Risk Factors Comparison 2024-03-13 to 2023-03-16 Form: 10-K

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

RISKS RELATING TO OUR BUSINESS Acquisitions, strategic alliances and other investments...... negatively affect demand for our products. We face competition that could prohibit us from developing or increasing our customer base. ~~The~~ **Both the** specialty gardening and hydroponic ~~product~~ industry ~~is~~ **and storage solutions industry are** highly competitive. ~~More established gardening companies~~ **Companies** with much greater financial resources which do not currently compete with us may be able to ~~easily~~ adapt their existing operations to sales of **gardening and** hydroponic ~~growing equipment~~ **products or storage products** . Our competitors may also introduce new **competitive products** ~~hydroponic growing equipment~~ , and manufacturers may sell ~~equipment~~ **products** direct to consumers. Due to this competition, **we may** ~~there is no assurance thatwe will not~~ encounter difficulties ~~in~~ **maintaining or** increasing revenues **or profits. If we underestimate or overestimate demand for our products** and **do not** ~~maintaining~~ --- **maintain** ~~and /~~ **appropriate inventory levels,** ~~or~~ **our** ~~increasing~~ **net sales, working capital, or profitability could be negatively impacted. In determining the required quantities of our products, we must make judgments and estimates based on production capacity, timing of shipments, inventory levels,** market **trends** ~~share. In addition, increased competition may lead to reduced prices~~ and ~~/~~ **other factors. Because of the inherent nature of estimates, there could be significant differences between** ~~or~~ **our estimates and the actual amounts of products we require, which could negatively impact our net sales, profit** margins **, net earnings, working capital,** ~~for~~ - **or cash flow** ~~products we sell. As a public company~~ , **hinder** ~~we are obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock. Section 404 of the Sarbanes- Oxley Act of 2002 and the related rules and regulations of the SEC require an annual management assessment of the effectiveness of our internal control over financial reporting. We have hired additional accounting and financial staff, and leveraged outside resources, with appropriate public company experience and technical accounting knowledge to compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. During the evaluation and testing process of our internal controls, we identified material weaknesses in our internal control over financial reporting and are therefore unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit~~ our ability to ~~accurately report~~ **meet customer demand,** ~~our~~ - **or cause us** ~~financial condition or results of operations. If we are unable~~ to ~~conclude that~~ **incur excess** ~~our~~ - **or obsolete** ~~internal control over financial reporting is effective, or if our independent registered public accounting firm determines that we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor~~ **inventory charges** ~~confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets~~ . We identified material weaknesses in our internal control over financial reporting, and if we are unable to achieve and maintain effective internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected **, along with investor confidence in our company and, as a result, the value of our common stock. Section 404 of the Sarbanes- Oxley Act of 2002 and the related rules and regulations of the SEC require an annual management assessment of the effectiveness of our internal control over financial reporting. We have hired additional accounting and financial staff, and leveraged outside resources, with appropriate public company experience and technical accounting knowledge to compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404** . As part of management' s independent assessment **as of December 31, 2023** , we identified material weaknesses in our internal control over financial reporting and our independent registered public accounting firm issued an adverse opinion on internal control over financial reporting. **We are therefore unable to certify that our internal control over financial reporting is effective.** 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 our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Our management identified certain material weaknesses as discussed in Item 9A of this report. These material weaknesses could result in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected **on a timely basis. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our consolidated financial statements and cause us to fail to meet our reporting obligations. Because we are unable to conclude that our internal control over financial reporting is effective, and our independent registered public accounting firm determined that we have material weaknesses and significant deficiencies in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to capital** . We have taken several actions towards remediating these material weaknesses as discussed in Item 9A of this report. Although we have taken steps to address the material weaknesses, we are still in the process of completing the remediation and the steps we are taking may not be sufficient to remediate our material weaknesses or prevent future material weaknesses or significant deficiencies from occurring. We can give no assurance that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Our failure to implement and maintain effective...... to control COVID- 19 continue. We may not successfully develop new products or improve existing products, or successfully manage various risks that we may be exposed to in connection with our proprietary brand offerings. We expect to continue to grow our portfolio of proprietary brand offerings and have invested in development and procurement resources and marketing efforts relating to our proprietary brand offerings to meet evolving consumer needs and regulatory requirements. We may not be successful in developing, manufacturing **,** and marketing new products or product innovations that satisfy consumer needs or regulatory requirements in a timely manner. If we fail to successfully develop, manufacture **,** and market new products or product innovations, or if we fail to reach existing and potential consumers, our ability to maintain or grow our market share may be adversely affected, which in turn could ~~materially~~ adversely affect our business, financial condition **,** and results of operations. In addition, the development and introduction of new products and product innovations require development and marketing expenditures, which we may not recoup if such new products or innovations do not achieve market acceptance. Although we believe that our proprietary brand products offer value to our customers at each price point and provide us with higher gross margins than comparable third- party branded products we sell, the expansion of our proprietary brand offerings also subjects us to certain specific risks in addition to those discussed elsewhere in this section, such as: • Potential mandatory or voluntary product recalls; • Increased regulatory compliance burdens **,** and potential product liability exposure; • Potential competition with our vendors' products, which may adversely affect our vendor relationships; • Our ability to successfully obtain, maintain, protect **,** and enforce our intellectual property and proprietary rights (including defending against counterfeit, grey- market, infringing **,** or otherwise unauthorized goods); and • Our ability to successfully navigate and avoid claims related to the proprietary rights of third parties. ~~Third parties may initiate legal proceedings alleging that we~~ **A significant interruption in the operation of our or our suppliers' facilities could impact our capacity to produce products and service our customers, which could adversely affect revenues and earnings. Operations at our suppliers' facilities** are ~~infringing~~ **subject to disruption for a variety of reasons, including fire, flooding, or** ~~their~~ - **other natural disasters** ~~intellectual property rights~~ , **disease outbreaks or pandemics, acts of war, terrorism, government shut- downs, and work stoppages. A significant interruption in the operation of our suppliers' facilities, especially for** ~~the~~ **those** ~~outcome~~ **products manufactured at a limited number** of **facilities, such as our proprietary brand products, could significantly impact our capacity to sell products and service our customers in a timely manner,** which ~~would be uncertain and~~ could have a material adverse effect on **our customer relationships, revenues, profits, and financial position. The manufacture of some of our products is complex and requires precise, high- quality manufacturing that is difficult to achieve. We have in the past, and may in the future, experience difficulties in manufacturing our products on a timely, cost- effective basis and in sufficient quantities. Our failure to achieve and maintain the required high manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals, increased warranty costs, or** ~~the~~ **other** ~~success of~~ **problems that could harm** our business **and prospects** . ~~As a~~ **Disruptions in availability or prices of materials sourced by suppliers could adversely affect our** ~~result~~ **results** of ~~building~~ **operations. We** and ~~continuing to build~~ **our suppliers source products and components thereof from both inside and outside the U. S. The general availability and price of those products and components can be affected by forces beyond our control, including political instability, armed conflict, laws and regulations, duties and tariffs, price controls, currency fluctuations, and weather. A significant disruption in the availability of any of our key products** ~~our~~ - **or** ~~proprietary brands~~ **components thereof could negatively impact our business. In addition, increases in the prices of key commodities** and ~~new~~ **other materials could adversely affect our ability to manage our cost structure. Market conditions may limit our ability to raise selling prices to offset increases in** product ~~technologies, we may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property or proprietary rights with respect to our~~ - **or raw material costs** ~~products and technology, including proceedings before the U~~ . ~~S. Patent and Trademark Office and / or~~ **For** ~~non- U. S. opposition proceedings. A successful claim of trademark, patent or other intellectual property or proprietary right infringement, misappropriation or other violation against us, or any other successful challenge to the use of our intellectual property and proprietary rights, could subject us to damages or prevent us from providing~~ certain products ~~or services~~ , **new sources** ~~or using certain~~ of **supply may be difficult to locate** ~~our~~ - **or** ~~recognized brand names~~ **have to be qualified under regulatory standards** , which ~~could have~~ **can require additional investment and delay bringing** a ~~material~~ **product to market. Economic conditions could** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our business ~~, financial~~ **. Uncertain economic** ~~condition~~ **conditions** ~~and results of operations. As a result of any such infringement claims~~ , **both** or other intellectual property claims, regardless...... or to develop alternative methods or products in ~~response to infringement or other intellectual property claims or to avoid potential claims, we could incur substantial costs, encounter delays in product introductions or interruptions in sales. If our owned or in- licensed trademarks and trade names are not adequately protected, then~~ - **the U** ~~we may not be able to build name recognition in our markets of interest and our business may be adversely affected~~ . **S** ~~The registered or unregistered trademarks, trade names and service marks that we own or in- license from third parties may be challenged, infringed, circumvented, declared generic or determined to be infringing on or dilutive of other marks~~ . ~~Additionally, at times, competitors may adopt trademarks, trade names or service marks similar to the ones we own or in- license, thereby impeding our ability to build brand~~ -- **and globally** ~~identity and possibly leading to market confusion. In addition~~ , **driven** ~~there could be potential trademark, trade name or service mark infringement claims brought against us or our licensors~~ by **circumstances** ~~owners of other trademarks, trade names and service marks. If we are unable to establish name recognition based on our owned and in- licensed trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. We may also license our trademarks, trade names and service marks out to third parties,~~ such as ~~our distributors.~~

~~Though~~ **rising interest rates, uncertainty around cannabis reforms at** ~~these~~ -- **the federal level** ~~license agreements may provide guidelines for how our trademarks~~ , ~~trade names~~ and **armed conflict abroad** ~~service marks may be used~~ , ~~a breach of these agreements or misuse of our trademarks, trade names and service marks by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Any efforts to enforce or protect our intellectual property and proprietary rights related to trademarks, trade names and service marks may be ineffective and could result in substantial costs and diversion of resources and~~ could adversely affect our business ~~, financial condition, results of operations and prospects~~ . ~~Compliance with~~ **Negative global economic trends** , **such as decreased consumer and business spending, high inflation and interest rates, and declining consumer and business confidence, pose challenges to** ~~or~~ **our business** ~~violation of, environmental, health~~ and ~~safety laws and regulations, including laws pertaining to the use of pesticides,~~ could result in **declining revenues, profitability, and cash flow. Although we continue to devote** significant **resources** ~~costs that adversely impact our reputation, businesses, financial position, results of operations and cash flows. International, federal, state, provincial and local laws and regulations relating~~ to ~~environmental~~ **support our brands** , ~~health and safety matters~~ **unfavorable economic conditions may negatively** affect us in several ways in light of...... claims may result in: • decreased demand for **our** products ~~that we may offer for sale; • injury to our reputation; • costs to defend the related litigation; • a diversion of management' s time and our resources; • substantial monetary awards to trial participants or patients; • product recalls, withdrawals or labeling, marketing or promotional restrictions; and • a decline in our stock price. We do not maintain any product liability insurance. Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products we developed. Even if we obtain product liability insurance in the future, we may have to pay amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts~~ . Our operations may be impaired if our information technology systems, or those of our third- party vendors, fail to perform adequately **,** or if we or our third- party vendors are the subject of a data breach or cyber- attack. We rely on information technology systems to ~~conduct~~ **operate our** business, including communicating with employees ~~and our distribution centers~~ , ordering and managing materials from suppliers, selling and shipping products to ~~retail~~ customers ~~and~~ **,** analyzing and reporting results of operations, **and** ~~as well as for~~ storing ~~sensitive, personal and other~~ confidential information. While we have taken steps to ensure the functionality and security of our information technology systems, our measures or those of our third- party vendors may not be effective and our or our ~~third- party~~ vendors' systems may nevertheless be vulnerable to computer viruses, security breaches **,** and other disruptions from unauthorized users, as well as failures of such systems to operate as expected. In addition, as we replace or upgrade our technology systems, or integrate new systems, issues may arise, such as failure of such systems to perform as expected, that disrupt our business and cause us to **lose customers or** incur unanticipated expenditures. If our or our third- party vendors' information technology systems are damaged or cease to be available or function properly, whether as a result of a ~~significant~~ cyber incident or otherwise, our ability **to operate our business, including** to communicate, coordinate supply chain, inventory **,** and ordering, manage internal and external reporting, and **protect confidential information** ~~operate quality controls and internal controls~~ could be ~~significantly~~ impaired, which may adversely impact our business. Additionally, the techniques used to obtain unauthorized, improper **,** or illegal access to information technology systems are constantly evolving, may be difficult to detect quickly **,** and often are not recognized until after they have been launched against a target. We may be unable to anticipate these techniques, react in a timely manner **,** or implement adequate preventative or remedial measures. Any operational failure or breach of security from these ~~increasingly sophisticated~~ cyber threats could lead to the loss or disclosure of ~~both~~ **our** ~~our~~ - **or** ~~and~~ third- party information, which could result in expensive and time- consuming regulatory or other legal proceedings and have a material adverse effect on our business and reputation. In addition, we may incur significant costs and operational consequences **related to** ~~in connection with~~ investigating, mitigating, remediating, eliminating **,** and putting in place additional tools and devices designed to prevent future ~~actual or perceived~~ security incidents, as well as in connection with complying with any notification or other obligations resulting from any security incidents. Because we do not control our third- party vendors, or the processing of data by our third- party vendors, our ability to monitor our third- party vendors' data security is limited and we cannot ensure the integrity or security of the measures they take to protect and prevent the loss of our or our consumers' data. As a result, we are subject to the risk that cyber- attacks on, or other security incidents affecting, our third- party vendors may adversely affect our business even if an attack or breach does not directly impact our systems. ~~local laws and regulations relating to environmental,health,and safety matters affect~~ us in several ways in light of the ingredients that are used in ~~our~~ products ~~,including~~ **included in our** growing media ~~,~~ **and** nutrients **product lines** ~~,and additives~~ .In the U.S., ~~certain~~ products ~~such as those~~ containing pesticides **generally** must be registered with the Environmental Protection Agency (" EPA") **,** and similar state agencies before they can be sold or applied. ~~These~~ -- **The failure by us or one of our business relationships to obtain or the cancellation of any such registration,or the withdrawal from the marketplace of such pesticides,could have an adverse effect on our businesses,the severity of which would depend on the** products **involved,whether other products could be substituted and whether our competitors were similarly affected.The pesticides we use** are either granted a ~~registration~~ **license** by the EPA or exempt from such a ~~registration~~ **license** and may be evaluated by the EPA as part of its ongoing exposure risk assessment.The ~~failure by us or one of~~ **EPA may decide that a pesticide we distribute will be limited** ~~our~~ - **or will not be re** ~~business relationships to obtain,or the cancellation or non~~ - **registered** ~~renewal of,any such registration,or~~ **for use in** ~~the withdrawal from the marketplace of such products,could have an adverse effect on our businesses,the severity of which would depend on the products involved,whether other~~ -- **the U.S** ~~products could be substituted,and whether our competitors were similarly affected~~ .We cannot predict the outcome or the severity of the effect on our business of **any** future evaluations,if any,conducted by the EPA.In addition,certain of our **pesticide** products are subject to complex and overlapping laws and regulation by various international,federal,state,provincial ~~,~~ and local environmental and public health agencies.Even if we are able to comply with all such laws and regulations and obtain all necessary registrations and licenses,the **pesticides or other** products could nonetheless be alleged to cause injury to the environment,to people ~~,~~or to animals,or such products could be banned in certain circumstances.The costs of compliance,noncompliance,investigation,remediation,combating reputational harm ~~,~~or defending civil or criminal proceedings,products liability,personal injury ~~,~~or other lawsuits could have a material adverse impact on our reputation,businesses,financial position,results of operations ~~,~~and cash flows.If product liability lawsuits are brought against us,we may incur substantial liabilities.We face a potential risk of product liability as a result of any of the products that we offer for sale.For example,we may be sued if any product we sell allegedly causes injury or is found to be otherwise unsuitable during product testing,manufacturing,marketing ~~,~~or sale.Any such product liability claims may include allegations of defects in manufacturing,defects in design,a failure to warn of dangers inherent in the product,negligence,strict liability ~~,~~and a breach of warranties.Claims could also be asserted under state consumer protection acts.If we cannot successfully defend ourselves against product liability claims,we may incur substantial liabilities.Even successful defense could require significant financial and management resources.Regardless of the merits or eventual outcome,liability claims may result in:• ~~Decreased~~ **decreased** ~~demand for products~~ Cost- cutting measures could be insufficient to drive profitability and could have unanticipated negative consequences, including hindering strategic initiatives and future growth of our business. In response to a significant and prolonged industry downturn, **we have** ~~the Company has~~ undergone ~~and expects to continue to undergo~~ various cost- cutting measures, including store consolidations and staffing reductions. While management believes such measures are prudent to improve **our financial position and** results **of operations** , they may not **achieve** ~~be sufficient to return the~~ **their** ~~Company to~~ **anticipated impact on** profitability. In addition, cost- cutting measures may have unanticipated negative consequences, such as customer and employee attrition. Reducing costs also means fewer resources are available for strategic initiatives and operational improvements to support future growth ~~once demand recovers~~ , such as improvements to supply chain operations and information technology systems, which could have a negative impact on our business and results of operations ~~.~~ We extend credit to customers in the ordinary course of our business in the form of accounts receivable and promissory notes.We seek to ensure our customers are creditworthy before extending credit,but we cannot guarantee that we will receive repayment in full.The industries we serve are also newer and more fragmented,and some of our counter parties are smaller and / or newer businesses and therefore may be higher credit risk.In addition,we may seek to strategically deploy capital in new markets,or with new business partners.Such new markets or partners may **present** . We may be required to record impairment charges against the carrying value of our goodwill and other intangible assets in the future. We are required to test for impairment of the carrying value of our goodwill and intangible assets at least annually and whenever evidence of impairment exists. We have recorded impairment charges in the current year. We may be required in the future to record additional impairment charges that could have a material adverse effect on our reported results. **The estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could prove inaccurate. The preparation of our consolidated financial statements in accordance with generally accepted accounting principles (" GAAP") requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues, and expenses, the amounts of charges accrued by us, and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We cannot assure, however, that our estimates, or the assumptions underlying them, will not change over time or otherwise prove inaccurate. Any potential litigation related to the estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could have a material adverse effect on our financial results, harm our business, and cause our share price to decline.** We occupy many of our facilities under long- term **,** non- cancellable leases, and we may be unable to renew our leases at the end of their terms. Many of our facilities ~~and distribution centers~~ are located on leased premises subject to non- cancellable leases. Typically, our leases have initial terms ranging from three to ten years, with options to renew for specified periods of time. We believe that our future leases will likely also be long- term and non- cancellable and have similar renewal options. If we close or stop fully utilizing a facility, we will most likely remain obligated to perform under the applicable lease, which would include, among other things, **paying** ~~making the~~ base rent ~~payments~~ , ~~and paying~~ insurance, taxes **,** and other expenses ~~on the leased property~~ for the remainder of the lease term. Our inability to terminate a lease when we **close or** stop fully utilizing a facility ~~or exit a market~~ can have **an** ~~a significant~~ adverse impact on our financial condition, operating results **,** and cash flows. In addition, at the end of the lease term and any renewal period for a facility, we may be unable to renew the lease without substantial additional cost, if at all. If we are unable to renew our facility leases, we may close or relocate a facility, which could subject us to construction and other costs and risks, which in turn could have a material adverse effect on our business and operating results. Further, we may not be able to secure a replacement facility in a location that is as commercially viable ~~, including access to rail service~~ . Having to close a facility, even briefly to relocate, could reduce the sales that such facility would have contributed to our revenues. ~~The estimates~~ **Public health emergencies** and **efforts** ~~judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could prove inaccurate. The preparation of our consolidated financial statements in accordance with GAAP requires us~~ to **mitigate** ~~make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other~~ - **their impact may** ~~assumptions that we believe to be reasonable under the circumstances. We cannot assure, however, that our estimates, or the assumptions underlying them, will not change over time or otherwise prove inaccurate. Any potential litigation related to the estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could~~ have **an** ~~a material~~ adverse effect on our **business, liquidity, results of operations, and** financial **condition and the price of our securities. Public health emergencies, such as the one involving the novel strain of coronavirus, or COVID- 19, including mutations and variants thereof, and the measures taken to combat them, may have an adverse effect on our business. Public health authorities and governments**

may impose various measures to respond to such emergencies that have an adverse effect on our business, liquidity, results **of operations** , ~~harm~~ **and financial condition, such as voluntary** ~~our~~ - **or** ~~business~~ **mandatory quarantines** , **restrictions on travel,** and ~~cause~~ **distancing, testing, and vaccine mandates. Although many impacts of the COVID- 19 pandemic appear to have alleviated, the pandemic has not yet been eliminated, and we cannot predict future impacts of the COVID- 19 pandemic, if any, on markets generally** ~~our~~ - **or** ~~share price to decline~~ **on our operations or the operations of our customers and suppliers** . If we need additional capital to fund our operations, we may not be able to obtain sufficient capital and may be forced to limit the scope of our operations. In connection with our growth strategies, an economic downturn, decline in the performance of our business, or other adverse circumstances, we may experience increased capital needs and accordingly, we may not have sufficient capital to fund our future operations without additional capital investments. There can be no assurance that additional capital will be available to us, including as a result of our relationship with the cannabis industry. If we cannot obtain sufficient capital to fund our operations, we may be forced to limit the scope of our expansion. ~~We~~ **Ongoing and future** ~~are~~ **armed** ~~subject to collection~~ **conflicts could create or exacerbate certain** ~~risk~~ **risks** ~~that can impact the~~ **we face to our business, financial condition, and** results of ~~our~~ operations. We extend credit to customers in the...... Such new markets or partners may present **Present** ~~higher risk. The~~ **and future armed conflicts such as the** ongoing conflict between Russia and Ukraine **, as well as fighting in Israel and Palestine,** could create or exacerbate certain risks we face to our business, financial condition **,** and results of operations. ~~The ongoing conflict between Russia and Ukraine could create or~~ **For example** ~~exacerbate certain risks we face to our business~~ , ~~financial condition and results of operations.~~ Russia' s invasion of Ukraine and the global response, including the imposition of financial and economic sanctions by the United States and other countries, has created supply constraints and driven inflation that could impact our operations and could create or exacerbate other risks facing ~~our business. A significant interruption in the operation of our or our suppliers' facilities could impact our capacity to produce products and service our customers, which could adversely affect revenues and earnings. Operations at our suppliers' facilities are subject to disruption for a variety of reasons, including fire, flooding or other natural disasters, disease outbreaks or pandemics, acts of war, terrorism, government shut- downs and work stoppages. Some of our key suppliers experienced significant demand and increased volume in recent years. A significant interruption in the operation of our suppliers' facilities, especially for those products manufactured at a limited number of facilities, such as our proprietary brand products, could significantly impact our capacity to sell products and service our customers in a timely manner, which could have a material adverse effect on our customer relationships, revenues, earnings and financial position. The manufacture of some of our products is complex and requires precise, high- quality manufacturing that is difficult to achieve. We have in the past, and may in the future, experience difficulties in manufacturing our products on a timely, cost- effective basis and in sufficient quantities. Our failure to achieve and maintain the required high manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals, increased warranty costs or other problems that could harm our business and prospects. In determining the required quantities of our products and the manufacturing schedule, we must make significant judgments and estimates based on historical experience, inventory levels, current market trends and other related factors. Because of the inherent nature of estimates, there could be significant differences between our estimates and the actual amounts of products we require, which could harm our business and results of operations. Disruptions in availability or prices of materials sourced by suppliers could adversely affect our results of operations. We and our suppliers source certain of our products and / or components thereof from outside of the U. S. The general availability and price of those components can be affected by numerous forces beyond our control, including political instability, trade restrictions and other government regulations, duties and tariffs, price controls, changes in currency exchange rates and weather. A significant disruption in the availability of any of our key products or components thereof could negatively impact our business. In addition, increases in the prices of key commodities and other materials could adversely affect our ability to manage our cost structure. Market conditions may limit our ability to raise selling prices to offset increases in product or raw material costs. For certain products, new sources of supply may have to be qualified under regulatory standards, which can require additional investment and delay bringing a product to market. Our products may be purchased for use in new and emerging industries or segments subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions. We sell products that end users may purchase for use in new and emerging industries or segments, including the growing of cannabis, that are subject to varying, inconsistent, and rapidly changing laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions. For example, certain countries and 37 U. S. states have adopted frameworks that authorize, regulate, and tax the cultivation, processing, sale, and use of cannabis for medicinal and / or non- medicinal use, while the U. S. Controlled Substances Act and the laws of other U. S. states prohibit growing cannabis. Our hydroponic gardening products are multi- purpose products designed and intended for growing a wide range of plants and are generally purchased from retailers by end users who may grow any variety of plants, including cannabis. Although the demand for our products may be negatively impacted depending on how laws, regulations, administrative practices, enforcement approaches, judicial interpretations, and consumer perceptions develop, we cannot reasonably predict the nature of such developments or the effect, if any, that such developments could have on~~ our business. Damage to our reputation could have an adverse effect on our business. Maintaining our strong reputation is a key component in our success. Product recalls, disputes and litigation, unauthorized employee statements on social media, our inability to ship, sell **,** or transport our products **,** and other matters may harm our reputation and acceptance of our products, which may materially and adversely affect our business operations, decrease sales and increase costs. In addition, perceptions that the products we distribute and market are not safe could adversely affect us and contribute to the risk **of** ~~we will be subjected to~~ legal action **against us** . We distribute and market a variety of products, such as nutrients and growing media. On occasion, allegations or news reports may be made that some of these products have failed to perform up to expectations or have caused damage or injury to individuals or property. In addition, our products or their use by our customers may be alleged to be damaging to the environment. Public perception that the products we distribute or market harm human health or the environment could impair our reputation, involve us in litigation, damage our brand names **,** and have a material adverse effect on our business **Climate** change and other environmental,social ~~,~~ and governance issues could adversely affect our brands,business,results of operations ~~,~~ and financial condition.Climate change continues to receive increasing global attention.The possible effects of climate change could include ~~severe weather,~~ changes in rainfall patterns,changing temperature levels ~~,~~ and changes in legislation,regulation ~~,~~ and international accords.These changes could over time affect,for example,the availability and cost of raw materials,commodities ~~,~~ and energy,which in turn may impact our ability to procure goods or services required for **the operation of** our business **at the quantities and levels we require** .Consumers also may change their behavior as a result of the impact of climate change,governmental regulations ~~,~~ and public perceptions.Additionally, ~~the impacts of~~ climate change may present physical risks **to our operations** ,such as damage to facilities,which could disrupt our operations or those of our customers or suppliers ~~,and therefore our results of operations~~ .There has also been increasing focus by investors,regulators and other constituencies on environmental,social and governance (~~"~~**"** ESG ~~"~~**"**) matters.As a result,we may face demands or requirements to make disclosure or commitments or take other action with respect to ESG issues.Our results of operations and financial condition may be adversely impacted if we are unable to effectively manage the risks or costs to us,our brands and our supply chain **associated with ESG matters.** . Unanticipated changes in our tax provisions, the adoption of new tax legislation or exposure to additional tax liabilities could affect our profitability and cash flows. We are subject to income and other taxes in the U. S. federal jurisdiction and various local, state and foreign jurisdictions. Our effective tax rate in the future could be adversely affected by changes to our operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets (such as net operating losses and tax credits) and liabilities, changes in tax laws and the discovery of new information in the course of our tax return preparation process. In particular, the carrying value of deferred tax assets, which are predominantly related to our operations in the U. S., is dependent on our ability to generate future taxable income of the appropriate character in the relevant jurisdiction. From time to time, tax proposals are introduced or considered by the U. S. Congress or the legislative bodies in local, state and foreign jurisdictions that could also affect our tax rate, the carrying value of our deferred tax assets, or our tax liabilities. Our tax liabilities are also affected by the amounts we charge for inventory, services, licenses and funding. We are subject to ongoing tax audits in various jurisdictions. In connection with these audits (or future audits), tax authorities may disagree with our determinations and assess additional taxes. We regularly assess the likely outcomes of our audits in order to determine the appropriateness of our tax provision. As a result, the ultimate resolution of our tax audits, changes in tax laws or tax rates, and the ability to utilize our deferred tax assets could materially affect our tax provision, net income and cash flows in future periods. Climate change and other environmental, social...... supply chain associated with ESG matters. RISKS RELATING TO THE CANNABIS INDUSTRY We are subject to a number of risks associated with the cannabis industry because cannabis is illegal under federal law. Under the Controlled Substances Act of 1970 (the ~~"~~**"** CSA ~~"~~**"**), the federal government lists cannabis as a Schedule I controlled substance (i. e., deemed to have no medical value), and accordingly the manufacturing (cultivation), sale, or possession of cannabis is federally illegal. The U. S. Supreme Court has ruled in 2001 that the federal government has the right to regulate and criminalize cannabis, even for medical purposes. The illegality of cannabis under federal law preempts state laws that legalize its use. Therefore, strict enforcement of federal law regarding cannabis would likely adversely affect our revenues and results of operations. Federal courts have denied bankruptcies for cannabis businesses upon the bases that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and that courts cannot ask a bankruptcy trustee to take possession of and distribute cannabis assets, as such action would violate the CSA. Therefore, we may have difficulties collecting outstanding payments if any of our customers in the cannabis industry declare bankruptcy. In addition, insurance that is otherwise readily available, such as general liability and directors and officer' s insurance, may be more difficult or impossible to find, and more expensive. Participants in the cannabis industry have difficulty accessing the service of banks, which makes it difficult for us to operate. Despite rules issued by the U. S. Department of the Treasury mitigating the risk to banks that do business with cannabis companies permitted under state law, as well as guidance from the U. S. Department of Justice, banks remain wary to accept funds from businesses in the cannabis industry or serving the cannabis industry, such as ours. So far we have been able to find certain banking institutions willing to provide banking services to us; however, there can be no assurance that we will be able to maintain these banking relationships since the production, sale and use of cannabis remains illegal under federal law. An inability to open and maintain bank accounts may make it difficult for us and our customers to do business. In addition, we have a high volume of cash transactions, which exposes us to associated risks of holding large sums of cash, such as theft and embezzlement, as well as potential seizures of cash by federal authorities if they determine such cash is tied to activities that are illegal under federal law. If cannabis were to become legal under federal law, its sale and use could become regulated by the Food and Drug Administration (" FDA") or another federal agency, which could result in a decrease in cannabis sales and have a material adverse impact on the demand for our products. We sell our products through third- party retailers and resellers which do not exclusively sell to the cannabis industry. Some of our products are sold to cannabis industry participants and used in connection with cannabis businesses that are subject to federal and state controlled substance laws and regulations. If cannabis were to become legal under federal law, its sale and use could become regulated by the FDA or another federal agency and extensive regulations may be imposed on the sale or use of cannabis. Such regulations could result in a decrease in cannabis sales and have a material adverse impact on the demand for our products. If we or our customers who are participants in the cannabis industry are unable to comply with any applicable regulations and / or registration prescribed by the FDA, we may be unable to continue to transact with retailers and resellers who sell products to cannabis businesses and / or our financial condition may be adversely impacted. In addition, federal legalization, or legalization in foreign countries such as Mexico, may significantly increase competition and consolidation in our and our customers' markets. If we do not manage to successfully compete in such an environment, our revenues and results of operations will be adversely affected. RISKS RELATING TO OUR COMMON STOCK There are risks, including stock market volatility, inherent in owning our common stock. The market price and volume of our common stock have been, and may continue to be, subject to significant fluctuations. These fluctuations may arise from general stock market conditions, the impact of risk factors described herein on our results of operations and financial position, or a change in opinion in the market regarding our business prospects or other factors, many of which may be outside our immediate control. ~~In addition, COVID- 19 and related government responses to address the COVID- 19 pandemic may cause sudden and extreme changes in our stock price. Since COVID- 19 was first reported, the volatility of U. S. equity markets increased to historic levels. This may cause extreme fluctuations in the market price of our stock. We cannot predict if and when these fluctuations will decrease or increase. In addition to general market conditions, the market price of our stock may become volatile or decline due to actual or anticipated impact of COVID- 19 on our financial condition and results of operations.~~ We may incur indebtedness that ranks senior or equally to our common stock as to liquidation preference and other rights and ~~which~~ **that** may dilute our stockholders' ownership interest. Shares of our common stock are common equity interests in us and, as such, will rank junior to all of our existing and future indebtedness and other liabilities. In addition, any additional capital raised through the sale of equity or equity- backed securities may dilute our stockholders' ownership percentages and could also result in a decrease in the market value of our common stock. Our security holders may be diluted by future issuances of securities by us. The market price of our common stock could be negatively affected by future sales of our common stock. In the future, we may issue our authorized but previously unissued equity securities, including additional shares of capital stock or securities convertible into or exchangeable for our capital stock. Such issuance of additional securities would dilute the ownership stake in us held by our existing stockholders and could adversely affect the value of our securities. As of the date ~~hereof~~ **of this report** , we ~~had~~ **have** outstanding ~~warrants~~ **options** to purchase an aggregate of **577** ~~33 thousand shares of our common stock at a weighted average exercise price of $ 15. 82 per share, and options to purchase an aggregate of 604~~ thousand shares of our common stock (all of which are vested as of this date) at a weighted average exercise prices of $ ~~3~~ **4** . ~~97~~ **01** per share **and do not have any outstanding stock purchase warrants** . The exercise of such outstanding options ~~and warrants~~ will result in ~~substantial~~ dilution of our security holders. In the future, we may also issue additional shares of our common stock, **options,** warrants **,** or other securities that are convertible into or exercisable for the purchase of shares of our common stock in connection with **compensation to** ~~hiring and / or retaining~~ employees or consultants, ~~future~~ acquisitions, ~~future~~ sales of ~~our~~ securities for capital raising ~~purposes~~ , or for other business purposes. The future issuance of any such additional shares of our common stock or other securities, for any reason including those stated above, may have a negative impact on the market price of our common stock. There can be no assurance that the issuance of any additional shares of common stock, warrants or other convertible securities **in the future** may not be at a price (or exercise prices) below the **current** price of the common stock ~~offered hereby~~ . If our existing stockholders, ~~our~~ directors, **or executive officers, or any of** their affiliates ~~, or our executive officers~~ , sell a substantial number of shares of our common stock in the public market, the market price of our common stock could decrease significantly. The perception in the public market that these stockholders might sell our common stock could also depress the market price of our common stock and could impair our future ability to obtain capital, especially through an offering of equity securities. If securities or industry analysts do not publish research or reports about our business, or they publish negative reports about our business, our share price and trading volume could decline. The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.