Risk Factors Comparison 2024-03-14 to 2023-03-24 Form: 10-K

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We face significant competition in our business. Our business depends on our ability to successfully obtain a continuous supply of auction or appraisal contracts, or distressed and surplus assets for profitable resale to third parties. In this regard, we compete with numerous other organizations, some of which are much larger and better- capitalized, with greater resources available for both asset acquisition and associated marketing to potential customers. Additionally, some competitors have a longer history of activity in the business and may have advantages with respect to accessing both deals and capital. Our business is subject to inventory risk and credit risk. Under our business model, when not acting solely as an auctioneer, we assume the general and physical inventory and credit risks associated with purchasing assets for subsequent resale. Although we do enter into transactions for which a subsequent purchaser has already been identified, in most cases we purchase assets and assume the risk that they may sell for less than our forecasted price. Further, we may miscalculate demand or resale value and subsequently sell the assets for less than their original purchase price. Either situation could have a material adverse effect upon our use of working capital and our results of operations **. Our Specialty Lending segment may be concentrated. A significant portion of our Specialty Lending loan portfolio may at any time be concentrated with a small number of borrowers. Our Specialty Lending loan portfolio includes a notes receivable balance of approximately $ 23. 8 million from one borrower, representing 62 % of our total notes receivable as of December 31, 2023. Concentration with a small number of borrowers exposes us to the risk that financial difficulty with a single borrower or a small number of borrowers can materially affect our business, financial conditions or operating results. Our Specialty Lending segment depends on the expertise, efforts and financial health of our borrowers. The ability of our borrowers to repay the loans we make to them depends on the ability of our borrowers to collect the charged off receivables purchased with the proceeds of these loans in accordance with their projections, which in turn requires our borrowers to properly evaluate the collectability of the charged off receivables as well as the costs of collection. If our borrowers' collection model forecasts are incorrect, or if unanticipated market conditions cause our borrowers' evaluations to be incorrect, our business, financial conditions and operating results could be negatively affected. Our Specialty Lending segment depends on the ability of our borrowers to purchase charged off receivables at favorable prices. Portfolios of charged off receivables fluctuate in price and volume, according to both the availability of new charged off receivables and the demand for these receivables. If our borrowers are unable to purchase a sufficient volume of charged off receivables, or to purchase charged off receivables at a favorable price, our business, financial conditions and operating results could be negatively affected** . Our operating results are subject to significant fluctuation. Our revenue and operating results are subject to fluctuation from quarter to quarter and from year to year due to the nature of the business, which involves discrete deals of varying size that are very difficult to predict. The timing of revenue recognition related to significant transactions can materially affect quarterly and annual operating results. Despite the accompanying variability of direct costs, quarterly fixed costs that are largely composed of salaries and benefits could exceed our gross profit. There can therefore be no assurance that we can sustain profitability on a quarterly or annual basis. The adverse effect of these issues could be increased due to concentration of our revenue, at times, with one or more major customers. This concentration of customers and revenue affects our overall risk profile, since a significant portion of our customers would be similarly affected by changes in economic, political, regulatory, and other industry conditions. An abrupt or unforeseen change in conditions in these industries could adversely affect demand for our services, which could negatively impact our results of operations. Operational and Governmental Risks We are subject to the risks associated with managing growth. Since the establishment of our business in 2009, we have experienced significant growth including through acquisitive transactions and organic expansion. This growth requires an increased investment in personnel, systems and facilities. In the absence of continued revenue growth, our operating margins could decline from current levels. Additional acquisitions will be accompanied by such risks as exposure to unknown liabilities of acquired businesses, unexpected acquisition expenses, greater than anticipated investments in personnel, systems and facilities, the expense of integrating new and existing operations, diversion of senior management resources, and dilution to existing stockholders. Failure to anticipate and manage these risks could have a material adverse effect upon our business and results of operations. A portion of our business is conducted through Joint Ventures. Conducting business through Joint Ventures, as described above under " Industry and Competition, " allows us to participate in significantly larger deals than those we could fund independently. If we ceased entering into Joint Ventures, or our Joint Venture partners decide not to partner with us, the pool of potential transactions would be reduced. Further, upon entering into Joint Ventures, we become exposed to the uncertainties of the activities of our partners. This could negatively impact our ability to obtain a continuous supply of assets for resale, and could have a material adverse effect upon our use of working capital and our results of operations. We are dependent upon key personnel. Our operations are substantially dependent on the knowledge, skills and performance of several of our executive officers, particularly our Chief Executive Officer and President, President of Financial Assets and President of Industrial Assets. The loss of any of these officers could damage key relationships and result in the loss of essential information and expertise. As our operations expand, we will be required to hire additional employees and may face competition for them. Therefore, either the loss of the services of the above existing officers, or the inability to attract and retain appropriately skilled new employees, could have a material adverse effect upon our business and results of operations. Disruptions to information systems and those of certain third- party service providers utilized by us could adversely impact our operations, reputation and brand. The protection of client, employee and company data is extremely important to us. The regulatory environment surrounding information security and privacy is becoming increasingly demanding and frequently changing in the jurisdictions in which we do business. Clients and employees have expectations that we will protect their information from cyber- attacks and other security breaches. We have implemented systems and processes that are designed to protect personal and company information and to prevent data losses, however, these measures cannot provide absolute security, and our systems may be vulnerable to cyber- security breaches such as viruses, hacking, and similar disruptions from unauthorized intrusions. As part of our information systems infrastructure, we rely increasingly upon third- party service providers to perform services related to our services. Any failure on our part or by these third- party service providers to maintain the security of our confidential data and our client and employee personal information could result in business disruption, damage to reputation, financial obligations, lawsuits, sizable fines and costs, and loss of employee and client confidence in our Company, and thus could have a material adverse impact on our business and financial condition, and adversely affect our results of operations. A significant security breach could require future expenditures to implement additional security measures to protect against new privacy threats or to comply with state, federal and international laws aimed at addressing those threats. The auction portion of our business may be subject to a variety of additional costly government regulations. Many states and other jurisdictions have regulations governing the conduct of traditional " auctions " and the liability of traditional " auctioneers " in conducting auctions, which may also apply to online auction services. In addition, certain states have laws or regulations that expressly apply to online auction services. We may incur additional costs in the future to comply with these laws and could be subject to fines or other penalties for any failure to comply with these laws. We may be required to make changes in our business to comply with these laws, which could increase our costs, reduce our revenue, and cause us to prohibit the listing of certain items, or otherwise adversely affect our financial condition or operating results. Certain categories of merchandise that we sell are subject to government restrictions. We sell merchandise, such as scientific instruments, that is subject to export control and economic sanctions laws, among other laws, imposed by the United States and other governments. Such restrictions include the U. S. Export Administration regulations, the International Traffic in Arms regulations, and economic sanctions and embargo laws administered by the Office of the Foreign Assets Control regulations. These restrictions prohibit us from, among other things, selling property to (1) persons or entities that appear on lists of restricted or prohibited parties maintained by the United States or other governments or (2) countries, regimes, or nationals that are the target of applicable economic sanctions or other embargoes. We may incur significant costs or be required to modify our business to comply with these requirements. If we are alleged to have violated any of these laws or regulations we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with U. S. federal government agencies. In addition, we could suffer serious harm to our reputation if allegations of impropriety are made against us, whether or not true. We are subject to the U. S. Foreign Corrupt Practices Act (" FCPA "). We are subject to the FCPA, which generally prohibits U. S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Failure to comply with the FCPA could subject us to, among other things, penalties and legal expenses that could harm our reputation and have a material adverse effect on our business, financial condition and results of operations. Our business is subject to environmental risk. Our business at times includes the purchase and resale of buildings and land. Although our purchase process includes due diligence to determine that there are no material adverse environmental issues, it is possible that such issues could be discovered subsequent to a completed purchase. Any remediation and related costs could have a material adverse effect upon our business and results of operations. Changes in tax laws or their interpretations, or becoming subject to additional foreign, U. S. federal, state or local taxes, could negatively affect our business, financial condition and results of operations. We are subject to extensive tax liabilities, including U. S. federal and state taxes. Changes in tax laws or their interpretations could decrease the amount of earnings we retain, the value of any tax loss carry forwards and tax credits recorded on our balance sheet and the amount of our cash flow, and have a material adverse impact on our business, financial condition and results of operations. Some of our tax liabilities are subject to periodic audits by the respective taxing authority, which could increase our tax liabilities. If we are required to pay additional taxes, our costs would increase and our net income would be reduced, which could have a material adverse effect on our effective tax rate, business, financial condition and results of operations. If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act "), or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. Capitalization and General Market Risks We may require additional financing in the future, which may not be available, or may not be available on favorable terms. We may need additional funds to finance the operations of our business, to make additional investments, to expand our ~~specialty~~ **Specialty** ~~financing division~~ **Lending segment** , or to acquire complementary businesses or assets. We may be unable to generate these funds from our operations. If funds are not available, or not available on acceptable terms, we could experience a material adverse effect upon our business. Provisions in our organizational documents and Florida or certain other state laws could delay or prevent a change in control of our company, which could adversely affect the price of our common stock. Provisions in our Articles of Incorporation, as amended (the " Articles "), and Restated Bylaws and anti- takeover provisions of the Florida Business Corporation Act (" FBCA "), could discourage, delay or prevent an unsolicited change in control of the Company, which could adversely affect the price of our common stock. These provisions may also have the effect of making it more difficult for third parties to replace our current management without the consent of the Board of Directors of the Company (the " Board "). Provisions in our Articles and Restated Bylaws that could delay or prevent an unsolicited change in control include: • a staggered board of directors; • limitations on persons authorized to call a special meeting of stockholders; and • the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval. The Company is a Florida corporation and is therefore subject to certain anti- takeover provisions that apply to public corporations under Florida law. Pursuant to Section 607. 0901 of the FBCA, a publicly held Florida corporation may not engage in a broad range of extraordinary corporate transactions with an interested shareholder within three years of when the shareholder became an interested shareholder without the approval of the holders of two- thirds of the voting shares of the corporation (excluding shares held by the interested shareholder), unless, among other exceptions: • the transaction is approved by a majority of disinterested directors; • the interested shareholder has owned at least 80 % of the corporation' s outstanding voting shares for at least three years preceding the announcement date of any such extraordinary corporate transaction; • the interested shareholder is the beneficial owner of at least 90 % of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors; or • the consideration paid to the holders of the corporation' s voting stock is at least equal to certain fair price criteria. Subject to certain exceptions, an interested shareholder is defined as a person who beneficially owns more than 15 % of a corporation' s outstanding voting shares. Although permitted by the FBCA, we have not elected in our Articles to opt out of the terms of Section 607. 0901. This statutory provision may prevent takeover attempts that might result in a premium over the market price for shares of our common stock. Our Board of Directors may issue additional shares of preferred stock without stockholder approval. Our Articles authorize the issuance of up to 10, 000, 000 shares of preferred stock, $ 10. 00 par value per share. Of the 10, 000, 000 shares of preferred stock authorized under our Articles, the Company has designated 20, 000 shares as Series N Preferred Stock. There are ~~565~~ **563** shares of Series N Preferred Stock issued and outstanding. Our Board is authorized to determine the rights and preferences of any additional series or class of preferred stock. Our Board may, without stockholder approval, issue shares of preferred stock with dividend, liquidation, conversion, voting or other rights that are senior to our shares of common stock or that could adversely affect the voting power or other rights of the existing holders of outstanding shares of preferred stock or common stock. The issuance of additional shares of preferred stock may also hamper or discourage an acquisition or change in control of the Company. We may conduct future offerings of our common stock and preferred stock that may diminish our investors' pro rata ownership and depress our stock price. Our Articles authorize us to issue shares of our preferred stock, common stock or securities convertible into common stock for the consideration and on the terms and conditions established by our Board of Directors in its sole discretion, including at prices differing from the price of the common stock previously issued. We could issue a significant number of shares of common stock in the future in connection with investments or acquisitions. Any of these issuances could dilute our existing stockholders, and such dilution could be significant. Moreover, such dilution could have a material adverse effect on the market price for the shares of our common stock. The future issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of shares of our common stock, either by diluting the voting power of our common stock if the preferred stock votes together with the common stock as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote, even if the action were approved by the holders of our shares of our common stock. The future issuance of shares of additional preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price, causing economic dilution to the holders of common stock. The market price of our common stock may be volatile and this may adversely affect our stockholders. The price at which our common stock trades may be volatile. The stock market has recently experienced significant price and volume fluctuations that have affected the market prices of all securities, including securities of companies like us. The market price of our common stock may be influenced by many factors, including: • our operating and financial performance; • variances in our quarterly financial results compared to expectations; • the depth and liquidity of the market for our common stock; • we have a relatively small base of registered shares of common stock that could result in significant stock price movements upward or downward based on low levels of trading volume in our common stock; • future sales of common stock or debt or the perception that sales could occur; • investor perception of our business and our prospects; • developments relating to the occurrence of risks impacting our company, including any of the risk factors set forth herein; or • general economic and stock market conditions. In addition, the stock market in general has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies in our industry. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In the past, securities class- action litigation has often been brought against companies following periods of volatility in the market price of their respective securities. We may become involved in this type of litigation in the future. Litigation of this type is often expensive to defend and may divert our management team' s attention as well as resources from the operation of our business. We have a material amount of goodwill which, if it becomes impaired, would result in a reduction in our net income. Goodwill represents the amount by which the cost of an acquisition accounted for using the purchase method exceeds the fair value of the net assets acquired. Current accounting standards require that goodwill be periodically evaluated for impairment based on the fair value of the reporting unit. As of December 31, ~~2022~~ **2023** approximately ~~11~~ **9** % of our total assets represents goodwill. Declines in our profitability or the value of comparable companies may impact the fair value of our reporting units, which could result in a write- down of goodwill and a reduction in net income. We may not be able to utilize income tax loss carry forwards. Restrictions in our ability to utilize income tax loss carry forwards have occurred in the past due to the application of certain changes in ownership tax rules in the United States. There is no certainty that the application of these rules may not recur. In addition, further restrictions of, reductions in, or expiration of net operating loss and net capital loss carry forwards may occur through future merger, acquisition and / or disposition transactions or through failure to continue a significant level of business activities. Any such additional limitations could require us to pay income taxes in the future and record an income tax expense to the extent of such liability. We could be liable for income taxes on an overall basis while having unutilized tax loss carry forwards since these losses may be applicable to one jurisdiction and / or particular line of business while earnings may be applicable to a different jurisdiction and / or line of business. Additionally, income tax loss carry forwards may expire before we have the ability to utilize such losses in a particular jurisdiction and there is no certainty that current income tax rates will remain in effect at the time when we have the opportunity to utilize reported tax loss carry forwards. Thus, any net operating loss arising in a taxable year ending before January 1, 2018 may only be carried forward for 20 taxable years following the taxable year of such loss. Any net operating loss arising in a taxable year ending on or after January 1, 2018 can be carried forward indefinitely. In addition, any net operating loss deduction with respect to a net operating loss arising in a taxable year beginning after December 31, 2017 is limited to 80 % of our taxable income in the year in which deduction is taken. We have not declared any dividends on our common stock to date and have no expectation of doing so in the foreseeable future. The payment of cash dividends on our common stock rests within the discretion of our Board of Directors and will depend, among other things, upon our earnings, unencumbered cash, capital requirements and our financial condition, as well as other relevant factors. To date, we have not paid dividends on our common stock nor do we anticipate that we will pay dividends in the foreseeable future. As of December 31, ~~2022~~ **2023** , we do not have any preferred stock outstanding that has any preferential dividends. Our executive officers, directors and their affiliates hold a large percentage of our common stock and their interests may differ from other stockholders. Our executive officers, directors and their affiliates beneficially own, in the aggregate, 12 % of our common stock as of March 1, ~~2023~~ **2024** . If they were to act together, these stockholders would have significant influence over most matters requiring approval by stockholders, including the election of directors, any amendments to our Articles of Incorporation and certain significant corporate transactions, including potential merger or acquisition transactions. In addition, without the consent of these stockholders, we could be delayed or prevented from entering into transactions that could be beneficial to us or our other investors. These stockholders may take these actions even if they are opposed by our other investors. There is a limited public trading market for our common stock. Our stock price could be extremely volatile and may decline substantially from the public offering price. As a result, you may not be able to resell your shares at or above the price you paid for them. Our common stock is listed on The Nasdaq Capital Market (“ Nasdaq ”) and has a limited public trading market in the United States. Without an active trading market, there can be no assurance regarding the liquidity or resale value of the common stock. In addition, the market price of our common stock has been, and may continue to be, volatile. Such price fluctuations may be affected by general market price movements or by reasons unrelated to our operating performance or prospects such as, among other things, announcements concerning us or our competitors, technological innovations, government regulations, and litigation concerning proprietary rights or other matters. Volatility in the market price of our common stock, as well as general economic, market or political conditions, may prevent a holder of our common stock from being able to sell their shares at or above the price paid for the shares and may otherwise negatively affect the liquidity of our common stock. Holders of our common stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our operating performance or prospects, and a holder of our common stock could lose part or all of their investment. The price of our common stock could be subject to wide fluctuations in response to a number of factors. We could be delisted from Nasdaq, which could seriously harm the liquidity of our stock and our ability to raise capital. Our common stock is currently listed on Nasdaq, which has qualitative and quantitative listing criteria. However, we cannot assure you that our common stock will continue to be listed on Nasdaq in the future. In order to continue listing our common stock on Nasdaq, we must maintain certain financial, distribution and stock price levels. Generally, we must maintain a minimum amount in stockholders' equity and a minimum number of holders of our common stock. If we cease to be eligible to trade on Nasdaq, the following may occur: • We may have to pursue trading on a less recognized or accepted market, such as the OTC Bulletin Board or the “ pink sheets. ” • The trading price of our common stock could suffer, including an increased spread between the “ bid ” and “ asked ” prices quoted by market makers. • Shares of our common stock could be less liquid and marketable, thereby reducing the ability of stockholders to purchase or sell our shares as quickly and as inexpensively as they have done historically. If our stock is traded as a “ penny stock, ” transactions in our stock would be more difficult and cumbersome. • We may be unable to access capital on favorable terms or at all, as companies trading on alternative markets may be viewed as less attractive investments with higher associated risks, such that existing or prospective institutional investors may be less interested in, or prohibited from, investing in our common stock. This may also cause the market price of our common stock to decline. The financial reporting obligations of being a public company in the United States are expensive and time consuming and place significant additional demands on our management. The obligations of being a public company in the United States place additional demands on our management and require significant expenditures, including costs resulting from public company reporting obligations under the Exchange Act; the rules and regulations regarding corporate governance practices, including those under the Sarbanes- Oxley Act and the Dodd Frank Wall Street Reform and Consumer Protection Act; and the listing requirements for Nasdaq. Our management and other personnel devote a substantial amount of time to ensure that we comply with these requirements. Moreover, despite reforms made possible by the Jumpstart Our Business Startups Act of 2012 and the 2015 Fixing America’ s Surface Transportation Act, the reporting requirements, rules, and regulations will increase our legal and financial compliance costs and will make some activities more time- consuming and costly, particularly if we were no longer to qualify as a smaller reporting company. Any changes that we make to comply with these obligations may not be sufficient to allow us to satisfy our obligations as a public company on a timely basis, or at all. These rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These factors also could make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, particularly to serve on our Audit Committee and Compensation Committee, or as executive officers.