completed the wind- down activities related to the NATG business, although certain NATG activities related to sublet facilities continue. The Company expects that total additional NATG exit costs incurred during ~~2023~~ **2024** or later may aggregate up to $ 0. 5 million, which will be presented in discontinued operations. ~~There can~~ **In 2023, we executed a sublease agreement for the full remaining term of the lease. In the event, the sub lessee is unable to fulfill its obligations, we would** be ~~no assurance~~ **responsible for** the **remaining rents due under the** ~~Company will be able to timely exit its existing NATG~~ lease ~~commitments at currently recorded cost levels. Failure to achieve these expectations will result in increased cash exit costs for the Company~~ . • We may encounter difficulties with acquisitions **, including our recent Indoff acquisition,** and other strategic transactions which could harm our business. We expect to pursue acquisitions and other strategic transactions that we believe will either expand or complement our business in new or existing markets or further enhance the value and offerings we are able to provide to our existing or future potential customers. Acquisitions and other strategic transactions involve numerous risks and challenges, including the following: • diversion of management' s attention from the normal operation of our business; •

potential loss of key associates and customers of the acquired companies; • difficulties managing and integrating operations in geographically dispersed locations; • the potential for deficiencies in internal controls at acquired companies; • increases in our expenses and working capital requirements, which reduce our return on invested capital; • lack of experience operating in the geographic market or industry sector of the acquired business; and • exposure to unanticipated liabilities of acquired companies **. On May 19, 2023 the Company acquired 100 % of the outstanding equity interests of Indoff. There can be no assurance that such integration will occur on the expected timeframe or at all, or that we will realize the anticipated benefits and synergies from this or any other future acquisition. Furthermore, our estimates regarding the earnings, operating cash flow, capital expenditures and liabilities resulting from this or any future acquisition may prove to be incorrect** . To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of this integration may be further complicated by geographic distances. The integration of acquired businesses **, including Indoff,** may not be successful may take longer or be more difficult, time- consuming or costly to accomplish than anticipated and could result in disruption to other parts of our business. These and other factors could harm our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our consolidated business and operating results and could result in disruption to other parts of our business. • Our operations are subject to the effects of a rising rate of inflation. ~~The United States has recently experienced historically high levels of inflation. According to the U. S. Department of Labor, the annual inflation rate for the United States was approximately 6. 5 % for the twelve months ended December 31, 2022.~~ Inflationary pressures have increased our costs **in** ~~, including for those~~ -- **the past** ~~for transportation~~ and ~~labor~~ **may again in the future** . To the extent we are unable to offset these cost increases through higher prices or other measures, our operating results may be adversely affected. • Changes in accounting standards or practices, as well as new accounting pronouncements or interpretations, may require us to account for and report our financial results in a different manner in the future, which may be less favorable than the manner used historically. A change in accounting standards or practices can have a significant effect on our reported results of operations. New accounting pronouncements and interpretations of existing accounting rules and practices have occurred and may occur in the future. Changes to existing rules may adversely affect our reported financial results.