**Risk Factors Comparison 2024-04-01 to 2023-03-31 Form: 10-K**

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

**This section discusses the most significant factors that could affect our business, results of operations and financial condition, including the price of our common stock. You should carefully consider the following risks, which represent the material risk factors that affect the Company and are known to the Company at this time, as well as the other information contained in this Annual Report on Form 10- K in evaluating our company and our common stock. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business, results of operations, or financial condition. We have grouped these risk factors into three categories: • Risks related to our business and how we operate; • Risks related to cybersecurity and technology; • Risks related to our capital structure and common stock. Risks Related to our Business and How we Operate Most of our client engagements are cancellable on short notice. The marketing services we offer, in particular for contact center services, are generally terminable upon short notice by our clients, even if the term of the agreement (and the expected duration of services) is several or many years. Many of our customer agreements do not have minimum volume, revenue requirements or exclusivity arrangements, so clients may (and do) vary their actual orders from us over time based on their own business needs, their satisfaction with the quality and pricing of our services, and a variety of other competitive factors. In addition, the timing of particular jobs or types of jobs at particular times of year (such as mail programs supporting the holiday shopping season or contact center programs supporting a specific event) may cause significant fluctuations in the operating results of our operations in any given quarter. A large portion of our revenue is generated from a limited number of clients. The loss of a client or significant work from one or more of our clients could adversely affect our business.** Our largest client (measured in revenue) generated ~~12~~ **11** . 2 % of total revenues in ~~2022~~ **2023** and represented ~~13~~ **11** . ~~0~~ **2** % of total accounts receivable as of December 31, ~~2022~~ **2023** . Approximately ~~72~~ **71** . ~~5~~ **7** % of our revenue for ~~2022~~ **2023** was generated by our 25 largest clients. While we typically have multiple projects with our largest customers which would not all terminate at the same time, the loss of one or more of our larger clients or even a single project or contract with one of our largest clients could adversely affect our business, results of operations, and financial condition if the lost revenues are not replaced with profitable revenues from that client or other clients. **Our industry is subject to intense competition and dynamic changes in business model, which in turn could cause our operations to suffer. The B2B services industry is highly competitive, highly fragmented, and subject to rapid change.** We ~~face significant~~ **believe the principal** ~~competition~~ **competitive factors** ~~for individual projects, entire client relationships and advertising dollars~~ in **this** ~~general. Our business faces significant competition within each of our vertical markets~~ - **market are breadth, depth,** and ~~for all our~~ **quality of service** offerings **, ability to tailor specific solutions to the needs of clients and their customers, the ability to attract, train, and retain qualified staff, cybersecurity infrastructure, compliance rigor, global delivery capabilities, pricing, and marketing and sales capabilities** . We ~~offer our marketing services within a dynamic business environment characterized by rapid technological change, high turnover of client personnel who make buying decisions, client consolidations, changing client needs and preferences, continual development of competing products and services, and an evolving competitive landscape. This competition comes from numerous local, national, and international direct marketing and advertising companies, and client internal resources, against whom we~~ compete for ~~individual projects~~ **business with a variety of companies** , ~~entire~~ **as well as in- house operations of existing and potential** ~~client~~ **clients** ~~relationships, and~~ **. If our clients place more focus on in- house** marketing **or utilize new or emerging technologies to internalize these operations** ~~expenditures by clients and prospective clients. We also compete against internet (social~~ , ~~mobile, web- based, and email), print, broadcast, and other~~ -- **the** ~~forms~~ **size** of ~~advertising~~ **the market** for ~~marketing and advertising dollars in general. During 2022, we continued to see an increase in the insourcing of capabilities among our clients. Our ability to attract new clients and to retain existing clients may, in some cases, be limited by clients' policies on or perceptions of conflicts of interest which may prevent us from performing similar services for competitors. Some of our clients have also sought to reduce the number of marketing vendors or use~~ third- party **service providers like** ~~procurement organizations, all of which increases pricing pressure, and may disadvantage~~ us ~~relative to our~~ **could reduce significantly. Similarly, if** competitors **offer their services at lower prices to gain market share or provide services** that ~~have broader and /~~ **gain greater market acceptance than the services we offer or develop, the demand** ~~or~~ **for** ~~deeper~~ **our services may decrease. Specialized providers or new entrants can enter our markets by developing new systems or services that could impact our business. The opportunity for new entrants in our industry may expand as digital engagement and** offerings ~~than us~~ **increase in importance** . ~~Our failure to improve~~ **New competitors, new strategies by existing competitors** ~~our~~ - **or** ~~current processes~~ **clients, and consolidation among clients** or **competitors** ~~to develop expertise in various technologies~~ could result in ~~the loss~~ **significant market share gain by our competitors, which could have an adverse effect on our revenue. Some emerging technologies, such as AI, Robotic Process Automation, Machine Learning, Voice** of **the Customer, Interactive Voice Response, and Internet of Things, may cause an adverse shift in the way certain of our existing business operations are conducted, including by replacing human contacts with automated** ~~our~~ - **or self- service options, or by decreasing the size of the available market. We also expect our competitors to continue to improve their technology infrastructure, including with the use of AI and machine learning solutions, to interact with** clients **and prospects, automate their services, process and analyze large amounts of data and grow their customer base. Our ability** to ~~current~~ **innovate** ~~or~~ **our** ~~future competitors~~ **own technology infrastructure and appropriately grow our CX solutions offerings using these tools (and predicting the next**

**generation of such tools) will affect our ability to compete. We may be unsuccessful at anticipating or responding to new developments on a timely and cost- effective basis, and our use of technology may differ from accepted practices in the marketplace. Certain of our solutions may require lengthy and complex implementations that can be subject to changing client preferences and continuing changes in technology, which can increase costs or adversely affect our business** . Current and future competitors may have significantly greater financial and other resources than we do, and they may sell competing services at lower prices or at lower profit margins, resulting in pressures on our prices and margins. The size of our competitors varies widely across vertical markets and service lines. Some of our competitors have significantly greater financial, technical, marketing, and other resources than we do in one or all of our market segments. As a result, our competitors may be in a position to respond more quickly than we can to new or emerging technologies, methodologies, and changes in customer requirements, or may devote greater resources than we can to the development, promotion, sale, and support of innovative products and services. Moreover, new competitors or alliances among our competitors may emerge and potentially reduce our market share, revenue, or margins. Some of our competitors also may choose to sell products or services that compete with ours at lower prices by accepting lower margins and ~~profitability~~ **profits** or may be able to sell products or services that compete with ours at lower prices given proprietary ownership of data, technical superiority, a broader or deeper product or experience set, greater capital resources or economies of scale. Price reductions or pricing pressure by our competitors could negatively impact our margins and results of operations and could also harm our ability to retain clients or obtain new customers on favorable terms. Competitive pricing pressures tend to increase in difficult or uncertain economic environments, due to reduced marketing expenditures of many of our clients and prospects, and ~~the resulting~~ **in turn negatively** impact ~~on~~ the competitive business environment for marketing service providers such as our company. We must maintain technological competitiveness, continually improve our processes, and develop and introduce new services in a timely and cost- effective manner. We believe that our success depends on, among other things, maintaining technological competitiveness in our products, processing functionality, and software systems and services. Technology changes rapidly as makers of computer hardware, network systems, programming tools, computer and data architectures, operating systems, database technology, and mobile devices continually improve their offerings. Advances in information technology may result in changing client preferences for products and product delivery channels in our industry. The increasingly sophisticated requirements of our clients require us to continually improve our processes and provide new products and services in a timely and cost- effective manner (whether through development, license, or acquisition). We may be unable to successfully identify, develop, and bring new and enhanced services and products to market in a timely and cost- effective manner, such services and products may not be commercially successful, and services, products, and technologies developed by others may render our services and products noncompetitive or obsolete ~~. 8Climate change may have an adverse impact on our business. While we seek to mitigate our business risks associated with climate change by establishing environmental goals and standards and seeking business partners, including within our supply chain, that are committed to operating in ways that protect the environment or mitigate environmental impacts, we recognize that there are inherent climate- related risks wherever business is conducted. Our financial results, and our operations may be vulnerable to the adverse effects of climate change, which are predicted to increase the frequency and severity of weather events and other natural cycles such as wildfires and droughts. Such events have the potential to disrupt our operations, delay deliveries, disrupt the business of third- party truck operators and impact our customers, all of which may cause us to suffer losses and additional costs to maintain or resume operations~~ . Our success depends on our ability to consistently and effectively deliver our services to our clients. Our success depends on our ability to effectively and consistently staff and execute client engagements within the agreed upon time frame and budget. Depending on the needs of our clients, our engagements may require customization, integration, and coordination of a number of complex product and service offerings and execution across many facilities. Moreover, in some of our engagements, we rely on subcontractors and other third parties to provide some of the services to our clients, and we cannot guarantee that these third parties will effectively deliver their services, that we will be able to easily suspend work with contractors that are not performing adequately, or that we will have adequate recourse against these third parties in the event they fail to effectively deliver their services **as we are generally responsible for the work of these sub- contractors** . Other contingencies and events outside of our control may also impact our ability to provide our products and services, such as pandemics or other national or global health crisis or severe weather events that could disrupt our delivery networks. Our failure to effectively and timely staff, coordinate, and execute our client engagements may adversely impact existing client relationships, the amount or timing of payments from our clients and our reputation in the marketplace as well as our ability to secure additional business and our resulting financial performance. In addition, our contractual arrangements with our clients and other customers may not provide us with sufficient protections against claims for lost profits or other claims for damages. We ~~have experienced, and~~ may experience in the future, reduced demand for our products and services due to the financial condition and marketing budgets of our clients and other factors that may impact the industry verticals that we serve. Marketing budgets are largely discretionary in nature, and as a consequence are easier to reduce in the short- term than other expenses. Our customers have in the past, and may in the future, respond to their own financial constraints ~~(~~ **,** whether caused by weak economic conditions, weak industry performance or client- specific ~~issues)~~ **circumstances,** by reducing their marketing spend. For instance, in light of the current inflationary environment and increased cost of capital due to rising interest rates, our customers may reduce the amount of services we provide to them, for among other reasons, to preserve liquidity. Customers may also be slow to restore their marketing budgets to prior levels during an economic recovery and may respond similarly to adverse economic conditions in the future ~~further exacerbating the risk~~ . Our revenues are dependent on national, regional, and international economies and business conditions. A long- lasting economic recession, regardless of the cause, or anemic recovery in the markets in which we operate could have material adverse effects on our business, financial position, or operating results. Similarly, industry or company- specific factors may negatively impact our clients and prospective clients, and in turn result in reduced demand for our products and services, client insolvencies, collection difficulties or bankruptcy preference actions related to payments received from our clients. We may also experience reduced demand as a result of consolidation of clients and prospective clients in the industry verticals that we serve. We must effectively manage our costs to be successful. If we do not achieve our cost management objectives, our financial results could be adversely affected. Our business plan and expectations for the future require that we effectively manage our cost structure, including our operating expenses and capital expenditures across our operations. In ~~2019~~ **2023** , our management team ~~, along with members of the Board,~~ formed a project ~~committee~~ **team** focused on cost- saving initiatives and other restructuring efforts. The ~~committee reviewed~~ **program named Project Elevate created and changed processes in** each of our business segments ~~and~~ **to transform** ~~other~~ -- **the** operational ~~areas to identify both one- time and recurring cost- saving opportunities. Even though the committee was dissolved at the end of 2019, our management team continued to review and adjust our~~ cost structure **of the company** and ~~operating footprint~~ **change the culture to be more agile** , optimize ~~our operations, and invest in improved technology. For~~ the **structure** ~~years ended December 31~~ , **and cost justify all activities of the organization. A transformational office was established at the beginning of** ~~2021~~ **2024 with the mandate to manage** ~~, we recorded restructuring charges of $ 6. 4 million, which has resulted in meaningful savings in 2022~~ and ~~future years~~ **measure these initiatives on a go forward basis** . However, we may not be able to recognize all identified potential savings and even if we are able to recognize the identified savings, such cost savings may be insufficient to achieve our cost management objectives. To the extent that we do not successfully manage our costs our financial results may be adversely affected ~~. Our sites operate on leasehold property, and our inability to renew our leases on commercially acceptable terms or at all may adversely affect our results of operations. Our sites operate on leasehold property. Our leases are subject to renewal and we may be unable to renew such leases on commercially acceptable terms or at all. Our inability to renew our leases, or a renewal of our leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may cause an increase in operating costs, or may cause additional cost due to relocation. 9Risks Related to our Indebtedness Our indebtedness may adversely impact our ability to react to changes in our business or changes in general economic conditions. As of December 31, 2022, we had no indebtedness outstanding. However, we may incur new indebtedness from time to time. On December 21, 2021, the Company entered a new three- year, $ 25. 0 million asset- based revolving credit facility (the " New Credit Facility ") with the Texas Capital Bank. The New Credit Facility replaces the Company' s previous credit facility with Texas Capital Bank, which previous facility was guaranteed by members of the Shelton family (descendants of one of our founders) to provide credit support to the Company. The New Credit Facility did not require the Shelton family or any other third- party to guarantee the Company' s obligations. However, each of the Company' s material subsidiaries guaranteed the Company' s obligations under the New Credit Facility (such subsidiaries, the " Guarantors "). The New Credit Facility is secured by substantially all the assets of the Company and the Guarantors pursuant to a Pledge and Security Agreement, dated as of December 21, 2021, between the Company, TCB and the other grantors party thereto (the " Security Agreement "). As of December 31, 2022, we had the ability to borrow an additional $ 24. 2 million under the New Credit Facility subject to compliance with the facilities covenants. See Note F, Long- Term Debt, in the Notes to Consolidated Financial Statements for further discussion on our debt. The Company' s ability to meet its debt service obligations and refinance its current indebtedness, as well as any future debt that it may incur, will depend upon its ability to generate cash in the future from operations, financings or asset sales, which are subject to general economic conditions, the Company' s results of operations, the state of the capital markets at the time it seeks to refinance its debt and other factors, some of which may be beyond the Company' s control. If the Company cannot repay or refinance its debt as it becomes due, the Company may be forced to sell assets or take other disadvantageous actions, including undertaking alternative financing plans, which may have onerous terms or may be unavailable, dedicating an unsustainable level of the Company' s cash flow from operations to the payment of principal and interest on its indebtedness and / or reducing the amount of liquidity available for working capital, capital expenditures and general corporate purposes. The covenants in the New Credit Facility may limit the Company' s operating and financial flexibility. The New Credit Facility and the terms under which we borrow money under any future credit facilities or other agreements could have significant consequences for our business. The New Credit Facility includes covenants restricting the Company' s and its subsidiaries' ability to create, incur, assume or become liable for indebtedness; make certain investments; pay dividends or repurchase the Company's stock; create, incur or assume liens ; consummate mergers or acquisitions ; liquidate, dissolve, suspend or cease operations ; or modify accounting or tax reporting methods (other than as required by the generally accepted accounting principles in the United States of America (" U. S. GAAP "). Covenant and ratio requirements may limit the manner in which we can conduct our business, and we may be unable to engage in favorable business activities or finance future operations and capital needs. Specifically, the amount and terms of the Company' s indebtedness could: • limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate, including limiting our ability to invest in our strategic initiatives, and consequently, place us at a competitive disadvantage; • reduce the availability of our cash flows that would otherwise be available to fund working capital, capital expenditures, acquisitions, and other general corporate purposes; and • result in higher interest expense in the event of increases in interest rates, as discussed below under the Risk Factor " Interest rate increases could affect our results of operations, cash flows, and financial position. " In addition, a failure to comply with these restrictions or to maintain the financial measures and ratios contained in the New Credit Facility or future debt instruments could lead to an event of default that could result in an acceleration of debt repayment obligations. Risks related to our pension benefit plans may adversely impact our results of operations and cash flows. Pension benefits represent significant financial obligations. As of December 31, 2022, we had approximately $ 39. 6 million of unfunded pension liabilities. Because of the uncertainties involved in estimating the timing and amount of future payments and asset returns, significant estimates are required to calculate pension expense and liabilities related to our plans. We utilize the services of independent actuaries, whose models are used to facilitate these calculations. Several key assumptions are used in the actuarial models to calculate pension expense and liability amounts recorded in the consolidated financial statements. In particular, significant changes in actual investment returns on pension~~

~~assets, discount rates, or legislative or regulatory changes could impact future results of operations and required pension contributions. Differences between actual pension expenses and liability amounts from these estimated expense and liabilities may adversely impact our results of operations and cash flows. 10Risks Related to Cybersecurity Privacy, information security and other regulatory requirements may prevent or impair our ability to offer our products and services. We are subject to and affected by numerous laws, regulations, and industry standards that regulate direct marketing activities, including those that address privacy, data protection, processing personal information, information security, and marketing communications. Please refer to the section above entitled " Item 1. Business- Government Regulation " for additional information regarding some of these regulations. As a result of increasing awareness and interest in privacy rights, data protection, the fair use of personal information, consumer protection, information security, and similar matters, national and local governments and industry organizations regularly consider and adopt new laws, rules, regulations, and guidelines that impact, restrict, and regulate our business products and services. Whether already in place or scheduled to become effective in the future, comprehensive data protection, privacy, and marketing laws apply across the jurisdictions in which we operate as well as in the locations where any such personal information originates, including Europe, the Philippines, and most states throughout the United States. These regulations apply when processing personal data for business and marketing purposes and broadly impact all marketing activities, including legitimate activities associated with profiling consumer behaviors, drawing inferences from personal information, making automated decisions about individuals using personal information, transferring personal information between parties and jurisdictions, communicating with existing and prospective customers, and to other similar activities. Additionally, we are subject to operational obligations when processing and storing personal information, including, but not limited to, adopting and upholding a governance framework to protect this information, registering with relevant regulators, implementing secure infrastructure and data security standards and strategies, data breach detection and response solutions, conducting audits to identify security risks as well as carrying out additional procedures to demonstrate accountability and compliance with national and local privacy and data protection regulations. Other relevant compliance considerations in support of these mandates include establishing solutions in support of broad privacy and data protection rights, including those designed to offer notice to individuals, capture prior consent, grant access to personal information, offer choices regarding the decision to share one' s personal information and how such information can be used, as well as related controls to honor choices expressed related to if and how personal information can be processed or licensed for marketing purposes. One such solution is the " Don' t Sell My Info " link at the bottom of our corporate webpage, as well as our transparent efforts to clearly disclose our Privacy Policy and Cookie and Advertising polices. We also openly provide a link to our Security and Privacy Polices on our corporate webpage under our Investor Relations tab. We anticipate new regulations will continue to be proposed and adopted in the future in the jurisdictions in which we operate and / or generate revenue. We also expect any new regulations will reflect the growing trends common to current privacy, data protection and marketing laws requiring companies to bear the burden of proving compliance efforts through demonstratable records, and may subject companies to significant fines and penalties should they violate any substantive or technical requirement. We may implement additional safeguards, controls and measures in response to these changes and trends; and may be required to change or limit our service offerings. Our business may also be affected by the impact of rules and regulations on our clients' business and marketing activities. In addition, as we acquire new capabilities and deploy new technologies to execute our strategy, we may be exposed to additional regulation. Current and future restrictions and regulations could increase compliance costs, and restrict or prevent the collection, management, aggregation, transfer, use or dissemination of personal information or change the requirements so as to require other changes to our business or our clients' businesses, practices and tolerance for risk. Additional restrictions and regulations may limit or prohibit current practices regarding marketing communications and information quality solutions. For example, multiple states have implemented opt out legislation for telephone marketing, requiring the creation of statewide do- not call registries. Such legislation could impact our business and the businesses of our clients and of their customers. In addition, continued public interest in privacy rights, data protection and access, and information security may result in the adoption of additional industry guidelines that could impact our direct marketing activities and business practices. We cannot predict the scope of any new laws, rules, regulations, or industry guidelines or how courts or agencies may interpret existing rules, regulations or guidelines. Additionally, enforcement priorities by governmental authorities will change over time, which may impact our business. Understanding the laws, rules, regulations, and guidelines applicable to specific client multichannel engagements and across many jurisdictions poses a significant challenge, as such laws, rules, regulations, and guidelines are often inconsistent or conflicting, and are sometimes at odds with client objectives. Our failure to properly comply with these regulatory requirements and client needs may materially and adversely affect our business. General compliance with privacy, data protection, and information security obligations is costly and time- consuming, and we may encounter difficulties, delays, or significant expenses in connection with our compliance, or because of our clients' need to comply. We may be exposed to significant penalties, liabilities, reputational harm, and loss of business in the event that we fail to comply. We could suffer a material adverse impact on our business due to the enactment or enforcement of legislation or industry regulations affecting us and / or our clients, the issuance of judicial or governmental interpretations, changed enforcement priorities of governmental agencies, or a change in behavior arising from public concern over privacy, data protection, and information security issues~~ . Consumer perceptions regarding the privacy and security of their data may prevent or impair our ability to offer our products and services. Various local, national, and international regulations, as well as industry standards, give consumers varying degrees of control as to how personal data is collected, used, and shared for marketing purposes. If, due to privacy, security, or other concerns, consumers exercise their ability to prevent or limit such data collection, use, or sharing, it may impair our ability to provide direct marketing services for those consumers and limit our clients' demand for our services. Additionally, privacy and security concerns may limit consumers' willingness to voluntarily provide data to our clients or marketing companies. Some of our services depend on voluntarily provided data. For instance, we believe that one of the most attractive offerings of our Marketing Services segment is the provision of data- analytics to our clients. However, the ability to provide such services is at least in part dependent on the ability to collect large volumes of voluntarily provided data. If there is a significant shift in consumer behavior or governmental regulations were to inhibit our ability to collect large amounts of this type of data, our ability to provide meaningful data analytics to our clients would likely be impaired . 11If we do not prevent security...... and handle such sensitive or confidential information . If our facilities are damaged, or if we are unable to access and use our facilities, our business and results of operations will be adversely affected. Our operations rely on the ability of our employees to work at specially equipped facilities to perform services for our clients. Although we have some excess capacity and redundancy, we do not have sufficient excess capacity or redundancy (in equipment, facilities, or personnel) to maintain our standard service and operational levels for an extended period of time if we are unable to use one of our major facilities. Outsourcing these processes to facilities not owned by us is not a viable option. Should we lose access to a facility for any reason, including as a result of **pandemics** ~~a localized outbreak of COVID- 19 or another communicable disease~~ , terrorist incident or natural disaster, our service levels are likely to decline or be suspended ~~,~~ **and** clients would go without service or secure replacement services from a competitor. As a consequence of such an event, we would suffer a reduction in revenues and harm to (and loss of) client relationships. Significant system disruptions, loss of data...... company resources to repair the damage. If our new leaders are unsuccessful, or if we continue to lose key management and are unable to attract and retain the talent required for our business, our operating results could suffer. Over the past ~~four~~ **few** years **,** we have replaced many of our leaders (including our Chief Executive ~~Officer, President, Chairman, Chief Operating~~ Officer, and Chief Financial Officer), some a number of times. If our new leaders fail in their new and additional roles and responsibilities (and more generally if we are unable to attract additional leaders with the necessary skills to manage our business) our business and its operating results may suffer. Further, our prospects depend in large part upon our ability to attract, train, and retain experienced technical, client services, sales, consulting, marketing, and management personnel. While the demand for personnel is also dependent on employment levels, competitive factors, and general economic conditions, our recent business performance may diminish our attractiveness as an employer. The loss or prolonged absence of the services of these individuals could have a material adverse effect on our business, financial position, or operating results. 12We could fail to adequately protect our...... market price of our common stock. Interest rate increases could affect our results of operations, cash flows and financial position. Interest rate fluctuations in Europe and the United States may affect the amount of interest we ~~pay related to our debt and the amount we~~ earn on cash equivalents. Our ~~New~~ Credit Facility bears interest based upon the **Secured Overnight Financing** ~~Bloomberg Short- Term Bank Yield Index~~ Rate. Our results of operations, cash flows, and financial position could be materially or adversely affected by significant increases in interest rates. We also have exposure to interest rate fluctuations in the United States, specifically money market, ~~commercial paper,~~ **the value of our pension obligations** and overnight time deposit rates, as these affect our earnings on excess cash. Even with the offsetting increase in earnings on excess cash in the event of an interest rate increase, we cannot be assured that future interest rate increases will not have a material adverse impact on our business, financial position, or operating results. ~~On July 27, 2017, the Financial Conduct Authority in the United Kingdom (the " FCA ") announced that~~ **Increased interest rates have put upward pressure on pricing and purchasing power. Pricing pressure has led to some wage inflation which could adversely affect our margins and profitability if** it **persisted for** ~~would phase out LIBOR as~~ a **long time** ~~benchmark by the end of 2021. The FCA ceased publication of U. S. dollar LIBOR after December 31, 2021 in the case of one- week and two- month U. S. dollar LIBOR, and will cease publication after June 30, 2023 in the case of the remaining U. S. dollar LIBOR benchmarks. The U. S. Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of, among other entities, large U. S. financial institutions, has recommended replacing U. S. dollar LIBOR with a new index and selected SOFR as the preferred alternate rate. While the transition to SOFR is not in and of itself expected to have a material impact on the Company' s earnings, the impact of the transition on the global financial markets and the economy could affect our~~ - **or** ~~business~~ **wage pressure increased** . ~~14We~~ **We** are subject to risks associated with operations outside the United States Harte Hanks conducts business outside of the United States. During ~~2022~~ **2023** , approximately ~~11~~ **9** . ~~1~~ **6** % of our revenues were derived from operations outside the United States, primarily in Europe and Asia. We may expand our international operations in the future as part of our growth strategy. Accordingly, our future operating results could be negatively affected by a variety of factors, some of which are beyond our control, including: • changes in local, national, and international legal requirements or policies resulting in burdensome government controls, tariffs, restrictions, embargoes, or export license requirements; • higher rates of inflation; • the potential for nationalization of enterprises; • less favorable labor laws that may increase employment costs and decrease workforce flexibility; • potentially adverse tax treatment; • less favorable foreign intellectual property laws that would make it more difficult to protect our intellectual property from misappropriation; • more onerous or differing data privacy and security requirements or other marketing regulations; • longer payment cycles; • social, economic, and political instability; • regional **armed** conflicts ~~, including Russia' s invasion of Ukraine~~ , as well as any additional economic sanctions adopted in response to such actions; • the differing costs and difficulties of managing international operations; • modifications to international trade policy or the imposition of increased or new tariffs, quotas or trade barriers on key commodities; and • geopolitical risk and adverse market conditions caused by changes in national or regional economic or political conditions (which may impact relative interest rates and the availability, cost, and terms of mortgage funds). In addition, exchange rate fluctuations may have an impact on our future costs or on future cash flows from foreign investments. We have not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates. The various risks that are inherent in doing business in the United States are also generally applicable to doing business anywhere else and may be exacerbated by the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws, and regulations. If we fail to establish and maintain proper and effective internal control over financial reporting, our operating results and our ability to operate our business could be harmed. Section 404 of the Sarbanes- Oxley Act of 2002 requires that we establish and maintain internal control over financial reporting and we are also required to establish disclosure controls and procedures under applicable SEC rules. An effective internal control environment is necessary to enable us to produce reliable financial reports and is an important component of our efforts to prevent and detect financial reporting errors and fraud. Management is required to provide an annual assessment on the effectiveness of our internal control over financial reporting. Our testing may reveal significant deficiencies in our internal control over financial reporting that are deemed to be material weaknesses and render our internal control over financial reporting ineffective. In the past these assessments and similar reviews have led to the discovery of material weaknesses, all of which have been remediated. However, no assurance can be given that we won' t discover material weaknesses in the future. We have incurred and we expect to continue to incur substantial accounting and auditing expenses and expend significant management time in complying with the requirements of Section 404. While an effective internal control environment is necessary to enable us to produce reliable financial reports and is an important component of our efforts to prevent and detect financial reporting errors and fraud, disclosure controls and internal control over financial reporting are generally not capable of preventing or detecting all financial reporting errors and all fraud. A control system, no matter how well- designed and operated, is designed to reduce rather than eliminate the risk of material misstatements in our consolidated financial statements. There are inherent limitations on the effectiveness of internal controls, including collusion, management override and failure in human judgment. A control system can provide only reasonable, not absolute, assurance of achieving the desired control objectives and the design of a control system must reflect the fact that resource constraints exist. If we are not able to comply with the requirements of Section 404, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses (i) we could fail to meet our financial reporting obligations; (ii) our reputation may be adversely affected and our business and operating results could be harmed; (iii) the market price of our stock could decline; and (iv) we could be subject to litigation and / or investigations or sanctions by the SEC, or other regulatory authorities. There were no changes in our internal controls over financial reporting during our most recent fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. **12We** ~~,be subjected to regulatory or governmental sanctions or litigation.These risks may be increased due to our reliance on subcontractors and other third parties in providing a portion of our overall services in certain engagements.We cannot guarantee that these third parties will effectively protect and handle sensitive personal information or other confidential information,or that we will have adequate recourse against these third parties in the event such third parties fail to adequately protect and handle such sensitive or confidential information.We~~ could fail to adequately protect our intellectual property rights and may face claims for intellectual property infringement.Our ability to compete effectively depends in part on the protection of our technology,products,services,and brands through intellectual property right protections,including copyrights,database rights,trade secrets,trademarks,as well as through domain name registrations,and enforcement procedures.The extent to which such rights can be protected and enforced varies by jurisdiction,and capabilities we procure through acquisitions may have less protection than would be desirable for the use or scale we intend or need.Litigation involving patents and other intellectual property rights has become far more common and expensive in recent years,and we face the risk of additional litigation relating to our use or future use of intellectual property rights of third parties.Despite our efforts to protect our intellectual property,unauthorized parties may attempt to copy or otherwise obtain and use our proprietary information and technology.Monitoring unauthorized use of our intellectual property is difficult,and unauthorized use of our intellectual property may occur.We cannot be certain that trademark registrations will be issued,nor can we be certain that any issued trademark registrations will give us adequate protection from competing products.For example,others may develop competing technologies or databases on their own.Moreover,there is no assurance that our confidentiality agreements with our employees or third parties will be sufficient to protect our intellectual property and proprietary information.Third- party infringement claims and any related litigation against us could subject us to liability for damages,significantly increase our costs,restrict us from using and providing our technologies,products or services or operating our business generally,or require changes to be made to our technologies,products,and services.We may also be subject to such infringement claims against us by third parties and may incur substantial costs and devote significant management resources in responding to such claims.We have been,and continue to be,obligated under some agreements to indemnify our clients as a result of claims that we infringe on the proprietary rights of third parties.These costs and distractions could cause our business to suffer.In addition,if any party asserts an infringement claim,we may need to obtain licenses to the disputed intellectual property.We cannot provide assurance,however,that we will be able to obtain these licenses on commercially reasonable terms or that we will be able to obtain any licenses at all.The failure to obtain necessary licenses or other rights may have an adverse effect on our ability to provide our products and services.Breaches of security,or the perception that e- commerce is not secure,could severely harm our business and reputation.Business- to- business and business- to- consumer electronic commerce requires the secure transmission of confidential information over public networks.Some of our products and services are accessed through,or are otherwise dependent on the internet.Security breaches in connection with the delivery of our products and services,or well- publicized security breaches that may affect us or our industry (such as database intrusion) could be severely detrimental to our business,operating results,and financial condition.We cannot be certain that advances in criminal capabilities,cryptography,or other fields will not compromise or breach the technology protecting the information systems that deliver our products,services,and proprietary database information.Data suppliers could withdraw data that we rely on for our products and services.We purchase or license much of the data we use for ourselves and for our clients.Our ability to provide our customers with data is somewhat dependent on the ability to obtain this data.There could be a material adverse impact on our business if owners of the data we use were to curtail access to the data or materially restrict the authorized uses of their data.Data providers could withdraw their data for a number of reasons,including but not limited to,if there is a competitive reason to do so,if there is pressure from the consumer community,or if additional regulations are adopted restricting the use of the data.We also rely upon data from other external sources to maintain our proprietary and non- proprietary databases,including data received from customers and various government and public records.If a substantial number of data providers or other key data sources were to withdraw or restrict their data,if we were to lose access to data due to government regulation or if the collection of data becomes uneconomical,our ability to provide products and services to our clients could be materially and adversely affected,which could result in decreased revenues,net income and earnings per share. ~~Risks Related~~ **13We are unlikely** to **declare cash dividends.Although** our ~~Capital Structure and~~ **board of directors has in the past authorized the payment of quarterly cash dividends on our** ~~Common~~ **common** ~~Stock~~ **stock ,we announced in 2016 that we did not plan to declare any further dividends for the foreseeable future.Decisions to pay dividends on our common stock will be based upon periodic determinations by our board that such dividends are in compliance with all applicable laws and agreements and in the best interest of our stockholders after considering our financial condition and results of operations,the price of our common stock,credit conditions,and such other factors as are deemed relevant by our board.** The **failure to pay a cash dividend** ~~covenants in the Credit Facility may limit the Company' s operating and financial flexibility.The Credit Facility and the terms under which we borrow money under any future credit facilities or other agreements~~ could ~~have significant~~ **adversely affect the market price of our common stock.** ~~15Fluctuation~~ -- **Fluctuation** in our revenue and operating results and other factors may impact the volatility of our stock price. The price at which our common stock has traded in recent years has fluctuated greatly and has declined significantly. Our common stock price may continue to be volatile due to **several** ~~a number of~~ factors including the following (some of which are beyond our control): • variations in our operating results from period to period and variations between our actual operating results and the expectations of securities analysts, investors, and the financial community; • the development and sustainability of an active trading market for our common stock ~~; • the transition of our common stock from the NYSE to the OTCQX; from OTCQX to NASDAQ~~ ; • unanticipated developments with client engagements or client demand, such as variations in the size, budget, or progress of engagements, variability in the market demand for our services, client consolidations, and the unanticipated termination of several major client engagements; • announcements of developments affecting our businesses; • competition and the operating results of our competitors; • the overall strength of the economies of the markets we serve and general market volatility; and • other factors discussed elsewhere in this Item 1A, " Risk Factors. " Because of these and other factors, investors in our common stock may not be able to resell their shares at or above their original purchase price. Our certificate of incorporation and bylaws contain anti- takeover protections that may discourage or prevent strategic transactions, including a takeover of our company, even if such a transaction would be beneficial to our stockholders. Provisions contained in our certificate of incorporation and bylaws, in conjunction with provisions of the Delaware General Corporation Law, could delay or prevent a third party from entering a strategic transaction with us, even if such a transaction would benefit our stockholders. For example, our certificate of incorporation and bylaws do not allow written consents by stockholders and have strict advance notice and disclosure requirements for nominees and stockholder proposals. ~~ITEM 1B. UNRESOLVED STAFF COMMENTS~~