Risk Factors Comparison 2024-03-20 to 2023-03-17 Form: 10-K

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In evaluating our Company, careful consideration should be given to the following risk factors, in addition to the other information included in this Annual Report on Form 10- K. Each of these risk factors could adversely affect our business, operating results and / or financial condition, as well as adversely affect the value of an investment in our common stock. In addition to the following disclosures, please refer to the other information contained in this report, including our consolidated financial statements and the related notes. Risks Related to our Business A large percentage of our **net** sales have been made to a small number of customers, and the loss of a major customer, if not replaced, would adversely affect us. **Two** ~~Our largest customer~~ **customers** ~~has~~ **, individually,** ~~accounts~~ **accounted** for ~~26~~ **at 25** . ~~9~~ **7** % **and 10. 3 %, respectively,** of net sales **for** ~~in each of~~ the ~~years~~ - **year** ended December 31, **2023, and one customer accounted for 26. 9 % of net sales for the year ended December 31,** 2022 ~~and 2021~~ . The loss of a substantial portion of net sales to our largest customers could have a material adverse effect on us. We are dependent on suppliers for components and raw materials and may experience shortages, extended lead times, cost premiums and shipment delays that would adversely affect our customers and us. We purchase raw materials, commodities and components for use in our production process. Increased costs of these materials could have an adverse effect on our production costs if we are unable to pass along price increases or reduce the other cost of goods produced through cost improvement initiatives. Fuel and energy cost increases could also adversely affect our freight and operating costs. Due to customer specifications and requirements, we are dependent on suppliers to provide critical electronic and other components and materials for our operations that could result in shortages of some of the components needed for production. Component shortages may result in an inability to deliver products on time or at all, expedited freight, overtime premiums and increased component costs. In addition to the financial impact on operations from lost ~~revenue~~ **net sales** and increased cost, there could potentially be harm to our customer relationships. To reduce the effects of supply chain disruption for our customers, we have increased inventory significantly, which has resulted in a reduction of cash available. If we are unable to sell such inventory or sell such inventory within a reasonable timeframe, it may adversely affect our operations and financial results. Our customers cancel orders, change order quantity, timing and specifications that if not managed would have an adverse effect on inventory carrying costs. We face, through the normal course of business, customer cancellations and rescheduled orders and are not always successful in recovering the costs of such cancellations or rescheduling. In addition, excess and obsolete inventory losses as a result of customer order changes, cancellations, product changes and contract termination could have an adverse effect on our operations. We **recognize** ~~estimate and reserve~~ **reserves in accordance with United States Generally Accepted Accounting Principles (“ GAAP ”)** for ~~any known or potential~~ **exposures related to the estimated** impact from these possibilities **.** We depend heavily on our people and may from time to time have difficulty attracting and retaining skilled employees and the cost of labor may continue to increase. Our operations depend upon the continued contributions of our key management, marketing, technical, financial, accounting, product development engineers, **salespeople** ~~sales people~~ and operations personnel. We also believe that our continued success will depend upon our ability to attract, retain and develop highly skilled managerial and technical resources and direct labor resources within our highly competitive industries. Not being able to attract or retain these employees could have a material adverse effect on ~~revenues~~ **net sales** and earnings. In addition, the cost of attracting and retaining direct and indirect labor may continue to increase, which will increase our operating costs and may reduce our profitability. Our engineering ~~revenue~~ **net sales** ~~depends~~ - **depend** on our ability to deliver quality value- added engineering services required by our customers. The markets for our engineering services are characterized by rapidly changing technology and evolving process development. The continued success of our business will depend upon our ability to hire and retain qualified engineering personnel and maintain and enhance our technological leadership. Although we believe that we currently **can** ~~have the ability to~~ provide the value- added engineering services that is required by our customers, there is no certainty that we will develop the capabilities required by our customers in the future. The emergence of new technology, industry standards or customer requirements may render the engineering services we currently provide obsolete or uncompetitive. The acquisition and implementation of new engineering knowledge, technical skills and related equipment may require significant expense that could adversely affect our operating results, as could our failure to anticipate and adapt to our customers’ changing technological requirements. We operate in highly competitive industries **,** and we depend on continuing outsourcing by OEMs. We compete against many companies that engineer and manufacture complex electromedical and electromechanical products **as well as** medical, aerospace ~~&~~ **and** defense ~~products~~ **,** and industrial products. The larger global competitors have more resources and greater economies of scale and have more geographically diversified international operations. We also compete with OEM operations that are continually evaluating manufacturing products internally against the advantages of outsourcing or delaying their decision to outsource. We may also be at a competitive disadvantage with respect to price when compared to manufacturers with excess capacity, lower cost structures and availability of lower cost labor. Competitive factors in our targeted markets are believed to be product and service pricing, quality, the ability to meet delivery schedules, customer service, value- added engineering, technology solutions, geographic location and price. We also expect that our competitors will continue to improve the performance of their current products or services, to reduce their current products or service sales prices and improve services that maybe offered. Any of these could cause a decline in **net** sales, loss of market share, or lower profit margin. The availability of excess manufacturing capacity of our competitors also creates competitive pressure on price and winning new business. We must continue to provide a quality product, be responsive and flexible to customers’ requirements, and deliver to customers’ expectations. Our lack of execution could have an adverse effect on our results of operations and financial condition. The manufacture and sale of products carries potential risk for product liability claims. We generally are required to represent and warrant to our customers that the goods and services we deliver are free from defects in material and workmanship generally for one year. If a product liability claim results in our being liable, it could have a material adverse effect on our business and financial position. We have insurance coverage for products liability claims, but there can be no assurances that the amount of coverage will be adequate or that insurance proceeds will be available for a particular claim. The Company is majority owned by one group of shareholders, and those shareholders may be able to take actions that do not reflect the will or best interests of other shareholders. ~~The~~ **Curits Squire, Inc. and the** Kunin family **, collectively** as a group **,** ~~owns~~ - **own** a majority of our common stock. As a result, our majority shareholder group will have the ability to elect all of the members of our Board of Directors and thereby control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, the incurrence or modification of debt by us, amendments to our **articles of incorporation, as** amended ~~and restated certificate of incorporation~~ and amended and restated bylaws and the entering into of extraordinary transactions, and their interests may not in all cases be aligned with ~~your~~ interests **of other shareholders** . In addition, the majority shareholder group may have an interest in pursuing transactions that, in its judgment, could enhance its investment, even though such transactions might be inconsistent with your investment objectives. As a majority owned or controlled company, NASDAQ does not require the Company to comply with certain corporate governance rules including that we are not required to have a majority of independent directors on the board, an independent compensation committee, or an independent nominating and corporate governance committee. The Company is required to have an audit committee comprised of independent directors. Having fewer independent directors or fewer independent members of the Compensation and Talent Committee or the Nominating and Corporate Governance Committee may result in increased influence of the majority ownership group over business operations. Operating in foreign countries exposes our operations to risks that could adversely affect our operating results. We operate manufacturing facilities in Mexico and China. Our operations in those countries are subject to risks that could adversely impact our financial results, such as economic or political volatility, foreign legal and regulatory requirements, international trade factors (export controls, trade sanctions, duties, tariff barriers and other restrictions), protection of our and our customers' intellectual property and proprietary technology in certain countries, potentially burdensome taxes, crime, employee turnover, staffing, managing personnel in diverse culture, labor instability, transportation delays, and foreign currency fluctuations. **We face risks arising from the restructuring of our operations. In recent years, we have undertaken initiatives to restructure our business operations with the intention of improving utilization and realizing cost savings. These initiatives have included changing the number and location of our production facilities, largely to align our capacity and infrastructure with current and anticipated customer demand. The process of restructuring entails, among other activities, moving production between facilities, transferring programs from higher cost geographies to lower cost geographies, closing facilities, reducing the level of staff, realigning our business processes and reorganizing our management. Restructurings could adversely affect us, including a decrease in employee morale, delays encountered in finalizing the scope of, and implementing, the restructurings, failure to achieve targeted cost savings, and failure to meet operational targets and customer requirements due to the restructuring process. These risks are further complicated by our extensive international operations, which subject us to different legal and regulatory requirements that govern the extent and speed of our ability to reduce our manufacturing capacity and workforce. We have and may be required to take additional charges in the future to align our operations and cost structures with global economic conditions, market demands, cost competitiveness, and our geographic footprint as it relates to our customers' production requirements or following divestitures. We may consolidate or divest certain manufacturing facilities or transfer certain of our operations to other geographies. If we are required to take additional restructuring charges in the future, our operating results, financial condition, and cash flows could be adversely impacted.** Risks Related to our Assets We are dependent on our information technology systems for order, inventory and production management, financial reporting, communications and other functions. If our information systems fail or experience major interruptions due to physical damage or loss of power on our business and our financial results could be adversely affected. We rely on our information technology systems to effectively manage our operational and financial functions. Our computer systems, web sites, telecommunications, and data networks are vulnerable to damage or interruption from power loss, natural disasters and other sources of physical damage or disruption to the equipment which maintains, stores and hosts our information technology systems. We have taken steps to protect and create redundancies for the equipment that facilitates the use of our management information systems, but these steps may not be adequate to ensure that our operations are not disrupted by events within and outside of our control. **Disruptions to** ~~If our information technology systems fail or~~ **our** ~~experience major interruptions, or the information technology systems of third parties that we rely upon fail or experience major interruptions, due to cyber- attacks or other activities designed to disrupt global~~ information systems, **including security breaches, losses of data** ~~our~~ - **or** ~~business~~ **outages, cyber attacks** and **other security issues, have and could in the future adversely affect our operations and /** ~~our~~ - **or** financial results ~~could be adversely affected~~ . We rely on information ~~technology~~ systems ~~to effectively~~ **, some of which are** ~~manage~~ **managed** ~~our operational~~ **by third parties, to store, process** and **transmit confidential information, including** financial ~~functions~~ **reporting, inventory management, procurement, invoicing** and **electronic communications, belonging to our customers, our suppliers, our employees and /** ~~our~~ - **or us** ~~day- to- day functions~~ . We ~~increasingly rely on information technology~~ **monitor and mitigate our exposure to cybersecurity issues and modify our** systems **when warranted** ~~to process, transmit,~~ and ~~store electronic information. In addition~~ **we have implemented certain business continuity items** , ~~a significant portion of internal communications~~ **including leveraging our multiple sites for redundancies** , as well as **backup** ~~communication with customers~~ and ~~suppliers~~ **restore methods inclusive of off- site** , ~~depends on information technology~~ **secure hosted and cloud based third- party providers** . ~~We~~ **Nevertheless, these systems** are ~~exposed~~ **vulnerable** to ~~the risk of cyber incidents in the~~

~~normal course of business. Cyber incidents may be deliberate attacks for the theft of intellectual property~~ , **and at times have suffered from, among** other **things** ~~sensitive information or cash or may be the result of unintentional events. Like most companies~~ , **damage from power loss** ~~our~~ - **or** ~~information technology~~ **natural disasters, computer** ~~systems~~ - **system and network failures** ~~may be vulnerable to interruption due to a variety of events beyond our control~~ , ~~including~~ **loss of telecommunication services** , ~~but not limited to~~ **physical and electronic loss of data** , terrorist attacks, ~~telecommunications failures,~~ computer viruses, **cyberattacks** ~~hackers, foreign governments,~~ and **security breaches, ranging from uncoordinated individual attempts to gain unauthorized access to our IT systems to sophisticated and targeted measures. These include data theft, malware, phishing, ransomware attacks, or** other ~~security~~ **cybersecurity** ~~issues~~ **threats or incidents** . ~~We have~~ **The increased use of mobile** ~~technology~~ **technologies** ~~security initiatives~~ and **the internet of things can heighten these and other operational risks. If we, or the third parties who own and operate certain of our information systems, are unable to prevent such breaches, losses of** data ~~recovery plans in place to~~ **and outages, our operations could be disrupted. Also, the time and funds spent on monitoring and** ~~mitigate~~ **mitigating** our ~~risk~~ **exposure and responding** to **breaches, including the training of employees, the purchase of protective technologies and the hiring of additional employees and consultants to assist in** these **efforts** ~~vulnerabilities, but these measures may not be adequate, or implemented properly, or executed timely to ensure that our operations are not disrupted. Potential consequences of a material cyber incident include damage to our reputation, litigation, and increased cyber security protection and remediation costs. Such consequences~~ could ~~materially and~~ adversely affect our **financial** results ~~of operations~~ . ~~We have insurance coverage for cyber liability, but~~ **The increasing sophistication of cyberattacks requires us to continually evaluate the threat landscape and new technologies and processes intended to detect and prevent** ~~there~~ **these attacks. There** can be no ~~assurances~~ - **assurance** that the ~~amount of coverage~~ **security measures and systems configurations we choose to implement** will be ~~adequate~~ **sufficient to protect the data we manage. Any theft or misuse of information resulting from a security breach could result in, among other things, loss of significant and / or sensitive information, litigation by affected parties, financial obligations resulting from such theft or misuse, higher insurance premiums, governmental investigations, negative reactions from current and potential future customers (including potential negative financial ramifications under certain customer contract provisions) and negative publicity and any of these could adversely affect** ~~or~~ **our financial results. In addition, we must comply with increasingly complex regulations intended to protect business and personal data in the U. S. and globally. In many cases, these laws apply not only to third- party transactions, but also restrict transfers of personal information among the Company and its international subsidiaries. Several jurisdictions have passed laws in this area, and additional jurisdictions are considering imposing additional restrictions or have laws** that ~~insurance proceeds will~~ **are pending. These laws continue to develop and may** be ~~available for a particular claim~~ **inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing requirements causes the Company to incur substantial costs and has required and may in the future require the Company to change its business practices. Compliance with these regulations can be costly and any failure to comply could result in legal and reputational risks as well as penalties, fines and damages that could adversely affect our financial results** . We are investing in new technologies which are inherently risky. We have made investments in research and development (“ R & D **”**) of new technologies that we believe will strengthen our relationships with customers if successful. To the extent that those investment efforts are unsuccessful, our competitive position may be harmed, and we may not realize a return on our investments. To compete more successfully, we believe it is advantageous to maintain an effective R & D program to develop new products and manufacturing processes that will benefit our customers. Our R & D efforts are currently funded through investment of capital generated from operations, and we incurred R & D expenses of $ 1. **2 million and $ 1.** 5 million in **the years ended December 31, 2023 and** 2022 **, respectively** . We are focusing our R & D efforts across several key areas, including development of active optical cables and expanded beam connectors. We do not expect all ~~of~~ our R & D investments to be successful. Some of our efforts to develop and market new products and technologies fail or fall short of our expectations, or will not be well- received by customers, who may adopt competing technologies. Our investments in new products and technologies are inherently risky and are a departure from historical business operations. Developing Company owned technology and products is different than our historical manufacturing business. While we believe that this is an important step to further cultivate relationships with customers and partners, the Company has not historically developed its own technologies or products; rather, it has historically developed and manufactured products designed by our customers. Development of new products and technologies may expose us to potential product liability risks that are inherent in the design, manufacture and marketing of those products. As a result, we face an inherent risk of damage to our reputation if one or more of our products or technologies are, or are alleged to be, defective. Although we carry product liability insurance, we may be exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and / or property damage. Product liability, warranty and recall costs may have a material adverse effect on our business, financial condition and results of operations. Financial Risks If we fail to comply with the covenants contained in our credit agreement, we may be unable to secure additional financing and repayment obligations on our outstanding indebtedness may be accelerated. Our credit agreement contains financial and operating covenants with which we must comply. As of December 31, ~~2022~~ **2023** , we were in compliance with these covenants. ~~However~~ **Effective as of February 29** , ~~our continued~~ **2024, we entered into a new credit agreement with Bank of America. Our new current credit agreement contains financial and operating covenants with which we must comply. Our** compliance with these covenants is dependent on our financial results, which are subject to fluctuation as described elsewhere in these risk factors. If we fail to comply with the covenants in the future or if our lender does not agree to waive any future non-compliance, we may be unable to borrow funds and any outstanding indebtedness could become immediately due and payable, which could materially harm our business. Our exposure to financially troubled customers, start- up businesses or suppliers may adversely affect our financial results. We provide manufacturing services to companies and industries that have in the past, and may in the future, experience financial difficulty. Also, we provide services and products to new and high growth companies. If our customers experience financial difficulty or lack of funding for operations, we could have difficulty recovering amounts owed to us from these customers, or demand for our services or products from these customers could decline. Additionally, if our suppliers experience financial difficulty, we could have difficulty sourcing supply necessary to fulfill production requirements and meet scheduled shipments. If one or more of our customers were to become insolvent or otherwise were unable to pay for the services provided by us on a timely basis, or at all, our operating results and financial condition could be adversely affected. Such adverse effects could include one or more of the following: an increase in **expenses** ~~our provision~~ for doubtful accounts **receivable and** ~~, a charge for~~ inventory write- offs, a reduction in ~~revenue~~ **net sales** , and an increase in our working capital requirements due to higher inventory levels and ~~increases~~ in days our accounts receivables are outstanding. Changes in **foreign** currency translation rates could adversely impact our ~~revenue~~ **net sales** and earnings. Changes in **foreign currency** exchange rates will impact our reported **net** sales and earnings **. Substantially all our net sales are transacted in U. S. Dollars** . A majority of our manufacturing and cost structure is based in the United States **and transacted in U** . ~~In addition~~ **S. Dollars. We have exposures to local currencies for certain net sales in China denominated in Chinese Yuan as well as certain costs incurred at our facilities in China and Mexican that are denominated in Chinese Yuan and the Mexican Peso** , **respectively. The** decreased value of local currency may adversely affect demand for our products and may adversely affect the profitability of our products in U. S. dollars in foreign markets where payments are made in the local currency. We do not expect to pay dividends for the foreseeable future, and we may never pay dividends; investors must rely on stock appreciation for any return on investment in our common stock. We currently intend to retain any future earnings to support the development and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Our payment of any future dividends will be at the discretion of our Board of Directors after taking into account various factors, including but not limited to, our financial condition, operating results, cash needs, growth plans, and the terms of any credit agreements that we may be a party to at the time. In addition, our ability to pay dividends on our common stock may be limited by state law. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize certain returns on their investment. As a result, investors must rely on stock appreciation and a liquid trading market for any return on investment in our common stock. We expect volatility in the price of our common stock, which may subject us to securities litigation. The market for our common stock may be characterized by significant price volatility when compared to other issuers, and we expect that our share price will be more volatile than other issuers for the indefinite future. In the past, plaintiffs have often initiated securities class action litigation against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and liabilities and could divert management' s attention and resources. **If we fail to maintain effective systems of internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results or prevent fraud. Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports and effectively prevent fraud and operate successfully as a public company. Any failure to develop or maintain effective internal control over financial reporting and disclosure controls and procedures could harm our reputation or operating results or cause us to fail to meet our reporting obligations. As we expand our business operations both within the United States and internationally, we will need to maintain effective internal controls over financial reporting and disclosure control and procedures. Our services involve other inventory risk Our production services primarily provide that we purchase some, or all, of the required materials and components based on customer forecasts or orders. Although, in general, our contracts with our customers obligate our customers to ultimately purchase inventory ordered to support their forecasts or orders, we generally finance these purchases initially. In addition, suppliers may require us to purchase materials and components in minimum order quantities that may exceed customer requirements. A customer' s cancellation, delay or reduction of forecasts or orders can also result in excess inventory or additional expense to us. Engineering changes by a customer or a product' s end- of- life may result in obsolete materials or components. While we attempt to cancel, return or otherwise mitigate excess and obsolete inventory, as well as require customers to reimburse us for these items and / or price our services to address related risks, we may not actually be reimbursed timely or in full, be able to collect on these obligations or adequately reflect such risks in our pricing. In addition to increasing inventory in certain instances to support new program ramps, we may also increase inventory if we experience component shortages or longer lead-times for certain components in order to maintain a high level of customer service. In such situations, we may procure components earlier, which leads to an increase in inventory in the short term and may lead to increased excess or obsolete inventory in the future. Excess or obsolete inventory, the need to acquire increasing amounts of inventory due to shortages, customer demand or otherwise, or other failures to manage our working capital, could adversely affect our operating results, including our return on invested capital. In addition, we provide managed inventory programs for some of our customers under which we hold and manage finished goods or work- in- process inventories. These managed inventory programs may result in higher inventory levels, further reduce our inventory turns and increase our financial exposure with such customers. In addition, our inventory may be held at a customer' s facility or warehouse, or elsewhere in a location outside of our control, which may increase the risk of loss. Even though our customers generally have contractual obligations to purchase such inventories from us, we remain subject to customers' credit risks as well as the risk of potential customer default and the need to enforce those obligations.** Market Risks Pandemics or disease outbreaks could adversely affect our operations, supply chains, financial condition and results of operations. Outbreaks of epidemic, pandemic, or contagious diseases, such as, historically, the COVID- 19 virus, Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, or the H1N1 virus, could cause a disruption to our business. Business disruptions could include temporary closures of our facilities or the facilities of our suppliers, reduced demand from customers, unavailability or restricted availability of our material portions of our workforce, raw materials or components necessary to manufacture our products, or disruptions or restrictions on our ability to travel or to distribute our products. Any disruption of our operations, our suppliers or our customers would likely impact our **net** sales and operating results. In addition, a significant outbreak of epidemic, pandemic, or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products and services. Any of these events could negatively impact our **net** sales and have a material adverse effect on our business, financial condition, results of operations, or cash flows. ~~We concluded no impairment of long-lived assets as of December 31, 2022 or 2021.~~ The economic conditions around the world could adversely affect demand for our products and services and the financial health of our customers. Demand for our products and services depends upon worldwide economic conditions, including but not limited to overall economic growth rates, construction, consumer spending, financing availability, employment rates, interest rates, inflation, consumer confidence, defense spending levels, and the profits, capital spending, and liquidity of industrial companies. An economic downturn or financial market turmoil may depress demand for our products and / or services in all major geographies and markets. If customers are unable to purchase our products or services because of unavailable credit or unfavorable credit terms, depressed end- user demand, or are simply unwilling to purchase our products or services, our net sales and earnings will be adversely affected. Also, we are subject to the risk that our customers will have financial difficulties, which could harm their ability to satisfy their obligation to pay accounts receivable. Further, an economic downturn may affect our ability to satisfy the financial covenants in the terms of our financing arrangements. Legal and Regulatory Risks **We are subject to extensive government regulations and industry standards and the terms of complex contracts; a failure to comply with current and future regulations and standards, or the terms of our contractual arrangements, could have an adverse effect on our business, customer relationships, reputation and profitability. We are subject to extensive government regulation and industry standards relating to the products we manufacture as well as how we conduct our business, including regulations and standards relating to labor and employment practices, workplace health and safety, the environment, sourcing and import / export practices, the market sectors we support, privacy and data protection, the regulations that apply to government contracts, and many other facets of our operations. The regulatory climate in the U. S. and other countries has become increasingly complex and fragmented, and regulatory activity has increased in recent periods. Failure or noncompliance with such regulations or standards could have an adverse effect on our reputation, customer relationships, profitability and results of operations. In addition, we regularly enter into a large number of complex contractual arrangements as well as operate pursuant to the terms of a significant number of ongoing intricate contractual arrangements. Our failure or our customers' failure to comply with the terms of such arrangements could expose us to claims or other demands and could have an adverse effect on our reputation, customer relationships, profitability and results of operations.** We may not meet regulatory quality standards applicable to our manufacturing and quality processes which could have an adverse effect on our business. We are registered with the FDA and are subject to periodic inspection by the FDA for compliance with its Quality System Regulation / Medical Device Good Manufacturing Practices requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, quality control and documentation procedures. Also, our US facilities are ITAR compliant which is required for our manufacturing of defense related products. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through periodic inspections and product field monitoring. If any inspection reveals noncompliance with these regulations, it could adversely affect our operations. **Our international operations are, and will continue to be, subject to risks relating to changes in foreign legal and regulatory requirements. It can be costly and time- consuming for the Company and our customers to obtain and maintain regulatory approvals and certifications to operate in these markets. Product approvals subject to regulations might not be granted for new medical devices on a timely basis, if at all. Proposed new regulations or changes to regulations could result in the need to incur significant additional costs to comply. Failure of the Company or any of its customers operating in these markets to effectively respond to changes to applicable laws and regulations or comply with existing and future laws and regulations may have a negative effect on the Company' s business, financial condition, results of operations and cash flows.** Complying with securities laws, tax laws, accounting policies and regulations, and subsequent changes, may be costly for us and adversely affect our financial statements. New or changing laws, regulations, policy and standards relating to corporate governance and public disclosure, including SEC and Nasdaq regulations, domestic or international tax legislation and the implementation of significant changes in the ~~United States Generally Accepted Accounting Principles ("~~ GAAP ~~")~~, present challenges due to complexities, assumptions and judgements required to implement. We apply judgments based on our understanding, interpretation and analysis of the relevant facts, circumstances, historical experience and valuations, as appropriate. As a result, actual amounts could differ from those estimated at the time the financial statements are issued. In addition, implementation may change the financial accounting or reporting standards that govern the preparation of our financial statements or authoritative entities could reverse their previous interpretations or positions on how various financial accounting or reporting standards should be applied. These changes may be difficult to predict and implement and could materially or otherwise impact how we prepare and report our estimates, uncertainties, financial statements, operating results and financial condition. Our efforts to comply with evolving laws, regulations, accounting policies and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and management time and attention from ~~revenue~~ **net sales** - generating activities to compliance activities and may have an adverse effect on our financial statements, including cash flows. Anti- Corruption and Trade Laws- We may incur costs and suffer damages if our employees, agents, or suppliers violate anti- bribery, anti- corruption or trade laws and regulations. Laws and regulations related to bribery, corruption and trade, and enforcement thereof, are increasing in frequency, complexity and severity on a global basis. The continued geographic expansion of our business into China and Mexico increases our exposure to, and cost of complying with, these laws and regulations. If our internal controls and compliance program do not adequately prevent or deter our employees, agents, suppliers and other third parties with whom we do business from violating anti- corruption laws, we may incur defense costs, fines, penalties, reputational damage and business disruptions. Non- compliance with environmental laws may result in restrictions and could adversely affect operations. Our operations are regulated under a number of federal, state, and foreign environmental and safety laws and regulations that govern the discharge of hazardous materials into the air and water, as well as the handling, storage, and disposal of such materials. These laws and regulations include the Clean Air Act; the Clean Water Act; the Resource Conservation and Recovery Act; and the Comprehensive Environmental Response, Compensation, and Liability Act; as well as similar federal, state and foreign laws. Compliance with these environmental laws is a major consideration for us due to our manufacturing processes and materials. It is possible we may be subject to potential financial liability for costs associated with the investigation and remediation at our sites; this may have an adverse effect on operations. We have not incurred significant costs related to compliance with environmental laws and regulations and we believe that our operations comply with all applicable environmental laws. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violation. We operate in environmentally sensitive locations and are subject to potentially conflicting and changing regulatory agendas of political, business, and environmental groups. Changes or restrictions on discharge limits; emissions levels; or material storage, handling, or disposal might require a high level of unplanned capital investment or relocation. It is possible that environmental compliance costs and penalties from new or existing regulations may harm our business, financial condition, and results of operations. Global climate change and related regulations could negatively affect the Company. Changes in environmental and climate change laws or regulations, including laws relating to Green House Gas (“ GHG ”) emissions, could lead to new or additional investment in the Company’ s facilities and could increase environmental compliance expenditures. Changes in climate change concerns including GHG emissions, and the regulation of such concerns including climate- related disclosures, could subject the Company to additional costs and restrictions, including increased energy and raw material costs and other compliance requirements which could negatively impact the Company’ s reputation, business, capital expenditures, results of operations and financial position. Natural disasters, such as tornadoes and earthquakes, and possible future changes in climate could negatively impact our business and supply chain. Our properties may be exposed to rare catastrophic weather events, such as severe storms and / or floods. If the frequency of extreme weather events increases due to climate change, our exposure to these events could increase. If we use hazardous materials in a manner that causes contamination or injury, we could be liable for resulting damages. We are subject to Federal, State, and local laws, rules and regulations governing the use, discharge, storage, handling, and disposal of biological material, chemicals, and waste. We cannot eliminate the risk of accidental contamination or injury to employees or third parties from the use, storage, handling, or disposal of these materials. In the event of contamination or injury, we could be held liable for any resulting damages, remediation costs, and any related penalties or fines. This liability could exceed our resources or any applicable insurance coverage we may have. The cost of compliance with these laws and regulations may become significant, and our failure to comply may result in substantial fines or other consequences, and either could have a significant impact on our operating results.