Risk Factors Comparison 2023-10-25 to 2022-10-20 Form: 10-K

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In addition to the other information in this Report, the following factors should be considered in evaluating the Company and its business. Our future operating results depend upon many factors and are subject to various risks and uncertainties. The known material risks and uncertainties which may cause our operating results to vary from anticipated results or which may negatively affect our operating results and profitability are as follows: Risks Related to Our Business Our business depends heavily on the operating levels of our customers and the economic factors that affect them, including general economic conditions. Many of the primary markets for the products and services we sell are subject to cyclical fluctuations that affect demand for goods and materials that our customers produce. Consequently, demand for our products and services has been, and will continue to be, influenced by most of the same economic factors that affect demand for and production of our customers' products. When, as occurs in economic downturns, current or prospective customers reduce production levels because of lower demand or tight credit conditions, their need for our products and services diminishes. Selling prices and terms of sale with our customers come under pressure, which may adversely affect the profitability and the durability of customer relationships. Credit losses increase as well. Volatile economic and credit conditions also make it more difficult for distributors, as well as customers and suppliers, to forecast and plan future business activities and may prevent them from ordering our products as frequently or in the quantities they otherwise would. We may experience adverse impacts to our business as a result of any economic recession or slowing in the rate of growth. Additionally, macroeconomic conditions may impact the proper functioning of financial and capital markets, foreign currency exchange rates, commodity and energy prices, labor and supply costs, and interest rates. **We have also been affected by macroeconomic conditions specific to the principal end markets that we serve, including as the result of work stoppages and organized labor activity.** Any or all of these factors may impact us, our customers, and their demand for our products ~~, and all of these factors may be exacerbated by an increase in the rate of COVID- 19 infections, or any government restrictions put in place as a result of an increase in COVID- 19 infections~~ . In addition, as various sectors of our industrial customer base face increased foreign competition, and in fact lose business to foreign competitors or shift their operations overseas in an effort to reduce expenses, we may face increased difficulty in growing and maintaining our market share and growth prospects. ~~Our results of operations have been adversely affected in the past, and may in the future be adversely impacted, by the COVID- 19 pandemic. The COVID- 19 pandemic has led to periods of significant volatility, uncertainty and economic disruption since its onset. The COVID- 19 pandemic has had impacts on our business, operations, financial results and financial condition in the past and the future impacts and consequences of the pandemic will depend on numerous evolving factors which are uncertain and cannot be predicted, including, but not limited to: the scope, duration and severity of the pandemic, including the possibility of further surges or variants of COVID- 19; governmental, business and individuals' actions taken in response; the effect on our customers and customers' demand for our services and products; the effect on our suppliers and disruptions to the global supply chain, especially with respect to freight and labor availability; disruptions to our ability to sell and provide our services and products; disruptions to our operations resulting from the illness of any of our associates, including associates at our customer fulfillment centers; the macroeconomic environment, including periods of high inflation; the ability of our customers to pay for our services and products; and any closures of our and our suppliers' and customers' facilities. Any of these factors could amplify the other risks and uncertainties described herein and could materially adversely affect our business, operations, financial results and financial condition. The future impacts of the COVID- 19 pandemic may be difficult to predict and may affect us differently than we have previously experienced.~~ Changes in our customer and product mix, or adverse changes to the cost of goods we sell, could cause our gross margin percentage to fluctuate ~~,~~ or decrease. From time to time, we ~~have experienced~~ - **experience** changes in our customer mix and in our product mix. Changes in our customer mix have resulted from **various factors, such as** geographic expansion, daily selling activities within current geographic markets, and targeted selling activities to new customers. Changes in our product mix have **also** resulted from **various factors, such as** marketing activities to existing customers ~~and~~ **,** needs communicated to us from existing and prospective customers **and** ~~as well as from~~ business acquisitions. As our national account and government customer program sales grow, we will face continued pressures on maintaining gross margin because these customers receive lower pricing due to their higher level of purchases from us. In addition, our continued expansion of our vending program and other **E-** ~~eCommerce~~ **commerce** platforms ~~has placed~~ **places** pressure on our gross margin. We may also be subject to price increases from our suppliers and independent freight carriers that we may not be able to pass along to our customers, particularly in periods of high **or rapid** inflation. Volatility in commodity, energy and labor prices may adversely affect operating margins. In times of commodity, energy and labor price increases, we may be subject to price increases from our suppliers and independent freight carriers that we **are** ~~may be~~ unable to pass along to our customers. Raw material costs used in our suppliers' products (steel, tungsten, etc.) ~~,~~ and energy and labor costs may increase, which may result in increased production costs for our suppliers **that they pass along to us** . The fuel costs of our independent freight carriers have been volatile. Our suppliers and independent freight carriers typically look to pass increased costs along to us through price increases. When we are forced to accept these price increases, we may not be able to pass them along to our customers, resulting in lower margins. In addition to increases in commodity, energy and labor prices, decreases in those costs, particularly if severe, could also adversely impact us by creating deflation in selling prices, which could cause our gross profit margin to deteriorate, or by negatively impacting customers in certain industries, which could cause our sales to those customers to decline. Inflation impacts the costs at which we can procure products and our ability to increase prices at which we sell to customers over time. Prolonged periods of low inflation or deflation could adversely affect our ability to increase the prices at which we sell to customers. Periods of high or rapid inflation, such as the historically high levels of inflation the United States has experienced recently, may also cause the prices that our suppliers and independent freight carriers charge to increase rapidly or unpredictably. We may not be able to pass along increased costs due to inflation in full or synchronously to customers, which may result in lower margins or changes in our relationships with customers. We operate in a highly competitive industry, which is evolving and consolidating, which could adversely affect our business and financial results. The MRO supply industry, although consolidating, still remains a large, fragmented industry that is highly competitive. We face competition from traditional channels of distribution, such as retail outlets, small dealerships, regional and national distributors utilizing direct sales forces, manufacturers of MRO supplies, large warehouse stores and larger direct mail distributors. We believe that sales of MRO supplies will ~~become more~~ **continue to** ~~concentrated~~ **concentrate** over the next several years, which may make MRO supply distribution more competitive. Some of our competitors challenge us with a greater variety of product offerings, greater financial resources, additional services, or a combination of these factors. In addition, we also face the risk of companies which operate primarily outside of our industry entering our marketplace. Our industry is evolving at an accelerated pace. If we do not have the agility and flexibility to effectively respond to this accelerated pace of industry changes, our strategy could be put at risk resulting in a loss of market share. We also face substantial competition in the online distribution space that competes with price transparency. Increased competition from online retailers (particularly those major internet providers who can offer a wide range of products and rapid delivery), and the adoption by competitors of aggressive pricing strategies or sales methods, could cause us to lose market share or reduce our prices, adversely affecting our sales, margins and profitability. Traditional MRO suppliers are attempting to consolidate the market through internal expansion ~~,~~ **or** acquisitions or mergers with other industrial suppliers, or a combination of both. This consolidation allows suppliers to improve efficiency and spread fixed costs over a greater number of sales, and to achieve other benefits derived from economies of scale. The trend of our industry toward consolidation could cause the industry to become more competitive as greater economies of scale are achieved by competitors, or as competitors with new lower- cost business models are able to operate with lower prices and gross profit on products. These trends may adversely affect our sales, margins and profitability. In order to operate more efficiently, control costs ~~,~~ and improve profitability, we incurred approximately $ ~~15~~ **7** . ~~8~~ **9** million in restructuring and other costs in fiscal year ~~2022~~ **2023** , primarily consisting of consulting- related costs **and associate severance and separation costs** associated with the optimization of the Company' s operations ~~, associate severance~~ and **profitability improvement** ~~separation costs, and equity award acceleration costs~~ . There can be no assurance that these actions will achieve their intended benefits. As a **supplier to the** U. S. government ~~contractor~~ **and public sector** , we are subject to certain laws and regulations which may increase our costs of doing business and which subject us to certain compliance requirements and potential liabilities. As a supplier to the U. S. government **and public sector, which currently represents approximately 10 % of total Company revenue** , we must comply with certain laws and regulations, including the Trade Agreements Act, the Buy American Act and the Federal Acquisition Regulation, relating to the formation, administration and performance of U. S. government contracts. These laws and regulations affect how we do business with government customers and, in some instances, impose added compliance and other costs on our business. From time to time, we are subject to governmental or regulatory inquiries or audits relating to our compliance with these laws and regulations. A violation of these specific laws and regulations, as well as others, could result in the imposition of fines and penalties or the termination of our U. S. government contracts and could harm our reputation and cause our business to suffer. Our business is exposed to the credit risk of our customers **,** which could adversely affect our operating results. We perform periodic credit evaluations of our customers' financial condition, and collateral is generally not required. We evaluate the collectability of accounts receivable based on numerous factors, including past transaction history with customers and their creditworthiness, and we provide a reserve for accounts that we believe to be uncollectible. A significant deterioration in the economy or the financial condition of our customers, including as a result of higher inflation and fluctuations in interest rates, ~~a surge in COVID- 19 infections,~~ geopolitical events ~~,~~ or macroeconomic events, could have an adverse effect on **our ability to** ~~collecting~~ --- **collect** our accounts receivable, including longer payment cycles ~~,~~ **and** increased collection costs and defaults. Failure to accurately forecast customer demand **and timely purchase inventory** could lead to excess inventories or inventory shortages, which could result in decreased operating margins, reduced cash flows and harm to our business. To meet anticipated demand for our products, we may purchase products from manufacturers outside of our typical programs, including payment terms, and in advance of customer orders, which we hold in inventory and resell to customers. We are subject to the risk that we may be unable to sell excess products ~~, such as PPE products,~~ ordered from manufacturers. Inventory levels in excess of customer demand due to the difficulty of calibrating demand for such products, the concentration of demand for a limited number of SKUs, difficulties in product sourcing, including due to supply chain disruptions affecting us and our suppliers, or rapid changes in demand may result in inventory impairment or write- downs, and the sale of excess inventory at discounted prices could have an adverse effect on our operating results, financial condition and cash flows. Conversely, if we underestimate customer demand for our products or if our manufacturers fail to supply products we require at the time we need them, including due to supply chain disruptions affecting us and our suppliers, we may experience inventory shortages. Inventory shortages might delay shipments to customers and negatively impact customer relationships. The risk of cancellation or rescheduling of orders may cause our operating results to fluctuate. The cancellation or rescheduling of orders may cause our operating results to fluctuate. Although we strive to maintain relationships with our customers, there is an ongoing risk that orders may be cancelled or rescheduled due to fluctuations in our customers' business needs or purchasing budgets, including changes in national and local government budgets. Additionally, although our customer base is diverse, ranging from individual machine shops to Fortune 1000 companies and large governmental agencies, the cancellation or rescheduling of significant orders by larger customers may still have a material adverse effect on our operating results from time to time. Work stoppages, labor shortages or other disruptions, including those due to extreme weather conditions ~~and in response to the COVID- 19 pandemic~~ , at transportation centers, shipping ports, our headquarters or our customer fulfillment centers may adversely affect our ability to obtain inventory and make deliveries to our customers. Our ability to provide same- day shipping and next- day delivery of our core metalworking and MRO products is an integral component of our overall business strategy. Disruptions at transportation centers or shipping ports, including global and domestic locations, due to third- party work stoppages or labor shortages or severe weather conditions affect both our ability to maintain core products in inventory and **to** deliver products to our customers on a timely basis, which may in turn adversely affect our customer relationships and results of operations. In addition, severe weather conditions ~~, including winter storms,~~ **and work stoppages affecting the end markets we serve** could adversely affect demand for our products in particularly hard- hit regions and impact our sales and / or our ability to deliver our products. ~~Additionally, further or new implementation of shelter- in- place orders, social distancing orders, quarantines, port closures, increased border controls or closures, and other travel restrictions or government actions in response to COVID- 19 may affect both our ability to maintain core products in inventory and to deliver products to our customers on a timely basis, which may in turn adversely affect our customer relationships and results of operations.~~ Our business depends on our ability to attract, train and retain qualified sales and customer service personnel and metalworking **and specialty sales** specialists. Our business depends on our ability to attract, train and retain qualified sales and customer service personnel and metalworking specialists. We greatly benefit from having associates who are familiar with the products we sell and their applications, as well as associates, and in particular metalworking specialists, who can provide technical support to our customers. Qualified individuals of the requisite caliber and number needed to fill these positions may be difficult to hire and retain in sufficient numbers. Additionally, hiring and retaining such qualified individuals may be adversely impacted by global and domestic economic uncertainty, and increased competition for such qualified individuals. If we are unable to hire and retain associates capable of providing a high level of customer service and technical support, our operational capabilities and ability to provide differentiated services may be adversely affected. The loss of key suppliers or contractors or key brands ~~or supply chain disruptions~~ could adversely affect our operating results. We believe that our ability to offer a combination of well- known brand name products and competitively priced exclusive brand products is an important factor in attracting and retaining customers. Our ability to offer a wide range of products and services is dependent on obtaining adequate product supply and services from our key suppliers and contractors. The loss of, or a substantial decrease in, the availability of products or services from key suppliers or contractors at competitive prices, or the loss of a key brand, could cause our revenues and profitability to decrease. ~~In addition, supply chain disruptions could continue to arise due to transportation interruptions and labor disputes or shortages. Our supply chain has also been and may continue to be impacted by the COVID- 19 pandemic, especially with respect to freight and labor availability, and may be impacted by other factors outside of our control, including macro- economic events, trade restrictions, political crises, other public health emergencies, or natural or environmental occurrences. Disruptions in our supply chain could result in a decrease in revenues and profitability.~~ Supply chain disruptions could adversely impact our business, operating results and financial position. Disruptions in our supply chain due to events outside of our control, including natural and human- induced disasters, earthquakes, storms, hurricanes, floods, fires, droughts, tornados and other extreme weather, widespread contagious diseases or viruses ~~such as COVID- 19~~ , geopolitical events, such as war, economic sanctions, civil unrest, rioting or terrorist attacks in the United States or countries in which we operate, in which our key suppliers are located or through which products we sell are transported or distributed, transportation disruptions, labor ~~actions~~ **disputes or shortages** , raw material shortages, inadequate manufacturing capacity or utilization to meet demand, actions by governments and central banks that impact the flow of international goods, and the imposition of other trade limitations, prohibitions or sanctions that increase the costs of domestic and international trade and transportation, could restrict our ability to obtain products that our customers demand or to meet delivery expectations, which could adversely impact our business, operating results and financial position ~~. For example, the outbreak of the COVID- 19 pandemic and governmental actions taken in response disrupted, and may in the future disrupt, our operations and the operations of our suppliers, customers and companies who facilitate deliveries to our customers~~ . Any such disruption or other catastrophic event could cause our distribution channels and networks to become limited or non- operational, adversely impact our ability to obtain or deliver products to our customers in a timely manner, limit our ability to meet customer demand, result in lost sales, increased costs, penalties, order cancellations or contract terminations, or adversely impact our customer relationships. Our ability to fulfill customer orders using same- day shipping and next- day delivery is an integral component of our business strategy upon which our customers rely, and any such disruption could adversely impact our business, operating results and financial position. Changes to trade policies or trade relationships could make sourcing products from overseas more difficult and / or costlier as well as negatively affect the markets we sell into. Changes to trade policies or trade relationships, including the imposition of significant restrictions, quotas, duties, tariffs ~~,~~ or moratoriums on economic activity with certain countries or regions, whether because of amendments to or **the** elimination of existing trade agreements ~~,~~ **or** the imposition of new or modified trade tariffs ~~,~~ or other governmental orders or sanctions, could have an adverse effect on our business. These changes and other changes to trade policies or trade relationships could adversely affect our ability to secure sufficient products to service our customers and / or result in increased product costs that we may not be able to pass on to our customers, resulting in lower margins. Additionally, these changes could adversely affect our foreign sales. Opening or expanding our customer fulfillment centers exposes us to risks of delays and may affect our operating results. In the future, as part of our long- term strategic planning, we may open new customer fulfillment centers to improve our efficiency, geographic distribution and market penetration. In addition, we intend to make, as we have in the past, capital improvements and operational enhancements to certain of our existing customer fulfillment centers. Moving or opening customer fulfillment centers and effecting such improvements requires a substantial capital investment, including expenditures for real estate and construction, and opening new customer fulfillment centers requires a substantial investment in inventory. Additionally, the opening of new customer fulfillment centers or the expansion of existing customer fulfillment centers would have an adverse impact on operating expenses as a percentage of sales, inventory turnover and return on investment in the periods prior to and for some time following the commencement of operations of each new customer fulfillment center or the completion of such expansions. We establish insurance- related healthcare reserves based on historical claims experience and actuarial estimates, which could lead to adjustments in the future based on actual claims incurred. We retain a significant portion of the risk under our healthcare insurance program. In fiscal year 2021, we began self- insuring for costs associated with associates' health needs, which is limited by stop- loss coverage. Our **healthcare** ~~self-~~ insurance **program** accruals are determined on an actuarial basis, based on historical claims experience and an estimate of claims incurred but not yet reported and other relevant factors. While we believe our estimation process is well designed, every estimation process is inherently subject to limitations. Fluctuations in the frequency, magnitude or number of claims make it difficult to predict the ultimate cost of claims and may lead to future adjustments of reported results of operations which, depending on the magnitude of such adjustments, may significantly affect our reported results or negatively affect the reliability of our reported results. An interruption of operations at our headquarters or customer fulfillment centers could adversely impact our business. Our business depends on maintaining operations at our co-located headquarters and customer fulfillment centers. A serious, prolonged interruption due to power outage, telecommunications outage, cyber- attack, terrorist attack, earthquake, storm, hurricane, flood, fire, drought, tornado and other extreme weather, ~~pandemic~~ **widespread contagious disease or virus** or other interruption could have a material adverse effect on our business and financial results. Goodwill and other indefinite- lived intangible assets recorded as a result of our acquisitions could become impaired. As of September ~~3~~ **2** , ~~2022~~ **2023** , our combined goodwill and other indefinite- lived intangible assets amounted to $ ~~722~~ **729** . ~~9~~ **3** million. To the extent we do not generate sufficient cash flows to recover the net amount of any ~~investments~~ - **investment** in goodwill and other indefinite- lived intangible assets recorded, the investment could be considered impaired and subject to write- off. We expect to record further goodwill and other indefinite- lived intangible assets as a result of future acquisitions we may complete. Future amortization of such assets or impairments, if any, of goodwill or other indefinite- lived intangible assets would adversely affect our results of operations in any given period. If the financial performance of our business was to decline significantly, we could incur a material non- cash charge to our income statement for the impairment of goodwill and other indefinite- lived intangible assets. Climate change and societal and governmental responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers. Concerns over the long- term impacts of climate change have led, and will continue to lead, to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of concerns regarding the impact of climate change, governmental regulations and public perceptions. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. Our efforts to take these risks into account, including by increasing our business with climate- friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. ~~Additionally~~ **Furthermore** , climate change may present additional physical risks to our operations and lead to an increased frequency of unusual or extreme weather conditions, which could disrupt our supply chain or harm or disrupt our operations or those of our customers or suppliers ~~. Our principal shareholders exercise significant control over us. We have two classes of common stock. Our Class A Common Stock has one vote per share and our Class B Common Stock has 10 votes per share. As of October 3, 2022, the Non- Executive Chairman of our Board of Directors, his sister, certain of their family members, including our President and Chief Executive Officer, and related trusts collectively owned 100 % of the outstanding shares of our Class B Common Stock and approximately 3. 5 % of the outstanding shares of our Class A Common Stock, giving them control over approximately 65. 9 % of the combined voting power of our Class A Common Stock and our Class B Common Stock. Consequently, such shareholders will be able to elect all of the directors of the Company and to determine the outcome of any matter submitted to a vote of the Company' s shareholders for approval, including amendments to our certificate of incorporation and our second amended and restated by- laws, any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions. Because this concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that may otherwise be beneficial to our shareholders, the market price of our Class A Common Stock may be adversely affected~~ . Risks Related to Our Indebtedness The terms of our credit facilities and senior notes impose operating and financial restrictions on us, which may limit our ability to respond to changing business and economic conditions. We currently have credit facilities and outstanding senior notes. For a description of these facilities and senior notes, please see Note ~~9~~ **10** , " Debt " in the Notes to Consolidated Financial Statements. We are subject to various operating and financial covenants under the credit facilities and senior notes which restrict our ability to, among other things, incur additional indebtedness, make particular types of investments, incur certain types of liens, engage in fundamental corporate changes, enter into transactions with affiliates or make substantial asset sales. Any failure to comply with these covenants may constitute a breach under the credit facilities and senior notes, which could result in the acceleration of all or a substantial portion of any outstanding indebtedness and the termination of revolving credit commitments. Additionally, as interest rates rise, there may be fewer alternatives to our existing credit facilities for raising additional capital or such alternatives may be more expensive. Our inability to maintain our committed and uncommitted credit facilities could materially adversely affect our liquidity and our business. Our ability to manage our business and execute our business strategy is dependent, in part, on the continued availability of financing. With respect to committed facilities, lenders may decline to renew or extend credit facilities, or they may require stricter terms and conditions with respect to future facilities, and we may not find these terms and conditions acceptable. With respect to uncommitted facilities, lenders may cease making loans or demand payment of outstanding loans, which may overly restrict our ability to conduct our business successfully and adversely impact our liquidity and financial position. ~~Uncertainty about~~ **Risks Related to** the ~~future of LIBOR~~ **Reclassification The Reclassification** may ~~adversely affect~~ **not achieve the desired benefits for us** ~~our~~ - **or** ~~business~~ **our shareholders. The long-**

term impacts of the Reclassification are still unknown, and ~~financial~~ **the Reclassification may not** ~~results~~ - **result** ~~.~~ ~~Borrowings under certain of~~ **in an increase in shareholder value** ~~our~~ - **or** ~~credit facilities~~ **improve the liquidity and marketability of our equity. If the Reclassification is not viewed favorably by members of the investment community, it may impair the value of our Class A Common Stock and limit its liquidity and marketability. Furthermore, securities markets worldwide have experienced significant price and volume fluctuations in recent years. This market volatility, as well as general economic, market or political conditions, could cause a reduction in the market price and liquidity of shares of our Class A Common Stock. Our principal shareholders own a significant amount of our voting stock and have rights to nominate directors to our Board of Directors, and their interests may differ from those of our other shareholders. So long as the Jacobson / Gershwind Family Shareholders (as defined below), collectively, have beneficial or record ownership of at least 10 % of the issued and outstanding shares of Class A Common Stock, our Board of Directors will, subject to the procedures and limitations set forth in the Reclassification Agreement (as defined below), nominate two individuals designated by the Jacobson / Gershwind Family Shareholders for election to the Board of Directors at any annual meeting of our shareholders at which directors are to be elected. So long as the Jacobson / Gershwind Family Shareholders, collectively, have beneficial or record ownership of less than 10 % but 5 % or more of the issued and outstanding shares of Class A Common Stock, our Board of Directors will, subject to the procedures and limitations set forth in the Reclassification Agreement, nominate one individual designated by the Jacobson / Gershwind Family Shareholders for election to the Board of Directors at any annual meeting of our shareholders at which directors are to be elected. The amount of Class A Common Stock** currently **held by** ~~use LIBOR as a benchmark for establishing~~ the ~~applicable~~ **Jacobson / Gershwind Family Shareholders, together with the foregoing director nomination rights, provide the Jacobson / Gershwind Family Shareholders with significant continued influence over our decisions. The** ~~interest~~ **interests** ~~rate. LIBOR is the subject~~ of ~~recent regulatory guidance and proposals~~ **the Jacobson / Gershwind Family Shareholders with respect to matters potentially** ~~for~~ - **or actually involving** ~~reform, which may cause LIBOR to cease to be used entirely or to perform differently than in the past. Regulators and industry groups have recommended alternatives for~~ - **or** ~~certain reference rates~~ **affecting us and our other shareholders** , such as ~~the Secured Overnight Financing Rate (" SOFR "). We have adopted amendments to our credit facilities which provide for the transition to SOFR as the applicable benchmark rate. The~~ future **acquisitions** ~~performance of SOFR~~ , ~~which is a relatively new reference rate~~ **financings and other corporate opportunities and attempts to acquire us, may differ from, or conflict** with ~~a limited history~~ , **the interests of** ~~may be hard to predict and could lead to additional volatility or~~ **our** ~~an increase in the~~ **other shareholders** ~~cost of our variable rate indebtedness, greater than what would occur using LIBOR~~ . ~~The consequences of these developments with respect to LIBOR and SOFR cannot be entirely predicted but could result in negative impacts to our financial position, liquidity and results of operations. General Risk~~ **Risks** ~~Factors Disruptions or breaches of~~ **Related to Information Technology Maintaining** our IT systems **and complying with** ~~, or violations of~~ data privacy laws **may incur significant** , **recurring costs** ~~could adversely affect us~~ . We believe that our IT systems are an integral part of our business and growth strategies. In particular, the COVID- 19 pandemic ~~has~~ caused us to modify our business practices, including requiring many of our office- based associates to work from home. As a result, we are ~~increasingly~~ dependent upon our IT systems to operate our business and our ability to effectively manage our business depends on the security, reliability and adequacy of our IT systems. We also depend upon our IT systems to help process orders, to manage inventory and accounts receivable collections, to manage financial reporting, to purchase, sell and ship products efficiently and on a timely basis, to maintain cost- effective operations, to operate our websites and to help provide superior service to our customers. ~~Our~~ **We have made and continue to make investments in technology to protect our systems, computers, software, data and networks from attacks, damage or unauthorized access. We also have implemented numerous security protocols in order to strengthen security, and we maintain a customary cyber insurance policy, but there can be no assurance that breaches will not occur in the future or be covered by our insurance policy. The costs of maintaining adequate cybersecurity safeguards for our** IT systems may be **significant and recurring** ~~vulnerable to damage or disruption caused by circumstances beyond our control or anticipation, such~~ as **technology progresses** ~~catastrophic events, power outages, natural disasters, computer system or network failures, computer viruses, and physical or electronic break- ins~~ . In addition ~~, our IT systems may be vulnerable~~ to ~~cyber- attacks, including~~ - **incurring continual costs** ~~the use of malicious codes, worms, phishing, spyware, denial of service attacks and ransomware, all of which are rapidly evolving and becoming increasingly sophisticated. Despite our efforts~~ to **maintain cybersecurity** ~~ensure the integrity of our IT systems~~ , ~~as cyber- attacks evolve and become more difficult to detect and successfully defend against, one or more cyber- attacks might defeat the measures that~~ we ~~take to anticipate, detect, avoid or mitigate these threats. These cyber- attacks and any unauthorized access or disclosure of our customers' information could compromise and expose sensitive information and damage our reputation. Cyber- attacks could~~ also ~~cause us to~~ incur significant ~~remediation~~ **, recurring** costs ~~, including the possibility of government fines, disrupt our operations and divert management attention and key IT resources. Any material cyber- attack or failure of our IT systems~~ to **comply with** ~~perform as we anticipate could disrupt our business and operations, result in transaction errors, loss of~~ data **privacy laws** , processing inefficiencies, downtime, litigation...... turn impact or adversely affect our operations . Regulatory authorities have increased their focus on how companies collect, process, use, store, share and transmit personal data. New privacy security laws and regulations, including the United Kingdom' s Data Protection Act 2018 (DPA), the European Union General Data Protection Regulation 2016 (GDPR) that became effective May 2018, the California Consumer Protection Act that became effective on January 1, 2020, and other similar state privacy laws, pose increasingly complex compliance challenges, which may increase compliance costs, and any failure to comply with data privacy laws and regulations could result in significant penalties. **,processing** inefficiencies,downtime,litigation,government investigation or fines,substantial remediation costs (including potential liability for stolen assets or information and the costs of repairing system damage), ~~and~~ the loss of sales and customers,and damage our reputation.In addition,changes to our IT systems could disrupt our business operations.Any one or more of these consequences could have a material adverse effect on our business,financial condition and results of operations.Additionally,our suppliers and customers also rely upon IT systems to operate their respective businesses.If any of them experience a cyber- attack or other cyber incident,this could adversely impact their operations,which may in turn impact or adversely affect our operations. Our success is dependent on certain key management personnel. Our success depends largely on the efforts and abilities of certain key **members of our** senior management. The loss or disruption of the services of one or more of such key personnel could have a material adverse effect on our business and financial results. We do not maintain any key- man insurance policies with respect to any of our executive officers. We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our business. From time to time, we are involved in lawsuits or other legal proceedings that arise from business transactions or the operation of our business. Due to the nature of our business, these proceedings may, for example, relate to product liability claims, commercial disputes or employment matters. In addition, we could face claims over other matters, such as claims arising from our status as a government contractor, intellectual property matters, or corporate or securities law matters. The defense and ultimate outcome of lawsuits or other legal proceedings may result in higher operating expenses, which could have a material adverse effect on our business, financial condition or results of operations. We may encounter difficulties with acquisitions and other strategic transactions which could harm our business. We have completed several acquisitions and we expect to continue to pursue acquisitions and other strategic transactions, such as joint ventures, that we believe will either expand or complement our business in new or existing markets or further enhance the value and offerings we are able to provide to our existing or future potential customers. Acquisitions and other strategic transactions present numerous risks and challenges, which could harm our business, including: **• the** diversion of management' s attention from the normal operation of our business; **• the** potential loss of key associates and customers of the acquired companies; **•** difficulties managing and integrating operations in geographically dispersed locations; **•** the potential for deficiencies in internal controls at the acquired companies; **•** increases in our expenses and working capital requirements, which reduce our return on invested capital; **• the** lack of experience operating in the geographic market or industry sector of the acquired companies; and **• the** exposure to unanticipated liabilities of the acquired companies. To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of this integration may be further complicated by geographic distances. The integration of acquired businesses may not be successful and could result in disruption to other parts of our business. We are subject to environmental, health and safety laws and regulations. We are subject to federal, state, local, foreign and provincial environmental, health and safety laws and regulations. Fines and penalties may be imposed for non- compliance with applicable environmental, health and safety requirements and the failure to have or to comply with the terms and conditions of required permits. The failure by us to comply with applicable environmental, health and safety requirements could result in fines, penalties, enforcement actions, third- party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup, or regulatory or judicial orders requiring corrective measures, which could have a material adverse effect on our business, financial condition or results of operations. Additionally, such actions could negatively impact our reputation in the impacted geographic market and more broadly. Social and environmental responsibility policies and provisions may be difficult to comply with and may impose costs on us. There is an increasing focus on corporate social and environmental responsibility in our industry. An increasing number of our customers have adopted, or may adopt, procurement policies that include social and environmental responsibility provisions that their suppliers should comply with, or they may seek to include such provisions in their procurement terms and conditions. This corporate social and environmental responsibility influence is expanding to other **stakeholders such as investors, suppliers, associates and communities. We currently voluntarily comply with the sustainability standards set forth by various sustainability initiatives and organizations. These social and environmental responsibility practices, policies, provisions and initiatives are subject to change, can be unpredictable, and may be difficult and expensive for us to comply with. In addition, the failure by us to take action or otherwise comply with the policies of our customers may negatively impact our customer relationships or reputation, which may adversely impact our business and results of operations. Our Third Amended and Restated By- Laws contain choice- of- forum provisions for certain claims against us, which could increase the costs of bringing a claim or limit the ability of a shareholder to bring a claim in a judicial forum viewed by a shareholder as favorable. Our Third Amended and Restated By- Laws provide that, unless we consent in writing to the selection of an alternative forum, the New York Supreme Court in the State of New York (or, if such court does not have subject matter jurisdiction thereof, the United States District Court for the Southern District of New York or, if such court also does not have subject matter jurisdiction thereof, such other federal district court or state courts located within the State of New York) will, to the fullest extent permitted by law, be the sole and exclusive forum for certain claims. The foregoing provisions will not apply to claims or causes of action brought to enforce a duty or liability created by the Securities Act of 1933, as amended (the " Securities Act "), or the Securities Exchange Act of 1934, as amended (the " Exchange Act "), or any other claim under federal securities laws (other than derivative actions brought to enforce any duty or liability created by the Exchange Act) for which the federal courts have exclusive federal or concurrent state and federal jurisdiction. In addition, the Third Amended and Restated By- Laws provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. These choice- of- forum provisions may increase costs for a shareholder pursuing any such claim or limit a shareholder' s ability to bring a claim in a judicial forum that such shareholder finds favorable for disputes with us or any of our directors, officers or other employees, which may discourage such lawsuits even though an action, if successful, might benefit our shareholders. In addition, the courts designated under these choice- of- forum provisions may reach different judgments or results than would other courts,**

including courts where a shareholder would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our shareholders. If a court were to find these choice- of- forum provisions inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, liquidity, financial condition and / or results of operations. Our common stock price may be volatile. We believe factors such as fluctuations in our operating results or the operating results of our competitors, changes in economic conditions in the market sectors in which our customers operate, notably the durable and non- durable goods manufacturing industry, which accounts for a substantial portion of our revenues, and changes in general market conditions, including as a result of inflation, rising interest rates and geopolitical events, could cause the market price of our Class A Common Stock to fluctuate substantially.