

Risk Factors Comparison 2024-09-11 to 2023-09-08 Form: 10-K

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In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition, cash flows or future results. Any one of these factors could cause the Company's actual results to vary materially from recent results or from anticipated future results. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and / or operating results. Risk Factor Summary Risks Related to Our Strategy • Lower levels of economic activity in our end markets could adversely affect our operating results. • ~~Our operating results may be adversely affected by unfavorable economic, political and market conditions.~~ • The inability to effectively execute our business strategies could adversely affect our financial condition and results of operations. • The markets in which we operate are subject to competitive pressures that could affect selling prices, and therefore could adversely affect our operating results. • **Two** ~~We have a concentration of net sales~~ **our largest market verticals are** to the refueling and convenience store and grocery markets, and any substantial change in these markets could have an adverse effect on our business. • The Company may pursue future growth through strategic acquisitions and investments, which may not yield anticipated benefits. • If we do not develop the appropriate new products or if customers do not accept new products, we could experience a loss of competitive position which could adversely affect future revenues. • If we are unable to adequately protect our intellectual property, we may lose some of our competitive advantage. Risks Related to our Operations • Sudden or unexpected changes in a customer's creditworthiness could result in significant accounts receivable write-offs. • Price increases **in, and** significant shortages of, raw materials and components ~~;~~ **and** shortages in transportation and ~~an increase~~ **increased** in fuel prices could adversely affect our operating margin. • Our information technology systems are subject to certain cyber risks and could be subject to interruptions that are beyond our control. • Labor shortages or increases in labor costs could adversely impact our business and results of operations. • If the Company's products are improperly designed, manufactured, packaged, or labeled, the Company may need to recall those items, may have increased warranty costs, and could be the target of product liability claims. • Changes in a customer's demands and commitment to proprietary inventory could result in significant inventory write-offs. • The turnover of independent commissioned sales representatives could cause a significant disruption in sales volume. • The Company may be unable to sustain significant customer and / or channel partner relationships. • A loss of key personnel or inability to attract qualified personnel could have an adverse effect on our operating results. • Changes in a shift in product mix can have a significant impact on our gross margins. • We may not recognize all revenues from our backlog or receive all payments anticipated under awarded projects and customer contracts. Risks Related to Legal and Regulatory Matters • Potential changes in U. S. trade policies could have a material adverse effect on the Company. • **Changes in our tax rates and exposures to additional income tax liabilities could have an unfavorable effect on the Company's reported results.** • **Emphasis on environmental, social, and governance (" ESG ") matters by various stakeholders could negatively affect our business.** Risks Related to Financial Matters • A significant decline in our stock price could adversely affect our ability to raise additional capital. • Recent increases in inflation and interest rates in the United States and elsewhere could adversely affect our business. • Anti- takeover provisions in our organizational documents and in Ohio law could make difficult or delay a change in management or negatively impact our share price. ~~-8-~~ • **Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors, theft, and fraud, or in informing management of all material information in a timely manner.** RISKS RELATED TO OUR STRATEGY Our businesses operate in several **vertical** market segments including the refueling and convenience store markets, parking lot and garage markets, quick- service restaurant market, retail and grocery store markets, the automotive market, the warehouse market, and the sports complex market. Operating results can be negatively impacted by volatility in these markets. Future downturns in any of the markets we serve could adversely affect our overall sales, profitability, and cash flow. In addition, customer difficulties in the future could result from economic declines or issues arising from the cyclical nature of their business and, in turn, result in decreases in product demand, increases in bad debt write-offs, decreases in timely collection of accounts receivable and adjustments to our allowance for credit losses, resulting in material reductions to our revenues and net earnings. **In addition,** ~~Economic~~ **economic** and political conditions worldwide have from time to time contributed to slowdowns in our industry at large, as well as to the specific markets in which we operate. ~~When combined with ongoing customer consolidation activity, an uncertain macro- economic and political climate, including but not limited to a recession or inflationary pressures, and the effects of possible weakness in domestic and foreign financial and credit markets, could lead to reduced demand from our customers and increased price competition for our products, increased risk of excess and obsolete inventories and uncollectible receivables, and higher overhead costs as a percentage of revenue.~~ If the markets in which we participate experience ~~further~~ economic downturns, as well as a slow recovery period, this could negatively impact our sales and revenue generation, margins, and operating expenses, and consequently have a material adverse effect on our business, financial condition and results of operations. Various uncertainties and risks are associated with our approach to strategically penetrate existing and new market verticals, including but not limited to, the development, marketing and selling of new products and solutions, new product development, and the overall development, marketing, and selling of lighting and display solutions. Those uncertainties and risks include but are not limited to diversion of management's attention; difficulty in retaining or attracting employees; negative impact on business relationships and customers; obsolescence of current products and slow new product development; inability to produce products with quality, performance, and cost

attributes equal to or better than provided by our competitors; and unforeseen difficulties in the implementation of the management operating structure. Problems with strategy execution could offset anticipated benefits, disrupt service to customers, and impact product quality as well as adversely affect our business. With the addition of new products and solutions, we may encounter new and different competitors that may have more experience with respect to such products and solutions. Our businesses operate in markets that are highly competitive, and we compete on the basis of price, quality, service and / or brand name across the industries and markets served. Some of our competitors for certain products, primarily in the Lighting Segment, have greater sales, assets, and financial resources. Some of our competitors are based in foreign countries and have cost structures and prices in foreign currencies. Accordingly, currency fluctuations could cause our U. S. dollar- priced products to be less competitive than our competitors' products which are priced in other currencies. Aggressive pricing actions of our competitors could affect prices we charge our customers or demand for our products, which could adversely affect our operating results. Additionally, customers for our products may attempt to reduce the number of vendors from which they purchase in order to reduce the size and diversity of their inventories and their transaction costs. To remain competitive, we will need to invest continuously in research and development, manufacturing, marketing, and customer service and support. We may not have sufficient resources to continue to make such investments and we may be unable to maintain our competitive position. ~~9~~

Two of our largest market verticals are to the refueling and convenience store and grocery markets, and any substantial change in these markets could have an adverse effect on our business.

The Company has a concentration of sales in the refueling and convenience store and grocery markets. Sales to the refueling and convenience store market are dependent upon the general conditions prevailing in and the profitability of the Petroleum industry and general market conditions. The refueling and convenience store market can be subject to reactions by the petroleum industry due to world political events, to the price and supply of oil, and to a decline in demand resulting from an economic recession, or other factors. Major disruptions in the petroleum industry generally result in a curtailment of retail marketing efforts, including expansion and refurbishing of retail outlets by the petroleum industry, which could adversely affect our business. The operating environment for the grocery market continues to be characterized by the fragmentation of local, regional, and national retailers, including both retail and digital formats, market consolidation, intense competition, and entry of non- traditional competitors. ~~Customer behavior shifted quickly and considerably during the pandemic, including a shift from dining away from home to food at home.~~ The changing operating environment along with changes in customer behaviors within the grocery market could have an adverse impact on the purchasing decisions by one or more of our larger customers in this market. In addition, actions by our competitors, our customer' s financial constraints, and industry factors or otherwise, could have an adverse effect on our business in either of these markets. The Company has grown and strengthened its business through strategic acquisitions and will continue to do so as opportunities arise in the future in order to meet the Company' s growth objectives. The Company will benefit from such activity only to the extent that it can effectively leverage and integrate the assets or capabilities of the acquired businesses including, but not limited to, personnel, technology, and operating processes. Moreover, unanticipated events, negative revisions to valuation assumptions and estimates, diversions of resources and management' s attention from other business concerns, and difficulties in attaining synergies, among other factors, could adversely affect the Company' s ability to recover initial and subsequent investments, particularly those related to acquired goodwill and intangible assets, which in turn could result in the impairment of the acquired company' s goodwill and related assets. In addition, such investment transactions may limit the Company' s ability to invest in other activities, which could be more profitable or advantageous. The Company is committed to product innovation on a timely basis to meet customer demands. Development of new products for targeted markets requires the Company to develop or otherwise leverage leading technologies in a cost- effective and timely manner. Failure to meet these changing demands could result in a loss of competitive position and seriously impact future revenues. Products or technologies developed by others may render the Company' s products or technologies obsolete or noncompetitive. A fundamental shift in technologies in key product markets could have a material adverse effect on the Company' s operating results and competitive position within the industry. More specifically, the development of new or enhanced products is a complex and uncertain process requiring the anticipation of technological and market trends. Rapidly changing product technologies could adversely impact operating results due to potential technological obsolescence of certain inventories or increased warranty expense related to newly developed LED lighting products or any of the Company' s other products and services. We may experience design, manufacturing, marketing, or other difficulties, such as an inability to attract a sufficient number of experienced engineers which could delay or prevent our development, introduction or marketing of new products or enhancements and result in unexpected expenses. Such difficulties could cause us to lose business from our customers and could adversely affect our competitive position. In addition, added expenses could decrease the profitability associated with those products that do not gain market acceptance. Our success is determined in part by our ability to obtain United States and foreign patent protection for our technology and to preserve our trade secrets. Our ability to compete and the ability of our business to grow could suffer if our intellectual property rights are not adequately protected. There can be no assurance that our patent applications will result in patents being issued or that current or additional patents will afford protection against competitors. We rely on a combination of patents, copyrights, trademarks and trade secret protection and contractual rights to establish and protect our intellectual property. Failure of our patents, copyrights, trademarks and trade secret protection, non- disclosure agreements and other measures to provide protection of our technology and our intellectual property rights could enable our competitors to compete with us more effectively and have an adverse effect on our business, financial condition, and results of operations. In addition, our trade secrets and proprietary know- how may otherwise become known or be independently discovered by others. No guarantee can be given that others will not independently develop substantially equivalent proprietary information or techniques, or otherwise gain access to our proprietary technology. ~~10~~ **RISKS RELATED TO OUR OPERATIONS** The Company takes a conservative approach when extending credit to its customers. Customers are granted an appropriate credit limit based upon the due diligence performed on the customer which includes, among other things, the review of the company'

s financial statements and banking information, various credit checks, and payment history the customer has with the Company. At any given time, the Company can have a significant amount of credit exposure with its larger customers. While the Company is frequently monitoring its outstanding receivables with its customers, the risk does exist that a customer with large credit exposure is unable to make payment on its outstanding receivables which could result in a significant write-off of accounts receivable. The Company purchases large quantities of raw materials and components such as steel, aluminum, aluminum castings, fabrications, LEDs, power supplies, powder paint, steel tubing, wire harnesses, acrylic, silicon and glass lenses, inks, various graphics substrates such as Aluminum Composite Material (ACM), Expanded PVC sheet (EPVC), vinyl film, styrene, foamboards, wood and wood laminates, condensing units, and digital screens. ~~Materials comprise the largest component of costs, representing approximately 63 % and 66 % of the cost of sales in 2023 and 2022, respectively.~~ The Company's operating results could be affected by the availability and price fluctuations of these materials. The Company's strategic sourcing plans include mitigating supply chain risk by utilizing multiple suppliers for a commodity to avoid significant dependence on any single supplier. Although an interruption of these supplies and components could disrupt our operations, we believe generally that alternative sources of supply exist and could be readily arranged. ~~To mitigate the risk of disruptions in the supply chain, we have on occasion increased our safety stock in certain components in order to mitigate a potential disruption to our operations resulting from an anticipated shortage of these same components.~~ With regard to price fluctuations of our raw material and component purchases, the price risk for materials the Company purchases is related to price increases in commodity items that affect all users of the materials, including the Company's competitors. Significant tariffs or increases in the price of these raw materials and components could further increase the Company's operating costs and materially adversely affect margins. The Company does, however, seek and qualify new suppliers, negotiate with existing suppliers, and arrange stocking agreements to mitigate risk of supply and price increases. The Company can also be impacted by shortages and the availability of transportation of our products to our customers, in addition to rising fuel prices. The Company's Lighting Segment has implemented price increases with customers to offset raw material price increases along, rising transportation costs, and to mitigate the impact of trade tariffs. The Company's Display Solutions Segment generally establishes new sales prices, reflective of the then current raw material prices and transportation costs, for each program as it begins with further price increases throughout the life of the program when warranted. Although the Company attempts to pass along increased costs in the form of price increases to its customers, the Company may be unsuccessful in doing so for competitive reasons. Even when price increases are successful, the timing of such price increases may lag significantly behind the incurrence of higher costs. We depend heavily on the proper functioning and availability of our information, communications, and data processing systems, including operating and financial reporting systems, in operating our business. Our systems and those of our technology and communications providers are vulnerable to interruptions caused by natural disasters, power loss, telecommunication and internet failures, cyber-attack, and other events beyond our control. Accordingly, information security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us. We **could have been, and in the future may be** ; targeted by malicious cyber activity. Any failure to identify address or prevent malicious cyber activity could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our reputation and increased service and maintenance costs. We have significantly enhanced and will continue to improve our cybersecurity controls in order to minimize the likelihood or impact of a malicious cyber activity. ~~11~~ Our information systems are protected through physical and software security as well as redundant backup systems, however, as cyber-attacks continue to evolve, we are committed to investing in our cyber defenses in order to mitigate the risks. Some of our software systems are provided and / or utilized by third parties who maintain responsibility for mitigating cybersecurity risk. We have invested and continue to invest in technology security initiatives, employee training, information technology risk management and disaster recovery plans. The development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more sophisticated. Despite our efforts, we are not fully insulated from data breaches, technology disruptions or data loss, which could adversely impact our competitiveness and results of operations. Any future successful cyber-attack or catastrophic natural disaster could significantly affect our operating and financial systems and could temporarily disrupt our ability to provide required services to our customers, impact our ability to manage our operations and perform vital financial processes, any of which could have a materially adverse effect on our business. We rely heavily on our employees and any shortage of qualified labor could adversely affect our business. If we are not successful in our recruiting and retention efforts due to general labor shortages or otherwise, we could encounter a shortage of qualified employees in future periods. Any such shortage would decrease our ability to produce sufficient quantities of our product to serve our customers effectively. Such a shortage may also require us to pay higher wages for employees and incur a corresponding reduction in our profitability. Improvements in the economy and labor markets also could impact our ability to attract and retain key personnel. Rising wages across an improving economy can increase the competition among employers for a scarce labor force and make it difficult for us to attract and retain key personnel. The Company may need to recall products if they are improperly designed, manufactured, packaged, or labeled, and the Company's insurance may not provide full coverage for such recall events. Many of the Company's products and solutions have become complex and include sophisticated and sensitive electronic components. The Company has manufactured certain of those components and products in its own facilities. Widespread product recalls could result in significant losses due to the costs of a recall, the destruction of product inventory, penalties, and lost sales due to the unavailability of a product for a period of time. In addition, products developed by the Company that incorporate LED technology, generally provide for more extensive warranty protection which may result in increased warranty claim costs. The Company may also be liable if the use of any of its products causes harm and could suffer losses from a significant product liability judgment against the Company in excess of its insurance limits. The Company may not be able to obtain indemnity or

reimbursement from its suppliers or other third parties for the warranty costs or liabilities associated with its products. A significant product recall, warranty claim, or product liability case could also result in adverse publicity, damage to the Company's reputation, and a loss of consumer confidence in its products. Upgrading or replacing a customer's current image requires the manufacture of inventory that is specific to the particular customer. This is particularly true in the Display Solutions Segment. In as many instances as possible, we require a commitment from the customer before the inventory is produced. Our request for a commitment can range from a single site or store to a large rollout program involving many sites or stores. The risk does exist that a customer cannot or will not honor its commitment to us. The reasons a customer cannot or will not honor its commitment can range from the bankruptcy of the customer to the change in the image during the rollout program, to canceling the program before its completion and before the inventory is sold to the customer. In each of these instances, we could be left with significant amounts of inventory required to support the customer's re-imaging. While all efforts are made to hold the customer accountable for its commitment, there is the risk that a significant amount of inventory could be deemed obsolete or no longer usable which could result in significant inventory write-offs. Commissioned sales representatives are critical to generating business in the Lighting Segment. From time to time, commissioned sales representatives representing a particular region resign, are terminated and replaced with new commissioned sales representatives, or consolidated with another local firm. During this period of transition from the previous agency to the new one, sales in the particular region will likely fall as business is disrupted. It may take several months for the new sales representative to generate sales that will equal or exceed the previous sales representative. There is also the risk that the new sales agency will not attain the sales volume of the previous agency. These sales representative changes may occur individually as one agency is replaced due to lack of performance or changes may occur as a result of the mergers or acquisitions within the lighting industry. On the other hand, these sales representative changes can be widespread as a result of the competitive nature of the lighting industry as LSI and its competition vie for the strongest sales agency in a particular region. —12— Relationships with customers are directly impacted by the Company's ability to deliver quality products and services. The loss of or a substantial decrease in the volume of purchases by certain large customers could significantly harm the Company. The Company has relationships with channel partners such as electrical distributors, independent sales agencies, system integrators, contractors, and value-added resellers, to name a few. While the Company maintains positive, and in many cases long-term relationships with these channel partners, the loss of a number of channel partners or substantial decrease in the volume of purchases from a major channel partner or group of channel partners could adversely affect the Company. The Company's future success depends on the ability to attract and retain highly skilled technical, managerial, marketing and finance personnel, and, to a significant extent, upon the efforts and abilities of senior management. The Company's management philosophy of **cost-control selecting and empowering high levels of talent could result in a lean workforce.** Future success of the Company will depend on, among other factors, the ability to attract and retain other qualified personnel, particularly executive management, research and development engineers, and sales professionals. The loss of the services of any key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on the Company's results of operations. Certain of our products have higher gross profit margins than others. Further, the difference in gross margin of the products sold within the Lighting and Display Solutions Segments can also vary significantly. Consequently, changes in the product mix of our sales from quarter-to-quarter or from year-to-year can have a significant impact on our reported gross profit margins. Our customers have the right under some circumstances to terminate contracts or defer the timing of our shipments or installments and their payments to us. We may not receive all of the revenues from our backlog. If we do not receive all of the revenues we currently expect to receive, our future operating results could be adversely affected. In addition, a delay in the receipt of revenues, even if such revenues are eventually received, may cause our operating results for a particular quarter to fall below our expectations.

RISKS RELATED TO LEGAL AND REGULATORY MATTERS Changes in the U. S. trade policy, U. S. social, political, regulatory, and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently purchase component parts and sell products, and any resulting negative sentiments towards the United States as a result of such changes, could have an adverse effect on our business. Some of our purchased components are sourced from or manufactured in foreign countries. Import tariffs and potential import tariffs have resulted or may result in increased prices for these imported goods and materials and, in some cases, may result or have resulted in price increases for domestically sourced goods and materials. Changes in U. S. trade policy have resulted and could result in additional reactions from U. S. trading partners, including adopting responsive trade policies making it more difficult or costly for us to export our products or import goods and materials from those countries. These measures could also result in increased costs for goods imported into the U. S. or may cause us to adjust our foreign supply chain. Either of these could require us to increase prices to our customers which may reduce demand, or, if we are unable to increase prices, result in lowering our margin on products sold. —13— We cannot predict future trade policy or the terms of any renegotiated trade agreements and their impacts on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements, or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the U. S. economy, which in turn could adversely impact our business, financial condition, and results of operations. **The Company is subject to income and other taxes in the United States federal jurisdiction and various local, state and foreign jurisdictions. The Company's future effective income tax rates could be unfavorably affected by various factors, including changes in the tax rates as well as rules and regulations in relevant jurisdictions. In addition, the amount of income taxes paid is subject to ongoing audits by U. S. federal, state and local tax authorities and by non- U. S. authorities. If these audits result in assessments different from amounts recorded, the Company's future financial results may include unfavorable adjustments. Customer, investor and employee expectations relating to ESG have been rapidly evolving and increasing. In addition, government organizations are enhancing or advancing legal and regulatory requirements specific to ESG matters. The heightened stakeholder focus on ESG issues related to our business requires**

the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in noncompliance, the loss of business, reputational impacts, diluted market valuation, an inability to attract customers and an inability to attract and retain top talent. In addition, our adoption of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our profitability. Climate changes, such as extreme weather conditions, create financial risk to our business. Global physical climate changes, including unseasonable weather conditions, could result in reduced demand or product obsolescence for certain of our customers' products and / or price modifications for our customers' products and the resources needed to produce them. This could in turn put pressure on our manufacturing costs and result in reduced profit margin associated with certain of our customer programs, or loss of customer programs that we may not be able to replace.

RISKS RELATED TO FINANCIAL MATTERS The market price of our common stock can experience significant fluctuations. Our progress in developing and commercializing our products, our quarterly operating results, announcements of new products by us or our competitors, our perceived prospects, changes in general conditions in the economy or the financial markets, adverse events related to our strategic relationships, and other developments affecting us, or our competitors could cause the market price of our common stock to fluctuate substantially. This volatility of the stock market has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These market fluctuations, regardless of the cause, may materially and adversely affect our stock price, regardless of our operating results, and this could impact our ability to raise capital. We are exposed to fluctuations in inflation and interest rates, which could negatively affect our business, financial condition, and results of operations. The United States and other jurisdictions have recently experienced high levels of inflation. If the inflation rate continues to increase, it will likely affect our expenses, including, but not limited to, employee compensation and labor expenses along with the cost of various goods and services the Company purchases, and we may not be successful in offsetting such cost increases. In addition, a continued increase in interest rates will further result in increased interest expense. Certain provisions of our Articles of Incorporation and Code of Regulations could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and could prevent or hinder attempts by our shareholders to replace or remove our current board of directors or management. We have a number of provisions in place that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. These provisions include: • the authorization of undesignated preferred stock, which makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences in a manner that could delay or prevent a transaction or a change in control; • a provision that specifies that special meetings of our shareholders may be called only by our board of directors, our chairman of the board, if one has been elected, our president, or persons holding 50 % of our outstanding voting stock; • any business combination between us and a beneficial owner of 15 % or more of our voting power requires the vote of 66 2 / 3 % of the voting power of disinterested shareholders for five years after a party became an interested shareholder; • any person who becomes a beneficial owner of 15 % or more of our voting power must offer to purchase all of our voting securities and securities convertible into or exercisable for our voting securities within 25 days after achieving 15 % ownership. The price to be paid would be the greater of the highest price paid by such 15 % owner in acquiring its shares or the highest trading price for a period of time prior to such person becoming a 15 % owner; • the votes of holders of 66 2 / 3 % of all outstanding shares is required to amend our Articles of Incorporation and to approve mergers, reorganizations, and similar transactions; and advance notice requirements by shareholders for director nominations and actions to be taken at annual meetings. Ohio corporation law contains provisions that may discourage takeover bids for our company that have not negotiated with the board of directors. Such provisions could limit the price that investors might be willing to pay in the future for our shares of common stock. Additionally, shareholders may act by written consent without a meeting only if such written consent is signed by all shareholders.

Management does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors or fraud. A control system is designed to give reasonable, but not absolute, assurance that the objectives of the control system are met. In addition, any control system reflects resource constraints and the benefits of controls must be considered relative to their costs. Inherent limitations of a control system may include judgments in decision making may be faulty, breakdowns can occur simply because of error or mistake and controls can be circumvented by collusion or management override. Due to the inherent limitations in a cost - effective control system, misstatements due to error or fraud may occur and may not be detected. 14 -