Risk Factors Comparison 2023-11-17 to 2022-11-18 Form: 10-K

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There are inherent risks and uncertainties associated with the Company' s businesses that could adversely affect its operating performance and financial condition. Set forth below are descriptions of those risks and uncertainties that the Company ~~currently~~ believes to be material **as of the date of this Annual Report on Form 10- K** . Additional risks not ~~currently~~ known **to the Company as of such date** or **risks that the Company** deemed immaterial may also result in adverse effects on the Company **in the future** . Company- Specific Risk Factors: Foreign Operations. The Company conducts business in more than 30 countries around the world, and in fiscal ~~2022~~ **2023** approximately ~~32~~ **37** % of the Company' s sales to external customers were to customers outside the United States. In addition, the Company' s manufacturing operations, suppliers and employees are located in many places around the world. As such, the Company' s future success depends in part on its ability to grow sales in non- U. S. markets. Sales and operations outside of the United States are subject to certain inherent risks **. The Company anticipates that future sales to international customers will continue to account for a significant percentage of its revenues. Risks associated with the Company' s international sales and operations include, but are not limited to: • currency exchange rate fluctuations; • global political and economic instability and uncertainty; • international terrorism; • export controls** , including **by** ~~fluctuations in~~ the ~~value of~~ **United States; • failure to comply with anti- bribery legislation, including** the U. S. ~~dollar relative to~~ **Foreign Corrupt Practices Act (the " FCPA "); • changes in legal and regulatory requirements; • policy changes by the United States and** foreign ~~currencies~~ **governments affecting the markets for the Company' s products; • changes in tax laws** , **quotas** ~~global economic uncertainties~~ , tariffs ~~, quotas, taxes~~ and other market ~~barriers~~ - **barrier** ~~, political~~ **; • difficulties in protection** and ~~economic instability,~~ **enforcement of intellectual property rights; •** restrictions on the export or import of technology ~~, potentially limited intellectual property~~ **; • failure to comply with the foreign data** protection **laws** , ~~difficulties in staffing~~ **including the European Union' s General Data Protection Regulation (the " GDPR "); • inadvertent transfers of export- controlled information due to increased cross- border technology transfers** and **the use of offshore computer servers; • transportation, including piracy in international waters; and • challenges relating to** managing **a global workforce with diverse cultures, backgrounds and labor laws. It also is possible that certain** international **contracts may include industrial cooperation agreements requiring specific in- country purchases, investments, manufacturing agreements or other financial obligations (known as offset obligations) and may provide for penalties if the Company fails to meet such requirements. ITEM 1A. RISK FACTORS, (continued) The impact of these risks is difficult to predict, but the occurrence of one or more of them could have a material adverse effect on the Company' s financial position, results of** operations, **or cash flows** ~~potentially adverse tax consequences, and required compliance with non- U. S. laws and regulations~~ . Changes in Foreign Currency Exchange Rates. Production and sales of a significant portion of the Company' s products are outside the United States, and accordingly, the Company holds assets, incurs liabilities, earns revenue and pays expenses in a variety of currencies. The Company' s consolidated financial statements are presented in U. S. dollars, and therefore, the Company must translate the reported values of its foreign assets, liabilities, revenue and expenses into U. S. dollars. Increases or decreases in the value of the U. S. dollar compared to foreign currencies may negatively affect the value of these items in the Company' s consolidated financial statements, even though their value has not changed in local currency. Changes in Interest Rates. Interest rate fluctuations could increase the Company' s financing costs to the extent such interest rates are not hedged **. In addition** , ~~or~~ **increases in interest rates could** limit the Company' s ability to obtain additional indebtedness or debt refinancing ~~to be offered~~ on terms that the Company deems attractive, ~~if~~ **or** at all, which could have a material and adverse effect on the Company' s borrowing costs, profitability, liquidity and capital resources. Borrowings under the Company' s credit facilities, including the domestic credit facility, are subject to variable rates of interest and expose the Company to interest rate risk. The Company enters into interest rate swaps in order to achieve a mix of fixed and variable rate debt that it deems appropriate. To the extent that some or all of the Company' s variable interest rate debt is not subject to interest rate swaps, if interest rates were to increase, the Company' s interest expense would increase, negatively affecting earnings and reducing cash flows available for working capital, capital expenditures and other investments. ~~ITEM 1A. RISK FACTORS, (continued)~~ The Company also **has** ~~previously issued~~ $ ~~300~~ **299** . ~~0~~ **6** million 5. 25 % senior unsecured notes due December 1, 2025 (the " 2025 Senior Notes "). In the event the Company seeks to refinance indebtedness under the domestic credit facility or the 2025 Senior Notes, or obtain additional financing, higher interest rates may limit the Company' s ability to incur such indebtedness on terms that it deems attractive, if at all. If the Company is unable to incur indebtedness on terms that it deems attractive, it could have a material and adverse effect on the Company' s borrowing costs, profitability, liquidity and capital resources. Increased Prices for Raw Materials. The Company' s profitability is affected by the prices of the raw materials used in the manufacture of its products. These prices may fluctuate based on a number of factors, including changes in supply and demand, domestic and global economic conditions, volatility in commodity markets, currency exchange rates, labor costs, tariffs and fuel- related costs. If suppliers increase the price of critical raw materials, alternative sources of supply, or alternative materials, may not exist or be readily available. In addition, disruptions in the global supply chain may cause prices for raw materials to increase. See" Disruptions to the global supply chain." The Company has standard selling price structures (i. e., list prices) in certain of its segments, which are reviewed for adjustment generally on an annual basis. In addition, the Company has established pricing terms with several of its customers through contracts or similar arrangements. Based on competitive market conditions and to the extent that the Company has established pricing terms with customers, the Company' s ability to immediately increase the price of its products to offset the increased costs may be limited. Significant raw material price increases that cannot be mitigated by selling price increases or productivity improvements will negatively affect the Company' s results of operations. **Impairment of Goodwill and Intangible Assets. The Company has recorded a significant amount of goodwill and intangible assets in its consolidated financial statements resulting from acquisition activities and has in the past recorded, and may in the future record, significant charges for impairment of goodwill and intangible assets. The Company tests, at least annually, the carrying value of goodwill for impairment. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. For example, during the fiscal year ended September 30, 2022, Matthews recorded an $ 82. 5 million goodwill write- down with respect to its SGK Brand Solutions reporting unit. See Note 22," Goodwill and Other Intangible Assets" in Item 8- " Financial Statements and Supplementary Data " for further details. If Matthews concludes that any further goodwill or intangible asset values are impaired, for reasons that may include, but are not limited to, underperformance in one or more reporting segments against forecast levels; changes in the Company' s business strategy, structure, and / or the allocation of resources; the inability of acquisitions to achieve expected operating results; a decline in the Company' s stock price for a sustained period; a potential recession or other disruption; or interest rate increases or other factors, any resulting non- cash impairment charge could have a material adverse effect on Matthews' business, results of operations and financial condition.** Changes in Mortality and Cremation Rates. Generally, life expectancy in the United States and other countries in which the Company' s Memorialization segment operates has increased steadily for several decades and is expected to continue to do so in the future, absent events related to pandemics or similar outbreaks. The increase in life expectancy is also expected to impact the number of deaths in the future. Additionally, cremations have steadily grown as a percentage of total deaths in the United States since the 1960' s, and are expected to continue to increase in the future. The Company expects that these trends will continue in the future and sales of the Company' s Memorialization segment may benefit from the continued growth in the number of cremations; however, such trends may adversely affect the volume of bronze and granite memorialization products and burial caskets sold in the United States. Changes in Product Demand or Pricing. The Company' s businesses have and will continue to operate in competitive markets. Changes in product demand or pricing are affected by domestic and foreign competition and an increase in consolidated purchasing by large customers operating in both domestic and global markets. The Memorialization businesses generally operate in markets with ample supply capacity and demand which is correlated to death rates. The SGK Brand Solutions businesses serve global customers that are requiring their suppliers to be global in scope and price- competitive. Additionally, in recent years the Company has witnessed an increase in products manufactured offshore, primarily in China, and imported into the Company' s U. S. markets. It is expected that these trends will continue and may affect the Company' s future results of operations. Changes in the Distribution of the Company' s Products or the Loss of a Large Customer. Although the Company does not have any customer that is individually significant to consolidated sales, it does have contracts with several large customers in each of its business segments. While these contracts provide important access to large purchasers of the Company' s products, they can obligate the Company to sell products at contracted prices for extended periods of time **, or, in the event of a dispute with a large customer, cause disruptions to the units sold to such customer, if any** . Additionally, any significant divestiture of business properties or operations by current customers could result in a loss of business if the Company is not able to maintain the business with the subsequent owners of the businesses. Disruptions to the global supply chain. The Company purchases components and materials to manufacture its products from a large number of suppliers, some of which may be critical to operations. The Company' s product offerings are impacted by such suppliers' lead times, volume constraints and increasing costs. The Company has experienced and may continue to experience extended lead times and product unavailability due to manufacturing disruptions or closures as well as delays and unanticipated costs associated with the sourcing of materials. Matthews' supply chain operations span several geographies globally and are heavily dependent upon third party logistics and transportation services to deliver the Company' s products to customers. Extended lead times and shortages could impair the Company' s ability to meet its customer requirements, require the Company to pay higher prices or incur expedite fees or cause its customers to delay or forgo projects, which would harm Matthews' business and negatively impact the Company' s gross margin and results of operations. Pandemics or similar outbreaks. Pandemics or similar outbreaks could adversely affect the economies of developed and emerging markets, potentially resulting in an economic downturn that could affect customers' demand for the Company' s products and services, as well as the Company' s ability to access capital at acceptable interest rates. The spread of pandemics or similar outbreaks may also disrupt the Company' s manufacturing and production operations, as well as its distribution systems, which include import and export for delivery of the Company' s products to its customers. These factors could materially and adversely affect the Company' s business, financial condition and results of operations. See also" Disruptions to the global supply chain." Due to the uncertainty relating to a pandemic or similar outbreak, the Company, its customers or its suppliers may be required, or believe that it is advantageous, to take precautionary measures intended to minimize the risk of a virus or disease spreading to employees, customers, and the communities in which they operate, and these measures could negatively impact the Company' s business. Further, if the scope and severity of an outbreak worsens and the Company' s contingency plans prove ineffective, its global operations could potentially experience disruptions, such as temporary closure of facilities or delays or suspensions in product offerings and services, which may materially and adversely affect the Company' s business, financial condition and results of operations. Global conflicts may impact the business of the Company and the markets in which it operates. Global conflicts, such as the war in Ukraine, could impact the Company and its operations in a number of different ways, which are yet to be fully assessed and are therefore uncertain. The Company' s principal concern is for the safety of its employees and other personnel, specifically those who are based in the affected region. The Company has employees who are based in Eastern Europe, including Russia and Ukraine, who may be affected by the ongoing hostilities. The Company additionally has property, plant and equipment in or around the affected region. The continuing impact of this war and the response of the United States and other countries to it by means of trade and economic sanctions, or other actions, is still evolving and unknown; however it could disrupt the Company' s ability to work with certain parties. Similarly, the Company has employees based in the affected region and works with third- party providers from other parts of the world that may be affected by hostilities. Due to the uncertainty relating to war or similar conflicts, the current war between Russia and Ukraine may adversely affect the Company' s business, of which could materially and adversely affect the Company' s results of operations. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including inflation and business and consumer spending; disruptions to the Company' s global technology infrastructure, including through cyberattack, ransom attack, or cyber- intrusion; adverse changes in international trade policies and relations; disruptions in global supply chains; exposure to foreign currency fluctuations; and constraints, volatility, or disruption in the capital markets. Similar uncertainties may arise in connection with other ongoing hostilities or future hostilities. For so long as the hostilities continue, and perhaps even thereafter as the situation unfolds, the Company may see increased volatility in financial markets, which may impact equity markets generally, including the Company' s stock price, and make it more difficult for the Company to raise additional capital at a strategically advantageous time, or for financing to be available upon acceptable terms. All or any of these risks separately, or in combination could have a material adverse effect on ~~our~~ **the Company' s** business, financial condition, results of operations, and cash flows. Risks in Connection with Acquisitions **and Divestitures** . The Company has grown, in part, through acquisitions ~~,~~ and continues to evaluate acquisition **or divestiture** opportunities that have the potential to support and strengthen its businesses. There is no assurance **,** however **,** that future acquisition opportunities will arise, or that if they do, that they will be consummated. In addition, acquisitions **and divestitures** involve inherent risks that the businesses acquired **, or the remaining business,** will not perform in accordance with expectations, or that synergies expected from the integration of ~~the~~ **an** ~~acquisitions~~ **acquisition** will not be achieved as rapidly as expected, ~~if~~ **or** at all. The Company' s pre- acquisition diligence review may not discover or accurately quantify certain undisclosed liabilities, and the Company may not be indemnified for such liabilities which could have an adverse effect on the acquired business. Failure to effectively integrate acquired businesses could prevent the realization of expected rates of return on the acquisition investment, including the achievement of cost- reduction objectives, and could have a negative effect on the Company' s results of operations and financial condition. Protection of Intellectual Property. Certain of the Company' s businesses rely on various intellectual property rights, including patents, copyrights, trademarks and trade secrets, as well as confidentiality provisions and licensing arrangements, to establish proprietary rights. If the Company does not enforce **, or is unsuccessful in enforcing,** its intellectual property rights successfully, its competitive position may suffer **,** which could harm the Company' s operating results. In addition, the Company' s patents, copyrights, trademarks and other intellectual property rights **, including its trade secrets,** may not provide a significant competitive advantage. The Company may need to spend significant resources monitoring its intellectual property rights and may or may not be able to detect infringement by third parties. The Company' s competitive position may be harmed if it cannot detect infringement and enforce its intellectual property rights quickly or at all. In some circumstances, the Company may choose to not pursue enforcement because an infringer has a dominant intellectual property position or for other business reasons **, such as the expense of litigation against a well- resourced adversary** . In addition, competitors might avoid infringement by designing around the Company' s intellectual property rights or by developing non- infringing competing technologies. Intellectual property rights and the Company' s ability to enforce them may be unavailable or limited in some countries which could make it easier for competitors to capture market share and could result in lost revenues. Intellectual property infringement assertions by third parties could result in significant costs and adversely affect the Company' s business, financial condition, operating results and reputation. The Company cannot guarantee that the operation of its business does not infringe, misappropriate or otherwise violate the intellectual property rights of third parties **, nor can the Company assure that third parties will not assert claims, meritorious or otherwise** . The Company cannot predict whether other assertions of third- party intellectual property rights or claims arising from such assertions would substantially adversely affect the Company' s business, financial condition and operating results. The defense of these claims and any future infringement claims, whether they are with or without merit or are determined in the Company' s favor, may result in costly litigation and diversion of technical and management personnel. Further, an adverse outcome of a dispute may require the Company to pay damages, cease making, licensing, or using products or offering services that are alleged to incorporate the intellectual property of others, expend additional development resources to redesign the Company' s offerings, or enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary intellectual property, which may be unavailable on terms acceptable to the Company, or at all. Even if these matters do not result in litigation or are resolved in the Company' s favor or without significant cash settlements, the time and resources necessary to resolve them could adversely affect the Company' s business, reputation, financial condition and operating results. Environmental Remediation and Compliance. The Company is subject to the risk of environmental liability and limitations on its operations due to environmental laws and regulations. The Company is subject to extensive federal, state, local and foreign environmental, health and safety laws and regulations concerning matters such as air emissions, wastewater discharges, solid and hazardous waste handling and disposal and the investigation and remediation of contamination. The risks of potentially substantial costs and liabilities related to compliance with these laws and regulations are an inherent part of the Company' s business, and future conditions may develop, arise or be discovered that create substantial environmental compliance or remediation liabilities and costs. Compliance with environmental, health and safety legislation and regulatory requirements may prove to be more limiting and costly than the Company anticipates, and there is no assurance that significant expenditures related to such compliance may not be required in the future. From time to time, the Company may be subject to legal proceedings brought by private parties or governmental authorities with respect to environmental matters, including matters involving alleged noncompliance with or liability under environmental, health and safety laws, property damage or personal injury. New laws and regulations, including those which may relate to emissions of greenhouse gases, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean- up requirements could require the Company to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on the Company' s business, financial condition or results of operations. **Reliance on Third- Party Service Providers. The Company has entered into agreements with a variety of third- party providers for information technology services, including telecommunications, network server maintenance, cloud computing and transaction processing services. In addition, Matthews has agreements through which it has outsourced certain activities related to the operations of the Company' s business segments. A provider' s ability to provide services could be disrupted for a variety of reasons, including, among others, software errors or design faults, human error, security breaches, power loss, telecommunications failures, equipment failures, electrical disruptions, labor issues, vandalism, fire, flood, extreme weather, terrorism and other events beyond their control. If one or more of Matthews' providers is unable to provide adequate or timely services, the Company' s ability to deliver products and services to customers could be adversely affected. Matthews cannot completely eliminate the risk of such disruptions, many of which are impacted by events outside of the Company' s control. Any significant disruption could harm the Company' s business, including damage to brands and loss of customers. Additionally, although Matthews believes that most of these services are available from numerous sources, a failure to perform by one or more of the providers could cause a material disruption in the Company' s business and an increase in expense while it works to obtain alternative services. Additionally, while the Company has policies and procedures for managing these relationships, they inherently involve a lesser degree of control over business operations, governance and compliance, thereby potentially increasing the profiles of Matthews' financial, legal, reputational and operational risks.** Technological Factors Beyond the Company' s Control. The Company operates in certain markets in which technological product development contributes to its ability to compete effectively. There can be no assurance that the Company will be able to develop new products, that new products can be manufactured and marketed profitably, or that new products will successfully meet the expectations of customers. Changes in Laws and Regulations Governing Data Privacy and Data Protection. The Company is subject to many data privacy, data protection, and data breach notification laws, including the ~~European Union' s General Data Protection Regulation (the "~~ GDPR ~~")~~ , which became effective in May of 2018, and the California Consumer Privacy Act (the" CCPA"), which became effective in January 2020. The GDPR and the CCPA contain comprehensive data protection compliance requirements. Complying with the GDPR and the CCPA may continue to cause the Company to incur substantial operational costs or require the Company to change certain of its business practices in certain jurisdictions. The Company' s measures to assess the requirements of, and to comply with, the GDPR and the CCPA, as well as new and existing data- related laws and regulations of other jurisdictions, could be challenged, including by authorities that regulate data- related compliance. The Company' s ongoing compliance measures could result in the incurrence of significant expense in facilitating and responding to regulatory investigations, and if the measures initiated by the Company are deemed to be inadequate, the Company could be subject to litigation or enforcement actions that may require operational changes, fines, penalties or damages, which could have an adverse impact on the Company' s business or results of operations. Changes in Tax Rules. Matthews is subject to domestic and international tax laws and cannot predict the scope or effect of future tax law changes. Domestically, the U. S. Department of Treasury has broad authority to issue regulations and interpretive guidance. The Company has applied available guidance to estimate its tax obligations, but new guidance may cause the Company to make adjustments to its tax estimates in future periods. Compliance with Foreign Laws and Regulations. Due to the international scope of the Company' s operations, Matthews is subject to a complex system of commercial and trade regulations around the world, and the Company' s foreign operations are governed by laws, rules and business practices that often differ from those of the United States. The Company cannot predict the nature, scope or effect of future regulatory requirements to which the Company' s operations might be subject or the manner in which existing laws might be administered or interpreted, which could have a material and negative impact on the Company' s business and results of operation. For example, recent years have seen an increase in the development and enforcement of laws and regulations regarding trade compliance, economic sanctions, anti- money laundering, and anti- corruption, such as the **FCPA** ~~U. S. Foreign Corrupt Practices Act~~ and similar laws in other countries. While Matthews maintains a variety of internal policies and controls and takes steps, including periodic training and internal audits, that the Company believes are reasonably calculated to discourage, prevent and detect violations of such laws, the Company cannot guarantee that such actions will be effective or that individual employees will not engage in inappropriate behavior in contravention of the Company' s policies and instructions. Such conduct, or even the allegation thereof, could result in costly investigations and the imposition of severe criminal or civil sanctions, could disrupt the Company' s business, and could materially and adversely affect the Company' s reputation, business and results of operations or financial condition. Further, the Company is subject to laws and regulations worldwide affecting its operations outside the United States in areas including, but not limited to, intellectual property ownership and infringement, tax, customs, import and export requirements, economic sanctions, anti- money laundering, anti- corruption and anti- bribery, foreign exchange controls and cash repatriation restrictions, foreign investment, data privacy requirements, anti- competition, pensions and social insurance, employment, and environment, health, and safety. Compliance with these laws and regulations may be onerous and expensive and requirements may differ among jurisdictions. Further, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on the Company' s business and prospects. In addition, certain laws and regulations are relatively new and their interpretation and enforcement involve significant uncertainties. There can be no assurance that any of these factors will not have a material adverse effect on the Company' s business, results of operations or financial condition. General Risk Factors: Changes in Economic Conditions. Generally, changes in domestic and international economic conditions affect the industries in which the Company and its customers and suppliers operate. These changes include changes in the rate of consumption or use of the Company' s products due to economic downturns, volatility in currency exchange rates, and changes in raw material prices resulting from supply and / or demand conditions. Uncertainty about current global economic conditions poses a risk, as consumers and businesses may continue to postpone or cancel spending. Other factors that could influence customer spending include energy costs, conditions in the credit markets, consumer confidence, global pandemics, and other factors affecting consumer spending behavior. These and other economic factors could have an effect on demand for the Company' s products and services and negatively impact the Company' s financial condition and results of operations. Labor shortages, turnover and labor cost increases. Labor is a significant component of the Company' s operations. Several factors may adversely affect the labor force available to Matthews or increase labor costs (i. e., labor rates and overtime levels), including high employment levels, unemployment subsidies, increased wages offered by other employers, vaccine mandates and other government regulations and the Company' s responses thereto. An overall labor shortage, lack of skilled labor, increased turnover, or labor inflation, caused by pandemics or as a result of general macroeconomic factors, could have a material adverse impact on the Company' s business and operating results. Cybersecurity and Data Breaches. In the course of business, the Company collects and stores sensitive data and proprietary business information. The Company could be subject to service outages or breaches of security systems which may result in disruption, unauthorized access, misappropriation, or corruption of this information. Security breaches of the Company' s network or data including physical or electronic break- ins, vendor service outages, computer viruses, attacks by hackers or similar breaches can create system disruptions, shutdowns, or unauthorized disclosure of confidential information. Although the Company is not aware of any significant incidents to date, if it is unable to prevent, detect and timely remediate such security or privacy breaches, its operations could be disrupted or the Company may suffer legal claims, loss of reputation, financial loss, property damage, or regulatory penalties because of lost or misappropriated information **. The Company expects that compliance with laws governing data privacy and data protection will require ongoing investment in systems, policies and personnel and will continue to impact Matthews' business in the future by increasing legal, operational and compliance costs. There can be no assurance that the Company' s efforts will meet the evolving standards imposed by governmental and regulatory agencies, including data protection authorities, with respect to standards that may be adopted in the future. If the Company is found or suspected to have violated data privacy or data protection laws, it may be subject to potential private consumer, business partner or securities litigation, regulatory inquiries, governmental investigations and proceedings, and may incur damage to its reputation. Any such developments may subject Matthews to material fines and other monetary penalties and damages, divert management' s time and attention, and lead to enhanced regulatory oversight, all of which could have a material adverse effect on the Company' s business and results of operations** . Effectiveness of Internal Controls. Section 404 of the Sarbanes- Oxley Act of 2002 requires a comprehensive evaluation of the Company' s internal control over financial reporting. To comply with this statute, the Company is required to document and test its internal control over financial reporting, management is required to assess and issue a report concerning internal control over financial reporting, and the Company' s independent registered public accounting firm is required to attest to and report on the Company' s assessment of the effectiveness of internal control over financial reporting. Any failure to maintain or implement required new or improved controls could cause the Company to fail to meet its periodic reporting obligations or result in material misstatements in the consolidated financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If the Company cannot produce reliable financial reports, investors could lose confidence in the Company' s reported financial information, the market price of the Company' s common stock could decline significantly, and its business, financial condition, and reputation could be harmed. Compliance with Securities Laws and Regulations; Conflict Minerals Reporting. The Company is required to comply with various securities laws and regulations, including but not limited to the Sarbanes- Oxley Act of 2002 and the Dodd- Frank Wall Street Reform and Consumer Protection Act (" Dodd- Frank"). Dodd- Frank contains provisions, among others, designed to improve transparency and accountability concerning the supply chains of certain minerals originating from the Democratic Republic of Congo and adjoining countries that are believed to be benefiting armed groups (" Conflict Minerals"). While Dodd- Frank does not prohibit companies from using Conflict Minerals, the SEC mandates due diligence, disclosure and reporting requirements for companies for which Conflict Minerals are necessary to the functionality or production of a product. The Company' s efforts to comply with Dodd- Frank and other evolving laws, regulations and standards could result in increased costs and expenses related to compliance and potential violations.