

Risk Factors Comparison 2024-06-27 to 2023-06-26 Form: 10-K

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

Although the Company is monitoring the trade environment and working to mitigate the effects of tariffs through pricing and sourcing strategies, including through ongoing inventory management, the Company cannot be certain how its customers and competitors will react to the actions taken. If the Company determines to pass some or all of these new tariff burdens on to its customers as product price increases in the future, the result may be a degradation of the Company's competitive position and a loss of customers that would adversely affect the Company's operating performance. Additional tariffs imposed by the United States, and any related countermeasures by China, including as a result of the heightened tensions between the United States and China over Hong Kong, could further increase the Company's cost of goods and reduce its gross margins. We cannot predict future trade policy, whether exclusions will be reinstated, 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 further adversely impact demand for our products, our costs, our customers, our suppliers, and the U. S. economy, which in turn could further adversely impact our business, financial condition and results of operations. **Our business involves the potential for product recalls, which could affect our revenue and profitability. The products that we sell are subject to various mandatory and voluntary standards. As a marketer and distributor of consumer products, we are subject to the Consumer Product Safety Act and the Federal Hazardous Substances Act, which empower the Consumer Products Safety Commission ("CPSC") to seek to exclude from the market those products that are found to be unsafe or hazardous. In addition, the U. S. Food and Drug Administration ("FDA") and other governmental authorities regulate the development, manufacture, sale and distribution of certain of our products. Under certain circumstances, the CPSC, the FDA or other government agencies could require us to repair, replace or refund the purchase price of one or more of our products, or we may voluntarily do so. Any repurchases or recalls of our products could be costly to us and could damage our reputation or the value of our brands. If we are required to remove, or we voluntarily remove our products from the market, our reputation or brands could be tarnished, and we might have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the CPSC, the FDA or other applicable government agencies of a potential safety hazard can result in fines being assessed against us. Additionally, laws regulating certain of our products exist in some states, as well as in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future. Our results of operations are also susceptible to adverse publicity regarding the quality and safety of our products. In particular, product recalls may result in a decline in sales for a particular product.** The Company could be exposed to product liability or other claims for which its product liability or other insurance may be inadequate. A failure of any of the products marketed by the Company may subject it to the risk of product liability claims and litigation arising from injuries allegedly caused by the improper functioning or design of its products. Although the Company currently maintains product liability insurance in amounts which the Company considers adequate, the Company cannot assure that: • its insurance will provide adequate coverage against potential liabilities; • adequate product liability insurance will continue to be available in the future; or • its insurance can be maintained on acceptable terms. To the extent product liability or other litigation losses are beyond the limits or scope of the Company's insurance coverage, the Company's expenses could materially increase. **Failure to comply with public health, consumer protection and other regulations could affect our reputation, revenue and profitability. Some jurisdictions require that products be listed by UL, a not-for-profit organization that sets safety standards for products, or other similar recognized laboratories. We endeavor to design our products to meet the certification requirements of, and to be certified in, each of the jurisdictions in which they are sold. Failure to comply with such certification requirements could result in additional re-design expenses, fines, or product liability claims.** The Company's business could be materially and adversely affected if it cannot protect its intellectual property rights or if it infringes on the intellectual property rights of others. The Company's ability to compete effectively depends on its ability to maintain and protect its proprietary rights. The Company owns the Emerson® and other trademarks, which are materially important to its business, as well as other trademarks, licenses and proprietary rights that are used for certain of the products that it markets and sells. The Company's trademarks are registered throughout the world, including the United States and other countries. The laws of some foreign countries in which the Company operates may not protect the Company's proprietary rights to the same extent as do laws in the United States. The protections afforded by the laws of such countries may not be adequate to protect the Company's intellectual property rights. Third parties may seek to challenge, invalidate, circumvent or render unenforceable any trademarks, patents or proprietary rights owned by or licensed to the Company. In addition, in the event third-party licensees fail to protect the integrity of the Company's trademarks, the value of these marks could be materially and adversely affected. The Company's inability to protect its proprietary rights could materially and adversely affect the license of its trade names, trademarks and other proprietary rights to third parties as well as its ability to sell its products. Litigation has been and may in the future be necessary to enforce the Company's intellectual property rights, protect the Company's trade secrets and determine the scope and validity of such intellectual property rights. Any such litigation, whether or not successful, could result in substantial costs and diversion of resources and management's attention from the operation of the Company's business. 15The Company may receive notices of claims of infringement of other parties' proprietary rights. Such actions could result in litigation and the Company could incur significant costs and diversion of resources in defending such claims. The party making such claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief. Such relief could effectively

block the Company's ability to make, use, sell, distribute or market its products and services in certain jurisdictions. The Company may also be required to seek licenses to such intellectual property. The Company cannot predict, however, whether such licenses would be available or, if available, that such licenses could be obtained on terms that are commercially reasonable and acceptable to the Company. The failure to obtain the necessary licenses or other rights could delay or preclude the sale, manufacture or distribution of its products and could result in increased costs to the Company. An information systems interruption or breach in security, including as a result of cyber-attacks, could adversely affect the Company's business, results of operations and reputation. In the ordinary course of business, the Company electronically maintains sensitive data, including intellectual property, its proprietary business information and that of its customers and suppliers, and some personally-identifiable information related to various constituents of employees, in its facilities and on its networks. In addition, the Company sells its products through online marketplaces, including Amazon, which may rely upon third-party online payment platform service providers that maintain personal information collected from customers. The secure collection, maintenance, transmission and other processing, maintenance and transmission of this information is important to the Company's operations. An interruption or breach in of the Company's security of the Company's information systems (and procedures or those of its vendors or other parties with whom the Company works) could result in significant data compromise losses or theft of the Company's customers' or the Company's employees' intellectual property, proprietary business information or personally identifiable information. A cybersecurity breach could negatively affect the Company's reputation. Because the techniques (such as viruses and worms, phishing attacks, distributed denial-of-service attacks, and ransomware) used to obtain unauthorized access, disable or degrade service, or sabotage systems and other threats (such as software bugs, personnel error or misconduct) change frequently and may be difficult to detect for long periods of time, the Company may be unable to anticipate these all techniques and threats or implement adequate preventive measures. In particular, ransomware attacks are becoming increasingly prevalent and severe and we may be unwilling or unable to pay extortion payments. In addition, hardware, software or other applications and systems the Company procures from third parties or uses in its online marketplaces may contain defects in design or manufacture or other problems (such as, supply chain attacks) that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to the Company's systems or facilities through fraud, trickery or other forms of deceiving its employees. Accordingly, the Company may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, or if such measures are implemented, and even with appropriate training conducted in support of such measures, human errors may still fail. Remote work has become more common which has increased risk to occur our information systems and data. The Company's information systems and data may also fail or be compromised for reasons other than a cyberattack such as server malfunctions, software or hardware failures, data loss, telecommunications failures, earthquakes, fire, flood and other similar events. We take steps designed to detect, mitigate and remediate vulnerabilities in our information systems (such as our hardware and / or software, including that of third parties with whom we work). We may not, however, detect and remediate all such vulnerabilities including on a timely basis. Further, we may experience delays in developing and deploying remedial measures and patches designed to address identified vulnerabilities. Vulnerabilities could be exploited and result in a security incident. It is virtually impossible for the Company to entirely mitigate these risk risks. A party, whether internal or external, who is able to circumvent the Company's security measures or those of its vendors or third parties with whom the Company works could misappropriate information. In addition, cyber insurance, if any, may not protect against all of the costs and liabilities arising from a cyber-attack. Additionally, as cyber-attacks are increasing in frequency, level of sophistication, persistence and intensity, and are being conducted by sophisticated organized groups (such as national states and state-sponsored actors) and individuals with a wide range of motives and expertise, we are vulnerable in the event of cyber-attack. This includes threats to our key customers. If the Company or our key customers' websites or systems are disrupted for a considerable amount of time, whether due to a cyber-attack or the other online payment platforms it uses fail disruption, we could experience lost sales to reasonably maintain consumers and the key customers' inability to submit new purchase orders, which could result in reduced revenue and profitability. Furthermore, past or future business transactions could expose the Company to information security or confidential risks. Any compromise or disruption to the Company's information systems (or the those of third parties with whom the Company may suffer works) could lead to, significant reputational and financial losses and negatively impact the Company's results of operations, cash flows, financial condition, and liquidity may be adversely affected. In addition, an information system breach, disruption or other compromise could result in other negative consequences, including disruption of internal operations, and may subject the Company to private litigation, government investigations, enforcement actions (including fines or penalties), and cause the Company to incur potentially reputational harm, significant liability, damages, or remediation (including notification obligations) costs. The Company operates its business in jurisdictions where intellectual property theft or compromise is common. Currently, a majority of the Company's products are manufactured in China. Subject to contractual confidentiality obligations, the Company is required to share significant product design materials with third-parties necessary for the design and manufacture of our products. The Company cannot be sure that its data or intellectual property will not be compromised through cyber-intrusion, theft or other means, particularly when the data or intellectual property is held by partners in foreign jurisdictions. Should the Company's intellectual property be compromised, it may be difficult to enforce the Company's rights in China and other foreign jurisdictions in which the Company operates. Fluctuations in the Company's tax obligations and effective tax rate and realization of deferred tax assets, including net operating loss carryforwards, may result in volatility of the Company's operating results. The Company is subject to income taxes in various federal, state, local and certain foreign jurisdictions. The Company records tax expense based on its estimates of future payments, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets, including net operating loss carryforwards. In addition, tax laws in certain jurisdictions

may limit the ability to use net operating loss carryforwards upon a change in control. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. In addition, the Company's effective tax rate in a given financial statement period may be materially affected by a variety of factors including but not limited to changes in the mix and level of revenues, varying tax rates in the different jurisdictions in which the Company operates, fluctuations in the valuation allowance, timing of the utilization of net operating loss carryforwards, or by changes to existing accounting rules or regulations. Further, tax legislation or changes in tax rules and regulations or the interpretations thereof may be enacted in the future which could negatively affect the Company's current or future tax structure and effective tax rates. For example, the Organisation ~~Organization~~ for Economic Co-operation and Development's ~~(has introduced a framework to implement a global minimum corporate income tax of 15 %, referred to as "OECD Pillar Two.")~~ ~~Inclusive~~ ~~Certain countries in which we operate have enacted legislation to adopt Pillar Two and other countries are considering changes to their tax laws to implement this Framework framework project.~~ ~~The EU agreed to implement Pillar Two starting in 2024. Whether, and to what extent, Pillar Two is currently considering proposals that, if implemented,~~ ~~adopted or enacted by the other jurisdictions in which we operate is uncertain and~~ could increase our effective tax rate. In particular, the ~~Inclusive~~ Framework project includes a global minimum tax proposal that contains various mechanisms to subject a multinational corporation's income to a 15 % minimum rate. Though the details of these ~~the cost~~ proposals are still under development, many countries have expressed a strong interest in implementing the rules, regardless of whether consensus is reached at the OECD, and ~~complexity on~~ the EU recently agreed to implement the Inclusive Framework project's global minimum tax rules starting in 2024. Whether, and to what extent, these rules are implemented consistently across jurisdictions may increase our related compliance costs and could have an ~~and may~~ ~~adversely affect~~ ~~impact on~~ our global effective tax rate, financial condition and results of operations.

16 Corporate Governance and Stock Ownership Risks There is a limited trading market for the Company's common stock and the market price of the Company's common stock is subject to volatility. The Company's common stock, which trades on the NYSE American, has experienced, and may experience in the future, significant price and volume fluctuations, which could adversely affect the market price of the Company's common stock. For example, the Company believes that recent volatility in the market price of the Company's common stock reflects market and trading dynamics unrelated to the Company's underlying business or macro or industry fundamentals. These fluctuations have been accompanied by reports of strong and atypical retail investor interest, including on social media and online forums. The Company may continue to incur rapid and substantial increases or decreases in its stock price that may not coincide in timing with the disclosure of news or developments by or affecting the Company. Accordingly, the market price of the Company's common stock may fluctuate dramatically, and may decline rapidly, regardless of any developments in the Company's business. The market price of the Company's common stock may also fluctuate significantly in response to various factors and events, including:

- actual or anticipated variations in operating results and cash flows;
- loss of a key customer, licensee or supplier;
- announcements or events that affect the Company's products, customers, competitors or markets;
- general business conditions in the markets and industry in which the Company competes;
- changes in market valuations of similar companies;
- the increase in the number of individual holders of the Company's common stock and their participation in social media platforms targeted at speculative investing;
- the level of the Company's stock repurchase activity;
- concentration of holdings of the Company's common stock; and
- other events or factors, including those listed under this section entitled "Risk Factors."

In addition, the securities markets ~~may have recently experienced~~ ~~experience~~ significant price and volume fluctuations that ~~have affected and continue to~~ affect the market prices of equity securities of many companies due to, among other factors, the actions of market participants or other actions outside of the Company's control, including general market volatility caused by ~~any surges in demand~~ the coronavirus ("COVID-19") pandemic, high inflation, rising interest rates and bank failures. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. ~~Disruptions may re-emerge, and Broad-broad~~ market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of the Company's common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. The Company may be the target of this type of litigation in the future, which could result in substantial costs and divert management's attention. The Company is a "controlled company" within the meaning of the NYSE American rules and, as a result, qualifies for, and relies on, exemptions from certain corporate governance requirements. As a result, the Company's shareholders do not have the same protections afforded to shareholders of companies that are subject to such requirements. Nimble Holdings Company Limited ("Nimble"), formerly known as The Grande Holdings Limited, through one of its indirect subsidiaries, is the beneficial owner of approximately 72.4 % of the Company's outstanding common stock as of March 31, 2023-2024. As a result, the Company is a "controlled company" within the meaning of the NYSE American Company Guide (~~the~~ "Company Guide"). Under the NYSE American rules, a company of which more than 50 % of the voting power is held by another person or group of persons acting together is a controlled company and may elect not to comply with certain NYSE American corporate governance requirements, including the requirements that:

- a majority of the Company's Board of Directors (~~"the Board"~~) consist of independent directors;
- the Company has a nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the Company has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

The Company has elected to use certain of these exemptions and the Company may continue to use all or some of these exemptions in the future for so long as the Company is a controlled company. The ~~Company's Board of Directors~~ ~~board~~ acts as the nominating committee and compensation committee and determines the compensation and benefits of the Company's executive officers, administers its employee stock and benefit plans, as may be in effect from time to time, and reviews policies relating to the compensation and benefits of its employees. Although all ~~board~~ members ~~of the Board~~ have fiduciary obligations in connection with

compensation matters, the Company's lack of an independent compensation committee presents the risk that any executive officers who are also directors may have influence over their personal compensation and benefits levels that may not be commensurate with the Company's financial performance. Accordingly, shareholders of the Company do not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE American. The controlling ownership of the Company's common stock by an indirect subsidiary of Nimble substantially reduces the influence of other stockholders, and the interests of Nimble may conflict with the interests of the Company's other stockholders. Nimble, through one of its indirect subsidiaries, is the beneficial owner of approximately 72.4% of the Company's outstanding common stock as of March 31, 2023-2024. As a result, Nimble will be able to exert significant influence over the Company's business and have the ability to control the approval process for actions by the Company that require stockholder approval, including: the election of the Company's directors and the approval of mergers, sales of assets or other significant corporate transactions or matters submitted for stockholder approval. Nimble may have interests that differ from your interests and may cause the shares in the Company beneficially owned by Nimble to be voted in a way with which you disagree and that may be adverse to your interests. In addition, several provisions of the Company's organizational documents and Delaware law may deter or prevent a takeover attempt, including a takeover attempt in which the potential purchaser offers to pay a per share price greater than the current market price of the Company's common stock. Under the terms of the Company's certificate of incorporation, ~~its the board~~ **Board of directors** has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for the Company's common stock, including transactions that may be in your best interests. The Company's bylaws designate the Court of Chancery of the State of Delaware or the federal district courts in Delaware as the exclusive forum for certain litigation that may be initiated by the Company's stockholders, which could limit stockholders' ability to have certain claims heard in any other judicial forum. Pursuant to the Company's corporate bylaws, as amended (the "bylaws"), unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on behalf of the Company; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee of the Company or any stockholder to the Company or the Company's stockholders; (iii) any action or proceeding asserting a claim against the Company or any current or former director, officer or other employee of the Company or any stockholder arising pursuant to any provision of the General Corporation Law of Delaware or the Company's certificate of incorporation or bylaws (as each may be amended from time to time); (iv) any action or proceeding to interpret, apply, enforce or determine the validity of the Company's certificate of incorporation or bylaws (including any right, obligation or remedy thereunder); (v) any action or proceeding as to which the General Corporation Law of Delaware confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any action asserting a claim against the Company or any director, officer or other employee of the Company or any stockholder, governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This forum selection clause in the Company's bylaws does not apply to suits brought to enforce a duty or liability created by the Exchange Act, or any other claim for which the federal courts of the United States of America have exclusive jurisdiction. The bylaws further provide, that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. In addition, the bylaws provide that any person or entity holding, owning or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and to have consented to these provisions. The forum selection clause in the Company's bylaws may limit stockholders' ability to have certain claims heard in any court other than in the Court of Chancery or the federal district courts in Delaware. 18Item 1B.

UNRESOLVED STAFF COMMENTS