Risk Factors Comparison 2024-03-08 to 2023-03-08 Form: 10-K

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

Our business is subject to a number of risks which are summarized and then discussed in more detail below. Other risks are presented elsewhere in this report and in our other filings with the SEC. You should consider carefully the following risks in addition to the other information contained in this report and our other filings with the SEC, including our subsequent reports on Forms 10- Q and 8- K, and any amendments thereto, before deciding to buy, sell or hold our common stock. If any of the following known or unknown risks or uncertainties actually occurs with material adverse effects on us, our business, financial condition, results of operations and / or liquidity could be seriously harmed. In that event, the market price for our common stock will likely decline and you may lose all or part of your investment. You should not interpret the disclosure of a risk to imply that such risk has not already materialized. Risk Factors Summary Our business and industry are subject to a number of risks that could adversely affect our business, financial condition and operating results. These risks are discussed in more detail below and include, but are not limited to, risks related to the following: Risks Related To Our Operations ● We are dependent upon relationships with suppliers in Taiwan and China for the majority of our products. ● We depend on third- party delivery services, both inbound and outbound, to deliver our products to our distribution centers and customers, and any increases in the fees could adversely affect our financial condition. ● Higher wage costs due to changes in federal and state minimum wage laws could adversely affect our business. ● If commodity prices such as fuel, plastic and steel increase, our margins may be negatively impacted. ● Purchasers of aftermarket auto parts may not choose to shop online. ● Shifting online consumer behavior of purchasers of aftermarket auto parts. ● If hosts of third- party marketplaces limit our access, we could lose a substantial portion of our revenues. ● ~~While~~ **In** the **future, our business could be affected by the effects from a prolonged** COVID- 19 **outbreak or another** pandemic **. ● During** ~~did not significantly adversely affect our financial condition and results of operations for~~ fiscal year ~~2022~~ **2023** , **we** ~~in the future our business could be affected by the effects from COVID- 19 or another pandemic. ● We~~ recorded a net loss **,** ~~for fiscal year 2022~~ and it is possible that net losses could continue in the future. ● Our operations are restricted by our credit agreement, and our ability to borrow funds under our credit facility is subject to a borrowing base. ● If our assets become impaired, we may be required to record a significant charge to earnings. ● We are highly dependent upon key suppliers. ● Inability to manage the challenges associated with our international operations. ● If our fulfillment operations are interrupted for any significant period of time, our sales could decline. ● We face intense competition and operate in an industry with limited barriers to entry. ● Failure to offer a broad selection of products at competitive prices or to maintain sufficient inventory. ● We rely on key personnel and may need additional personnel for the success and growth of our business. ● As a result of our international operations, we have foreign exchange risk. ● Our product catalog database could be stolen, misappropriated or damaged, or a competitor might create a substantially similar catalog without infringing our rights. ● Economic conditions have had, and may continue to have **,** an adverse effect on the demand for aftermarket auto parts and could adversely affect our sales and operating results. ● The seasonality of our business places increased strain on our operations. ● Vehicle miles driven have fluctuated and may decrease. ● We ~~will~~ **may** be required to collect and pay more sales taxes, and possibly for other fees and penalties. ● Our ability to use net operating loss carryforwards to offset future income may be limited. ● Our estimate of the size of our addressable market may prove to be inaccurate. Regulatory And Litigation Risks ● Possible new tariffs that might be imposed by the United States government. ● We face exposure to product liability lawsuits. ● Failure to comply with privacy laws and regulations and failure to adequately protect customer data. ● The regulatory framework is constantly evolving, and privacy concerns could adversely affect our business. ● Challenges by OEMs to the validity of the auto parts industry and claims of intellectual property infringement. ● Inability to protect our intellectual property rights. ● We could incur substantial judgments, fines, legal fees and other costs relating to litigation matters or certain laws and governmental regulations. ● Changes in tax laws or regulations that are applied adversely to us or our customers. ● Existing or future government regulation could expose us to liabilities and costly changes in our business. ● We may be affected by global climate change or by legal, regulatory, or market responses to such change. ● Potential impact from future regulation related to environmental, social and governance (" ESG ") matters. Risks Related To Our Use Of Technology ● We depend on search engines and other online sources to attract visitors to our websites and marketplace channels, and the ability to attract and convert them into customers in a cost- effective manner. ● We rely on bandwidth and data center providers, and any failure or interruption in the services provided could disrupt our business and cause us to lose customers. ● Security threats, such as ransomware attacks, to our IT infrastructure could expose us to liability, business interruption and significant damages, and may damage our reputation and business. ● Dependence on open- source software could expose us to uncertainty and potential liability. ● System failures could prevent access to our websites which could reduce our net sales and harm our reputation. ● Problems with the design, updating, integration or implementation of our IT systems could interfere with our business and operations. ● Inability to respond to technological change causing our websites to become obsolete. ● Use of social media may adversely impact our reputation or subject us to fines or other penalties. Risks Related To Our Capital Stock ● Our common stock price may continue to be volatile, which may result in losses to our stockholders. ~~7~~ ● Our future operating results may fluctuate and may fail to meet market expectations. **7** ● Failure to maintain an effective system of internal control over financial reporting or comply with Section 404 of the Sarbanes- Oxley Act of 2002 could cause our stock price to decline. ● Our charter documents could deter a takeover effort, which could inhibit your ability to receive an acquisition premium for your shares. ● We do not intend to pay dividends on **our common stock. ● We cannot guarantee that our share repurchase program will enhance shareholder value and share repurchases could affect the price of** our common stock. ● Future capital raises may dilute our existing stockholders’ ownership. Risks Related To Our OperationsWe are dependent upon relationships with suppliers in Taiwan and China for the majority of our products, which exposes us to complex regulatory regimes and logistical challenges. We acquire a majority of our products from manufacturers and distributors located in Taiwan and China. We do not have any long- term contracts or exclusive agreements with our foreign suppliers that would ensure our ability to acquire the types and quantities of products we desire at acceptable prices and in a timely manner or that would allow us to rely on customary indemnification protection with respect to any third- party claims similar to some of our U. S. suppliers. In addition, because many of our suppliers are outside of the United States, additional factors could interrupt our relationships or affect our ability to acquire the necessary products on acceptable terms, including: ● political, social and economic instability, and the risk of war or other international incidents in Asia, Europe, or abroad **, including, but not limited to, the effects of disputes between China and Taiwan and Russia’ s invasion of Ukraine** ; ● fluctuations in foreign currency exchange rates that may increase our cost of products; ● imposition of duties, taxes, tariffs or other charges on imports; ● difficulties in complying with import and export laws, regulatory requirements and restrictions; ● natural disasters and public health emergencies, such as the COVID- 19 pandemic or other future pandemics, impacting countries from which we purchase product; ● import shipping delays resulting from foreign or domestic labor shortages, slow- downs, or stoppage; and ● the failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property; ● imposition of new legislation relating to import quotas or other restrictions that may limit the quantity of our product that may be imported into the U. S. from countries or regions where we do business; ● financial or political instability in any of the countries in which our product is manufactured; ● potential recalls or cancellations of orders for any product that does not meet our quality standards; ● disruption of imports by labor disputes or strikes and local business practices; **8** ● political or military conflict involving the U. S. or any country in which our suppliers are located, which could cause a delay in the transportation of our products, an increase in transportation costs and additional risk to product being damaged and delivered on time; ~~8~~ ● heightened terrorism security concerns, which could subject imported goods to additional, more frequent or more thorough inspections, leading to delays in deliveries or impoundment of goods for extended periods; ● inability of our non- U. S. suppliers to obtain adequate credit or access liquidity to finance their operations; and ● our ability to enforce any agreements with our foreign suppliers. For example, during the first quarter of 2018, the United States Customs and Border Protection (“ CBP ”) imposed an enhanced bonding requirement on the Company at a level equivalent to three times the commercial invoice value of each shipment. While the Company had been granted relief removing the bonding requirement, CBP may impose other requirements on the Company which would make it more difficult or more expensive for the Company to import products. If we were unable to import products from China and Taiwan or were unable to import products from China and Taiwan in a cost- effective manner, we could suffer irreparable harm to our business and be required to significantly curtail our operations, file for bankruptcy or cease operations. From time to time, we may also have to resort to administrative and court proceedings to enforce our legal rights with foreign suppliers. However, it may be more difficult to evaluate the level of legal protection we enjoy in Taiwan and China and the corresponding outcome of any administrative or court proceedings than in comparison to our suppliers in the United States. We depend on third- party delivery services, for both inbound and outbound shipping, to deliver our products to our distribution centers and subsequently to our customers on a timely and consistent basis, and any deterioration in our relationship with any one of these third parties or increases in the fees that they charge could harm our reputation and adversely affect our business and financial condition. We rely on third parties for the shipment of our products, both inbound and outbound shipping logistics, and we cannot be sure that these relationships will continue on terms favorable to us, or at all. Shipping costs have increased from time to time, and may continue to increase due to inflation or other reasons, and we may not be able to pass these costs directly to our customers. Any increased shipping costs could harm our business, prospects, financial condition and results of operations by increasing our costs of doing business and reducing gross margins which could negatively affect our operating results. In addition, we utilize a variety of shipping methods for both inbound and outbound logistics. For inbound logistics, we rely on trucking and ocean carriers and any increases in fees that they charge could adversely affect our business and financial condition. For outbound logistics, we rely on ‘ ‘ Less- than- Truckload’ ’ (‘ ‘ LTL’ ’) and parcel freight based upon the product and quantities being shipped and customer delivery requirements. These outbound freight costs have increased on a year- over- year basis and may continue to increase in the future. We also ship a number of oversized auto parts which may trigger additional shipping costs by third- party delivery services. Any increases in fees or any increased use of LTL would increase our shipping costs which could negatively affect our operating results. In addition, if our relationships with these third parties are terminated or impaired, or if these third parties are unable to deliver products for us, whether due to labor shortage, slow down or stoppage, deteriorating financial or business condition, responses to terrorist attacks or for any other reason, we would be required to use alternative carriers for the shipment of products to our customers. Changing carriers could have a negative effect on our business and operating results due to reduced visibility of order status and package tracking and delays in order processing and product delivery, and we may be unable to engage alternative carriers on a timely basis, upon terms favorable to us, or at all. ~~Higher~~ **9Higher** wage costs due to changes in federal and state minimum wage laws, or due to unstable market conditions, could adversely affect our business. Changes in federal and state minimum wage laws and other laws relating to employee benefits could cause us to incur additional wage and benefit costs. Increased labor costs brought about by changes in minimum wage laws, inflation, other regulations or prevailing market conditions could increase our expenses and have an adverse impact on our profitability. ~~9If~~ **If** commodity prices such as fuel, plastic and steel increase, our margins may be negatively impacted. Our third- party delivery services have increased fuel surcharges from time to time, and such increases negatively impact our margins, as we are generally unable to pass all of these costs directly to consumers. Increasing prices in the component materials for the parts we sell may impact the availability, the quality and the price of our products, as suppliers search for alternatives to existing materials and increase the prices they charge. We cannot ensure that we can recover all the increased costs through price increases, and our suppliers may not continue to provide the consistent quality of product as they may substitute lower cost materials to maintain pricing levels, all of which may have a negative impact on our business and results of operations. Purchasers of aftermarket auto parts may not choose to shop online, which would prevent us from acquiring new customers who are necessary to the growth of our business. The online market for aftermarket auto parts is less developed than the online market for many other business and consumer products, and currently represents only a small part of the overall aftermarket auto parts market. Our success will depend in part on our ability to attract new customers and to convert customers who have historically purchased auto parts through traditional retail and wholesale operations. Specific factors that could discourage or prevent prospective customers from purchasing from us include: ● concerns about buying auto parts without face- to- face interaction with sales personnel; ● the inability to physically handle, examine and compare products; ● delivery time associated with Internet orders; ● concerns about the security of online transactions and the privacy of personal information; ● delayed shipments or shipments of incorrect or damaged products; ● increased shipping costs; and ● the inconvenience associated with returning or exchanging items purchased online. If the online market for auto parts does not gain widespread acceptance, our sales may decline and our business and financial results may suffer. Shifting online consumer behavior of purchasers of aftermarket auto parts could adversely impact our financial results and the growth of our business. Shifting consumer behavior indicates that our customers are becoming more inclined to shop for aftermarket auto parts through their mobile devices. Mobile customers exhibit different behaviors than our more traditional desktop based ~~e- commerce~~ **eCommerce** customers. User sophistication and technological advances have increased consumer expectations around the user experience on mobile devices, including speed of response, functionality, product availability, security, and ease of use. If we are unable to continue to adapt our mobile device shopping experience from desktop based online shopping ~~in~~ **10in** ways that improve our customer' s mobile experience and increase the engagement of our mobile customers our sales may decline and our business and financial results may suffer. In addition, recent trends indicate that customers may be more inclined to shop for aftermarket auto parts through marketplace websites such as Amazon and eBay as opposed to purchasing parts through ~~e- commerce~~ **eCommerce** channels. Any mix shift in sales to marketplace channels or increase in associated commissions and costs, could result in lower gross margins, and as a result, our business and financial results may suffer. ~~10If~~ **If** the hosts of third- party marketplaces limit our access to such marketplaces, our operations and financial results will be adversely affected. Third- party marketplaces account for a significant portion of our revenues. Our sales on third- party marketplaces (including eBay and Amazon) represented a combined 35. ~~2~~ **6** % of total sales in the fiscal year ended December ~~31~~ **30** , ~~2022~~ **2023** . We anticipate that sales of our products on third- party marketplaces will continue to account for a significant portion of our revenues. In the future, the loss of access to these third- party marketplaces, or any significant cost increases from operating on the marketplaces, could significantly reduce our revenues, and the success of our business depends partly on continued access to these third- party marketplaces. Our relationships with our third- party marketplace providers could deteriorate as a result of a variety of factors, such as if they become concerned about our ability to deliver quality products on a timely basis or to protect a third- party' s intellectual property. In addition, third- party marketplace providers could prohibit our access to these marketplaces if we are not able to meet the applicable required terms of use. Loss of access to a marketplace channel could result in lower sales, and as a result, our business and financial results may suffer. ~~While~~ **A prolonged future outbreak from COVID- 19,** ~~our~~ **or** ~~financial condition~~ **another pandemic** and ~~results of operations for fiscal~~ **its effects, potentially could affect future** ~~year~~ **years . The** ~~2022 were not significantly adversely affected by the~~ COVID- 19 pandemic ~~, a prolonged future outbreak, or another pandemic and its effects, potentially could affect fiscal year 2023 or beyond. COVID- 19~~ has had, and may continue to have, negative impacts on economic conditions in the United States and worldwide. A public health pandemic, such as the COVID- 19 pandemic, may negatively impact our business, distribution centers, customers, suppliers, employees and third party shipping providers. We have incurred **in the past** , and may in the future incur, additional freight and container costs and may also continue to incur increased costs relating to workforce shortages, overtime charges, and detention costs at one or more of our distribution center. Prolonged effects of COVID- 19, or a future pandemic, could also potentially disrupt our operations through, but not limited to, shipping container shortages, transportation delays, and changes in our operating procedures, including the need for additional cleaning and safety protocols. During fiscal year ~~2022~~ **2023** , we recorded a net loss, and our net losses may continue in the future. If our net losses continue in the future, they could severely impact our liquidity, as we may not be able to provide positive cash flows from operations in order to meet our working capital requirements. We may need to borrow additional funds from our asset- based revolving credit facility (the " Credit Facility ") with JPMorgan Chase Bank, N. A. (" JPMorgan "), which under certain circumstances may not be available, sell additional assets or seek additional equity or additional debt financing in the future. In such case, there can be no assurance that we would be able to raise such additional financing or engage in such asset sales on acceptable terms, or at all. If our net losses were to continue, and if we are not able to raise adequate additional financing or proceeds from asset sales to continue to fund our ongoing operations, we will need to defer, reduce or eliminate significant planned expenditures, restructure or significantly curtail our operations, file for bankruptcy or cease operations. Our operations are restricted by our credit agreement, and our ability to borrow funds under our Credit Facility is subject to a borrowing base. We maintain a Credit Facility that provides for, among other things, a revolving commitment in an aggregate principal amount of up to $ 75, 000 subject to a borrowing base derived from certain of our receivables, inventory and property and equipment. Our Credit Facility also provides for an option to increase the aggregate principal amount from **11** $ 75, 000 to $ 150, 000, subject to certain terms and conditions. Our credit agreement with JPMorgan originally entered into on April 26, 2012 (as amended, the " Credit Agreement ") includes a number of restrictive covenants. These covenants could impair our financing and operational flexibility and make it difficult for us to react to market conditions and satisfy our ongoing capital needs and unanticipated cash requirements. Specifically, such covenants restrict our ability and, if applicable, the ability of our subsidiaries to, among other things: ● incur additional debt; ~~11~~ ● make certain investments and acquisitions; ● enter into certain types of transactions with affiliates; ● use assets as security in other transactions; ● pay dividends on our capital stock or repurchase our equity interests; ● sell certain assets or merge with or into other companies; ●

guarantee the debts of others; ● enter into new lines of business; ● pay or amend our subordinated debt; and ● form any subsidiary investments. In addition, our Credit Facility is subject to a borrowing base derived from certain of our receivables, inventory, property and equipment. In the event that components of the borrowing base are adversely affected for any reason, including adverse market conditions or downturns in general economic conditions, we could be restricted in the amount of funds we can borrow under the Credit Facility. Furthermore, in the event that components of the borrowing base decrease to a level below the amount of loans then- outstanding under the Credit Facility, we could be required to immediately repay loans to the extent of such shortfall. If any of these events were to occur, it could severely impact our liquidity and capital resources, limit our ability to operate our business and could have a material adverse effect on our financial condition and results of operations. Under certain circumstances, our Credit Agreement may also require us to satisfy a financial covenant, which could limit our ability to react to market conditions or satisfy extraordinary capital needs and could otherwise impact our liquidity and capital resources, restrict our financing and have a material adverse effect on our results of operations. Our ability to comply with the covenants and other terms of our debt obligations will depend on our future operating performance. If we are unable to satisfy the financial covenants and tests at any time and unable to obtain waivers from our lenders with respect to such requirements, we may not be able to borrow under the Credit Facility or may be required to immediately repay loans under the Credit Facility, and our liquidity and capital resources and ability to operate our business could be severely impacted, which would have a material adverse effect on our financial condition and results of operations. In those events, we may need to sell assets or seek additional equity or additional debt financing or attempt to modify our existing Credit Agreement. There can be no assurance that we would be able to raise such additional financing or engage in such asset sales on acceptable terms, or at all, or that we would be able to modify our existing Credit Agreement. ~~While~~ **12While** we did not have any outstanding revolver loan debt under our Credit Agreement as of December ~~31~~ **30** , ~~2022~~ **2023** , we may have outstanding revolver loan debt in the future. Any outstanding indebtedness would have important consequences, including the following: ● we would have to dedicate a portion of our cash flow to making payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions or other general corporate purposes; ● certain levels of indebtedness may make us less attractive to potential acquirers or acquisition targets; ~~12~~ ● certain levels of indebtedness may limit our flexibility to adjust to changing business and market conditions, and make us more vulnerable to downturns in general economic conditions as compared to competitors that may be less leveraged; and ● as described in more detail above, the documents providing for our indebtedness contain restrictive covenants that may limit our financing and operational flexibility. Furthermore, our ability to satisfy our debt service obligations depends, among other things, upon fluctuations in interest rates, our future operating performance and ability to refinance indebtedness when and if necessary. These factors depend partly on economic, financial, competitive and other factors beyond our control. In addition, borrowings under our revolver use a Secured Overnight Financing Rate (" SOFR ") as one benchmark for establishing the interest rate. We may not be able to generate sufficient cash from operations to meet our debt service obligations as well as fund necessary capital expenditures and general operating expenses. In addition, if we need to refinance our debt, or obtain additional debt financing or sell assets or equity to satisfy our debt service obligations, we may not be able to do so on commercially reasonable terms, if at all. If this were to occur, we may need to defer, reduce or eliminate significant planned expenditures, restructure or significantly curtail our operations, file for bankruptcy or cease operations. The Company' s outstanding letters of credit balance as of December ~~31~~ **30** , ~~2022~~ **2023** was $ ~~620~~ **680** , and we had $ 0 of our trade letters of credit outstanding in accounts payable in our consolidated balance sheet. If our assets become impaired, we may be required to record a significant charge to earnings. We review our long- lived assets for impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered are changes in circumstances indicating that the carrying value of our assets may not be recoverable include a decrease in future cash flows. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our assets is determined, resulting in an impact on our results of operations. We are highly dependent upon key suppliers and an interruption in such relationships or our ability to obtain parts from such suppliers could adversely affect our business and results of operations. Our top ten suppliers represented approximately ~~51~~ **52** % of our total product purchases during the fiscal year ended December ~~31~~ **30** , ~~2022~~ **2023** . Our ability to acquire products from our suppliers in amounts and on terms acceptable to us is dependent upon a number of factors that could affect our suppliers and which are beyond our control. For example, financial or operational difficulties that some of our suppliers may face could result in an increase in the cost of the products we purchase from them. If we do not maintain our relationships with our existing suppliers or develop relationships with new suppliers on acceptable commercial terms, we may not be able to continue to offer a broad selection of merchandise at competitive prices and, as a result, we could lose customers and our sales could decline. For a number of the products that we sell, we outsource the distribution and fulfillment operation and are dependent on certain drop-ship suppliers to manage inventory, process orders and distribute those products to our customers in a timely manner. For the fiscal year ended December ~~31~~ **30** , ~~2022~~ **2023** , our product purchases from three drop- ship suppliers ~~represented~~ **13represented** approximately ~~9~~ **11** % of our total product purchases. Because we outsource to suppliers a number of these traditional retail functions relating to those products, we have limited control over how and when orders are fulfilled. We also have limited control over the products that our suppliers purchase or keep in stock. Our suppliers may not accurately forecast the products that will be in high demand or they may allocate popular products to other resellers, resulting in the unavailability of certain products for delivery to our customers. Any inability to offer a broad array of products at competitive prices and any failure to deliver those products to our customers in a timely and accurate manner may damage our reputation and brand and could cause us to lose customers and our sales could decline. In addition, the increasing consolidation among auto parts suppliers may disrupt or end our relationship with some suppliers, result in product shortages and / or lead to less competition and, consequently, higher prices. Furthermore, as ~~13part~~ -- **part** of our routine business, suppliers extend credit to us in connection with our purchase of their products. In the future, our suppliers may limit the amount of credit they are willing to extend to us in connection with our purchase of their products. If this were to occur, it could impair our ability to acquire the types and quantities of products that we desire from the applicable suppliers on acceptable terms, severely impact our liquidity and capital resources, limit our ability to operate our business and could have a material adverse effect on our financial condition and results of operations. If we are unable to manage the challenges associated with our international operations, the growth of our business could be limited and our business could suffer. We maintain international business operations in the Philippines. This international operation includes development and maintenance of our websites, our main call center, and sales and back office support services. We are subject to a number of risks and challenges that specifically relate to our international operations. Our international operations may not be successful if we are unable to meet and overcome these challenges, which could limit the growth of our business and may have an adverse effect on our business and operating results. These risks and challenges include: ● difficulties and costs of staffing and managing foreign operations, including any impairment to our relationship with employees caused by a reduction in force; ● restrictions imposed by local labor practices and laws on our business and operations; ● exposure to different business practices and legal standards; ● unexpected changes in regulatory requirements; ● the imposition of government controls and restrictions; ● political, social and economic instability and the risk of war, terrorist activities or other international incidents; ● the failure of telecommunications and connectivity infrastructure; ● natural disasters and public health emergencies; ● potentially adverse tax consequences; and ● fluctuations in foreign currency exchange rates and relative weakness in the U. S. dollar. If our fulfillment operations are interrupted for any significant period of time or are not sufficient to accommodate increased demand, our sales could decline and our reputation could be harmed. Our success depends on our ability to successfully receive and fulfill orders and to promptly deliver our products to our customers. The majority of orders for our auto parts products are filled from our inventory in our distribution centers, where all our inventory management, packaging, labeling and product return processes are performed. Increased demand ~~and~~ **14and** other considerations may require us to expand our distribution centers or transfer our fulfillment operations to larger or other facilities in the future. If we do not successfully expand our fulfillment capabilities in response to increases in demand, our sales could decline. In addition, our distribution centers are susceptible to damage or interruption from human error, fire, flood, power loss, telecommunications failures, terrorist attacks, acts of war, break- ins, earthquakes and similar events. We do not currently maintain back- up power systems at our fulfillment centers. We do not presently have a formal disaster recovery plan and our business interruption insurance may be insufficient to compensate us for losses that may occur in the event operations at our fulfillment center are interrupted. In addition, alternative arrangements may not be available, or if they are available, may increase the cost of fulfillment. Any interruptions in our fulfillment operations for any ~~14significant~~ -- **significant** period of time, including interruptions resulting from the expansion of our existing facilities or the transfer of operations to a new facility, could damage our reputation and brand and substantially harm our business and results of operations. We face intense competition and operate in an industry with limited barriers to entry, and some of our competitors may have greater resources than us and may be better positioned to capitalize on the growing ~~e- commerce~~ **eCommerce** auto parts market. The auto parts industry is competitive and highly fragmented, with products distributed through multi- tiered and overlapping channels. We compete with both online and offline retailers who offer OEM and aftermarket auto parts to either the DIY or DIFM customer segments. Current or potential competitors include the following: ● national auto parts retailers such as Advance Auto Parts, AutoZone, Napa Auto Parts, CarQuest, O' Reilly Automotive and Pep Boys; ● large online marketplaces such as Amazon and eBay; ● other online retailers of automotive products websites; ● local independent retailers or niche auto parts online retailers; ● wholesale aftermarket auto parts distributors such as LKQ Corporation; and ● manufacturers, brand suppliers and other distributors selling online directly to customers. Barriers to entry are low, and current and new competitors can launch websites at a relatively low cost. Many of our current and potential competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing, technical, management and other resources than we do. For example, in the event that online marketplace companies such as Amazon or eBay, who have larger customer bases, greater brand recognition and significantly greater resources than we do, focus more of their resources on competing in the aftermarket auto parts market, it could have a material adverse effect on our business and results of operations. In addition, some of our competitors have used and may continue to use aggressive pricing tactics and devote substantially more financial resources to website and system development than we do. We expect that competition will further intensify in the future as Internet use and online commerce continue to grow worldwide. Increased competition may result in reduced sales, lower operating margins, reduced profitability, loss of market share and diminished brand recognition. Additionally, we have experienced significant competitive pressure from certain of our suppliers who are now selling their products directly to customers. Since our suppliers have access to merchandise at very low costs, they can sell products at lower prices and maintain higher gross margins on their product sales than we can. Our financial results have been negatively impacted by direct sales from our suppliers to our current and potential customers, and our total number of orders and average order value may decline due to increased competition. Continued competition from our suppliers may also continue to negatively impact our business and results of operations, including through reduced sales, lower operating margins, reduced profitability, loss of market share and diminished brand recognition. We have ~~implemented~~ **15implemented** and will continue to implement several strategies to attempt to overcome the challenges created by our suppliers selling directly to our customers and potential customers, including optimizing our pricing, continuing to increase our mix of house brands products and improving our websites, which may not be successful. If these strategies are not successful, our operating results and financial conditions could be materially and adversely affected. If we fail to offer a broad selection of products at competitive prices or fail to maintain sufficient inventory to meet customer demands, our revenue could decline. In order to expand our business, we must successfully offer, on a continuous basis, a broad selection of auto parts that meet the needs of our customers, including by being the first to market with new SKUs. Our auto parts are used by ~~15consumers~~ -- **consumers** for a variety of purposes, including repair, performance, improved aesthetics and functionality. In addition, to be successful, our product offerings must be broad and deep in scope, competitively priced, well- made, innovative and attractive to a wide range of consumers. We cannot predict with certainty that we will be successful in offering products that meet all of these requirements. Moreover, even if we offer a broad selection of products at competitive prices, we must maintain sufficient in- stock inventory to meet consumer demand. If our product offerings fail to satisfy our customers' requirements or respond to changes in customer preferences or we otherwise fail to maintain sufficient in- stock inventory, our revenue could decline. We rely on key personnel and may need additional personnel for the success and growth of our business. Our business is largely dependent on the personal efforts and abilities of highly skilled executive, technical, managerial, merchandising, marketing, and call center personnel. Competition for such personnel is intense, and we cannot assure that we will be successful in attracting and retaining such personnel. The loss of any key employee or our inability to attract or retain other qualified employees could harm our business and results of operations. As a result of our international operations, we have foreign exchange risk. Our purchases of auto parts from our Asian suppliers are denominated in U. S. dollars; however, a change in the foreign currency exchange rates could impact our product costs over time. Our financial reporting currency is the U. S. dollar and changes in exchange rates significantly affect our reported results and consolidated trends. For example, if the U. S. dollar weakens year- over- year relative to currencies in our international locations, our consolidated gross profit and operating expenses would be higher than if currencies had remained constant. Similarly, our operating expenses in the Philippines are generally paid in Philippine Pesos, and as the exchange rate fluctuates, it could adversely impact our operating results. If our product catalog database is stolen, misappropriated or damaged, or if a competitor is able to create a substantially similar catalog without infringing our rights, then we may lose an important competitive advantage. We have invested significant resources and time to build and maintain our product catalog, which is maintained in the form of an electronic database, which maps SKUs to relevant product applications based on vehicle makes, models and years. We believe that our product catalog provides us with an important competitive advantage in both driving traffic to our websites and converting that traffic to revenue by enabling customers to quickly locate the products they require. We cannot assure you that we will be able to protect our product catalog from unauthorized copying or theft or that our product catalog will continue to operate adequately, without any technological challenges. In addition, it is possible that a competitor could develop a catalog or database that is similar to or more comprehensive than ours, without infringing our rights. In the event our product catalog is damaged or is stolen, copied or otherwise replicated to compete with us, whether lawfully or not, we may lose an important competitive advantage and our business could be harmed. ~~Economic~~ **16Economic** conditions have had, and may continue to have **,** an adverse effect on the demand for aftermarket auto parts and could adversely affect our sales and operating results. We sell aftermarket auto parts consisting of replacement parts, hard parts, and performance parts. Demand for our products has been and may continue to be adversely affected by general economic conditions, unemployment levels, inflation, rising interest rates from the U. S. Federal Reserve as a response to inflation, or other heightened cost pressures on consumers. In declining economies, consumers often defer regular vehicle maintenance and may forego purchases of nonessential performance and accessories products, which can result in a decrease in demand for auto parts in general. Consumers also defer purchases of new vehicles, which immediately impacts performance parts and accessories, which are generally purchased in the first six months of a vehicle' s lifespan. In addition, during economic downturns some competitors may become more aggressive in their pricing practices, which would adversely impact our gross margin and could cause large fluctuations in our stock price. Certain suppliers may exit the industry which may impact our ability to procure parts and may adversely impact gross margin as the remaining suppliers increase prices to take advantage of limited competition. ~~16The~~ -- **The** seasonality of our business places increased strain on our operations. Our business is somewhat seasonal in nature. It includes many categories, geographies, and channels which may experience seasonality from time to time based on various external factors. Additionally, seasonality may affect our product mix. We also have experienced increased demand following the issuance of tax rebates by the government. These historical seasonality trends could continue, and such trends may have a material impact on our financial condition and results of operations in subsequent periods. If we do not stock or restock popular products in sufficient amounts such that we fail to meet increased customer demand, it could significantly affect our revenue and our future growth. Likewise, if we overstock products in anticipation of increased demand, we may be required to take significant inventory markdowns or write- offs and incur commitment costs, which could reduce profitability. Vehicle miles driven, vehicle accident rates and insurance companies' willingness to accept a variety of types of replacement parts in the repair process have fluctuated and may decrease, which could result in a decline of our revenues and negatively affect our results of operations. We and our industry depend on the number of vehicle miles driven, vehicle accident rates and insurance companies' willingness to accept a variety of types of replacement parts in the repair process. Decreased miles driven reduce the number of accidents and corresponding demand for crash parts, and reduce the wear and tear on vehicles with a corresponding reduction in demand for vehicle repairs and replacement or hard parts. If consumers were to drive less in the future and / or accident rates were to decline, as a result of higher gas prices, increased use of ride- shares, the advancement of driver assistance technologies, or otherwise, our sales may decline and our business and financial results may suffer. We ~~will~~ **may** be required to collect and pay more sales taxes, and could become liable for other fees and penalties, which could have an adverse effect on our business. ~~We have historically collected sales or other similar taxes only on the shipment of goods to customers in the states of California, Virginia, Illinois, and Ohio. However, following~~ **Following** the Supreme Court decision in South Dakota v. Wayfair **(" Wayfair ")** , ~~the Company is now~~ **online sellers can be** required to collect sales tax in any state which passes legislation requiring out of state retailers to collect sales tax even where they have no physical nexus. **In response** ~~We have historically enjoyed a competitive advantage~~ to ~~the extent~~ **Wayfair,** ~~our~~ - **or** ~~competitors are already subject~~ **otherwise, state or local governments and taxing authorities may adopt, or begin** to ~~those tax obligations. By~~ **enforce, laws requiring us to calculate,** ~~collecting~~ --- **collect and remit taxes on** sales ~~tax~~ in **their jurisdictions** ~~additional states, we will lose this competitive advantage as total costs to our customers will increase~~ , which could **harm** ~~adversely affect~~ our ~~sales~~ **business and results of operations** . Moreover, if we fail to collect and remit or pay required sales or other taxes in a jurisdiction, or qualify or register to do business in a jurisdiction that requires us to do so or if we have failed to do so in the past, we could face material liabilities for taxes, fees, interest and penalties. ~~If various jurisdictions impose new tax obligations on our business activities, our sales and net income in those jurisdictions could decrease significantly, which could harm our business.~~ Our ability to use net operating loss carryforwards to offset future income may be limited. ~~Under~~ **17Under** legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act (the " Tax Act "), federal net operating losses (" NOLs ") incurred in taxable years ending after December 31, 2017, may be carried forward indefinitely, but the deductibility of federal NOLs generated in tax years beginning before December 31, 2017, is limited. It is uncertain if and to what extent various states will conform to the Tax Act. In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the " Code "), and corresponding provisions of state law, a corporation that undergoes an " ownership change " (generally defined as a greater than 50 % change, by value, in its equity ownership over a three- year period) is subject to limitations on its ability to utilize its pre- ownership change NOL carryforwards to offset post- ownership change income. We may in the future experience ownership changes, and thus, our ability to utilize pre- ownership change NOL carryforwards to offset post- ownership change income may be limited. Such limitations may cause a portion of our NOL carryforwards to expire before we are able to utilize them. In addition, at the state level, there may be periods during which the use of NOL carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. ~~17Our~~ -- **Our** estimate of the size of our addressable market may prove to be inaccurate. Data for retail sales of auto products is collected for most, but not all channels, and as a result, it is difficult to estimate the size of the market and predict the rate at which the market for our products will grow, if at all. While our market size estimate was made in good faith and is based on assumptions and estimates we believe to be reasonable, this estimate may not be accurate. If our estimates of the size of our addressable market are not accurate, our potential for future growth may be less than we currently anticipate, which could have a material adverse effect on our business, financial condition, and results of operations. Regulatory and Litigation RisksPossible new tariffs that might be imposed by the United States government could have a material adverse effect on our results of operations. Changes in U. S. and foreign governments' trade policies have resulted in, and may continue to result in, tariffs on imports into and exports from the U. S., among other restrictions. Throughout 2018 and 2019, the U. S. imposed tariffs on imports from several countries, including China. If further tariffs are imposed on imports of our products, or retaliatory trade measures are taken by China or other countries in response to existing or future tariffs, we could be forced to raise prices on all of our imported products or make changes to our operations, any of which could materially harm our revenue or operating results. Any additional future tariffs or quotas imposed on our products or related materials may impact our sales, gross margin and profitability if we are unable to pass increased prices onto our customers. We face exposure to product liability lawsuits. The automotive industry in general has been subject to a large number of product liability claims due to the nature of personal injuries that result from car accidents or malfunctions. As a distributor of auto parts, including parts obtained overseas, we could be held liable for the injury or damage caused if the products we sell are defective or malfunction regardless of whether the product manufacturer is the party at fault. While we carry insurance against product liability claims, if the damages in any given action were high or we were subject to multiple lawsuits, the damages and costs could exceed the limits of our insurance coverage or prevent us from obtaining coverage in the future. If we were required to pay substantial damages as a result of these lawsuits, it may seriously harm our business and financial condition. Even defending against unsuccessful claims could cause us to incur significant expenses and result in a diversion of management' s attention. In addition, even if the money damages themselves did not cause substantial harm to our business, the damage to our reputation and the brands offered on our websites could adversely affect our future reputation and our brand, and could result in a decline in our net sales and profitability. Failure to comply with privacy laws and regulations and failure to adequately protect customer data could harm our business, damage our reputation and result in a loss of customers. Federal and state and regulations may govern the collection, use, sharing and security of data that we receive from our customers. In addition, we have and post on our websites our own privacy policies and practices concerning the ~~collection~~ **18collection** , use and disclosure of customer data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data- related consent orders, U. S. Federal Trade Commission requirements or other federal, state or international privacy- related laws and regulations could result in proceedings or actions against us by governmental entities or others, which could potentially harm our business. Further, failure or perceived failure to comply with our policies or applicable requirements related to the collection, use or security of personal information or other privacy- related matters could damage our reputation and result in a loss of customers. The regulatory framework for data privacy is constantly evolving, and privacy concerns could adversely affect our operating results. The regulatory framework for privacy issues is currently evolving and is likely to remain uncertain for the foreseeable future. The occurrence of unanticipated events often rapidly drives the adoption of legislation or regulation affecting the use of data and the way we conduct our business; in fact, there are active discussions among U. S. ~~18legislators~~ -- **legislators** around adoption of a new U. S. federal privacy law. Restrictions could be placed upon the collection, management, aggregation and use of information, which could result in a material increase in the cost of collecting and maintaining certain kinds of data. In June of 2018, California enacted the California Consumer Privacy Act (the " CCPA "), which took effect on January 1, 2020. The CCPA gives consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer' s personal information, and the right not to be discriminated against for exercising these rights. We are required to comply with the CCPA. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the U. S., which could increase our potential liability and adversely affect our business. Challenges by OEMs to the validity of the aftermarket auto parts industry and claims of intellectual property infringement could adversely affect our business and the viability of the aftermarket auto parts industry. OEMs have attempted to use claims of intellectual property infringement against manufacturers and distributors of aftermarket products to restrict or eliminate the sale of aftermarket products that are the subject of the claims. The OEMs have brought such claims in federal court and with the United States International Trade Commission. We have received in the past, and we anticipate we may in the future receive, communications alleging that certain products we sell infringe the patents, copyrights, trademarks and trade names or other intellectual property rights of OEMs or other third parties. For instance, after approximately three and a half years of litigation and related costs and expenses, on April 16, 2009, we entered into a settlement agreement with Ford Motor Company and Ford Global Technologies, LLC that ended the two legal actions that were initiated by Ford against us related to claims of patent infringement. The United States Patent and Trademark Office records indicate that OEMs are seeking and obtaining more design patents and trademarks than they have in the past. In some cases, we have entered into license agreements that allow us to sell aftermarket parts that replicate OEM patented parts in exchange for a royalty. In the event that our license agreements, or other similar license arrangements are terminated or we are unable to agree upon renewal terms, we may be subject to restrictions on our ability to sell aftermarket parts that replicate parts covered by design patents or trademarks, which could have an adverse effect on our business. In 2018, for example, the CBP alleged that certain repair grilles imported by the Company were counterfeit and infringed on trademarks registered by OEMs. The Company subsequently settled with CBP, however, to the extent that the OEMs are successful in obtaining and enforcing other intellectual property rights, we could be restricted or prohibited from selling certain aftermarket products which could have an adverse effect on our business. Infringement claims could also result in increased costs of doing business arising from new importing requirements, increased port and carrier fees and legal expenses, adverse judgments or settlements or changes to our business practices required to settle such claims or satisfy any judgments. Litigation or regulatory enforcement could also result in interpretations of the law that require us to change our business practices or otherwise increase our costs and harm our business. We may not maintain sufficient, or any, insurance coverage to cover the types of claims that could be asserted. If a successful claim were brought against us, it could expose us to significant liability. ~~If~~ **19If** we are unable to protect our intellectual property rights, our reputation and brand could be impaired and we could lose customers. We regard our trademarks, trade secrets and similar intellectual property such as our proprietary back- end order processing and fulfillment code and process as important to our success. We rely on trademark and copyright law, and trade secret protection, and confidentiality and / or license agreements with employees, customers, partners and others to protect our proprietary rights. We cannot be certain that we have taken adequate steps to protect our proprietary rights, especially in countries where the laws may not protect our rights as fully as in the United States. In addition, our proprietary rights may be infringed or misappropriated, and we could be required to incur significant expenses to preserve them. In the past we have filed litigation to protect our intellectual property rights. The outcome of such litigation can be uncertain, and the cost of prosecuting such litigation may have an adverse impact on our earnings. We have common law trademarks, as well as pending federal trademark registrations for several marks and several ~~19registered --~~ **registered** marks. However, any registrations may not adequately cover our intellectual property or protect us against infringement by others. Effective trademark, service mark, copyright, patent and trade secret protection may not be available in every country in which our products and services may be made available online. We also currently own or control a number of Internet domain names, including www. carparts. com, www. jcwhitney. com, www. autopartswarehouse. com and www. usautoparts. com, and have invested time and money in the purchase of domain names and other intellectual property, which may be impaired if we cannot protect such intellectual property. We may be unable to protect these domain names or acquire or maintain relevant domain names in the United States and in other countries. If we are not able to protect our trademarks, domain names or other intellectual property, we may experience difficulties in achieving and maintaining brand recognition and customer loyalty. Because we are involved in litigation from time to time and are subject to numerous laws and governmental regulations, we could incur substantial judgments, fines, legal fees and other costs as well as reputational harm. We are sometimes the subject of complaints or litigation from customers, employees or other third parties for various reasons. The damages sought against us in some of these litigation proceedings could be substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. For more information on our ongoing litigation, see the information set forth under the caption " Legal Matters " in " Note 8 Commitments and Contingencies " of the Notes to Consolidated Financial Statements, included in Part II, Item 8 of this report. Changes in tax laws or regulations that are applied adversely to us or our customers may have a material adverse effect on our business, cash flow, financial condition or results of operations. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could adversely affect our business operations and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. For example, legislation enacted in 2017, informally titled the Tax Act enacted many significant changes to the U. S. tax laws. Future guidance from the Internal Revenue Service and other tax authorities with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. In addition, it is uncertain if and to what extent various states will conform to the Tax Act or any newly enacted federal tax legislation. Changes in corporate tax rates, the realization of net deferred tax assets relating to our operations, the taxation of foreign earnings, and the deductibility of expenses under the Tax Act or future reform legislation could have a material impact on the value of our deferred tax assets, could result in significant one- time charges, and could increase our future U. S. tax expense. Existing or future government regulation could expose us to liabilities and costly changes in our business operations and could reduce customer demand for our products and services. We are subject to federal and state consumer protection laws and regulations, including laws protecting the privacy of customer non- public information and regulations prohibiting unfair and deceptive trade practices, as well as laws and regulations governing businesses in general and the Internet and ~~e- commerce~~ **eCommerce** and certain environmental laws. Additional ~~laws~~ **20laws** and regulations may be adopted with respect to the Internet, the effect of which on ~~e- commerce~~ **eCommerce** is uncertain. These laws may cover issues such as user privacy, spyware and the tracking of consumer activities, marketing e- mails and communications, other advertising and promotional practices, money transfers, pricing, content and quality of products and services, taxation, electronic contracts and other communications, intellectual property rights, and information security. Furthermore, it is not clear how existing laws such as those governing issues such as property ownership, sales and other taxes, trespass, data mining and collection, and personal privacy apply to the Internet and ~~e- commerce~~ **eCommerce** . To the extent we expand into international markets, we will be faced with complying with local laws and regulations, some of which may be materially different than U. S. laws and regulations. Any such foreign law or regulation, any new U. S. law or regulation, or the interpretation or application of existing laws and regulations to the Internet or other online services or our business in general, may have a material adverse effect on our business, prospects, financial condition and results of operations by, among other things, impeding the growth of the Internet, subjecting us to fines, penalties, damages or other liabilities, requiring costly changes in our business operations and practices, and reducing customer demand for our ~~20products~~ -- **products** and services. We may not maintain sufficient, or any, insurance coverage to cover the types of claims or liabilities that could arise as a result of such regulation. We may be affected by global climate change or by legal, regulatory, or market responses to such change. The growing political and scientific sentiment is that global weather patterns are being influenced by increased levels of greenhouse gases in the earth' s atmosphere. This growing sentiment and the concern over climate change have led to legislative and regulatory initiatives aimed at reducing greenhouse gas emissions which warm the earth' s atmosphere. These warmer weather conditions could result in a decrease in demand for auto parts in general. Moreover, proposals that would impose mandatory requirements on greenhouse gas emissions continue to be considered by policy makers in the United States. Laws enacted that directly or indirectly affect our suppliers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of sales, operations or demand for the products we sell) could adversely affect our business, financial condition, results of operations and cash flows. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven or the products we sell or lead to changes in automotive technology. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by us or our suppliers. Our inability to respond to such changes could adversely impact the demand for our products and our business, financial condition, results of operations or cash flows. Increased public attention related to ESG matters may expose us to negative public perception and could result in additional costs on our business. Recently, more attention is being directed towards publicly traded companies regarding ESG matters. A failure, or perceived failure, to respond to investor or customer expectations related to ESG concerns could impact the value of our brand, the cost of our operations or relationships with investors, all of which could adversely affect our business and results of operations. Additionally, new regulatory initiatives related to ESG matters could adversely affect our business. Risks Related To Our Use Of TechnologyWe depend on search engines and other online sources to attract visitors to our websites and marketplace channels, and if we are unable to attract these visitors and convert them into customers in a cost- effective manner, our business and results of operations will be harmed. Our success depends on our ability to attract customers in a cost- effective manner. Our investments in marketing may not effectively reach potential consumers or those consumers may not decide to buy from us or the volume of consumers that purchase from us may not yield the intended return on investment. With respect to our marketing channels, we rely on relationships with providers of online services, search engines, shopping comparison sites and ~~e- commerce~~ **eCommerce** businesses to provide content, advertising banners and other links that direct customers to our websites. We rely on these relationships as significant sources of traffic to our websites. In particular, we rely on Google as an ~~important~~ **21important** marketing channel, and if Google changes its algorithms or if competition increases for advertisements on Google or on our marketplace channels, we may be unable to cost- effectively attract customers to our products. Our agreements with our marketing providers generally have terms of one year or less. If we are unable to develop or maintain these relationships on acceptable terms, our ability to attract new customers would be harmed. In addition, many of the parties with whom we have online- advertising arrangements could provide advertising services to other companies, including retailers with whom we compete. As competition for online advertising has increased, the cost for these services has also increased. A significant increase in the cost of the marketing vehicles upon which we rely could adversely impact our ability to attract customers in a cost- effective manner and harm our business and results of operations. Further, we use promotions as a way to drive sales, these promotional activities may not drive sales and may adversely affect our gross margins. ~~21Similarly~~ -- **Similarly** , if any free search engine, shopping comparison site, or marketplace site on which we rely begins charging fees for listing or placement, or if one or more of the search engines, shopping comparison sites, marketplace sites and other online sources on which we rely for purchased listings, increases their fees, or modifies or terminates its relationship with us, our expenses could rise, we could lose customers and traffic to our websites could decrease. We rely on bandwidth and data center providers and other third parties to provide products to our customers, and any failure or interruption in the services provided by these third parties could disrupt our business and cause us to lose customers. We rely on third- party vendors, including data center and bandwidth providers. Any disruption in the network access or co- location services, which are the services that house and provide Internet access to our servers, provided by these third- party providers or any failure of these third- party providers to handle current or higher volumes of use could significantly harm our business. Any financial or other difficulties our providers face may have negative effects on our business, the nature and extent of which we cannot predict. We exercise little control over these third- party vendors, which increases our vulnerability to problems with the services they provide. We also license technology and related databases from third parties to facilitate elements of our ~~e- commerce~~ **eCommerce** platform. We have experienced and expect to continue to experience interruptions and delays in service and availability for these elements. Any errors, failures, interruptions or delays experienced in connection with these third- party technologies could negatively impact our relationship with our customers and adversely affect our business. Our systems also heavily depend on the availability of electricity, which also comes from third- party providers. If we were to experience a major power outage, we would have to rely on back- up generators. These back- up generators may not operate properly through a major power outage, and their fuel supply could also be inadequate during a major power outage. Information systems such as ours may be disrupted by even brief power outages, or by the fluctuations in power resulting from switches to and from backup generators. This could disrupt our business and cause us to lose customers. Security threats, such as ransomware attacks, to our IT infrastructure could expose us to liability, and damage our reputation and business. It is essential to our business strategy that our technology and network infrastructure remain secure and is perceived by our customers to be secure. Despite security measures, however, any network infrastructure may be vulnerable to cyber- attacks. Information security risks have significantly increased in recent years in part due to the proliferation of new technologies and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties, including foreign private parties and state actors. As a leading online source for automotive aftermarket parts, we have in the past experienced and we could continue to face cyber- attacks that attempt to penetrate our network security, including our data centers, to sabotage or otherwise disable our network of websites and online marketplaces, misappropriate our or our customers' proprietary information, which may include personally identifiable information, or cause interruptions of our internal systems and services. For example, in June 2020, we were the subject of a ransomware attack on our network that briefly disrupted access to some of our systems. Although we did not pay the ransomware and did not incur any fines or settlements, we did incur out of pocket expenses costs related to this incident of $ 100, 000. If successful, any of these attacks could negatively affect our reputation, damage our network infrastructure and our ability to sell our products, harm our relationship with customers that are affected and expose us to financial liability. **22Given** ~~Our management team reports quarterly to our Audit Committee regarding our cyber- security programs. We maintain cyber- security insurance and a comprehensive system of preventive and forensic controls through our security programs, including, but not limited to external audits, and security training programs. However, given~~ the rapidly evolving nature and proliferation of cyber threats, our **internal** controls **relating to cybersecurity** may not prevent or identify all such attacks in a timely manner or otherwise prevent unauthorized access to, damage to, or interruption of our systems and operations, and we cannot eliminate the risk of human error or employee or vendor malfeasance. In addition, any failure by us to comply with applicable privacy and information security laws and regulations could cause us to incur significant costs to protect any customers whose personal data was compromised and to restore customer confidence in us and to make changes to our information systems and administrative processes to address security issues and compliance with applicable laws and regulations. In addition, our customers could lose confidence in ~~22our~~ -- **our** ability to protect their personal information, which could cause them to stop shopping on our sites altogether. Such events could lead to lost sales and adversely affect our results of operations. We also could be exposed to government enforcement actions and private litigation. Moreover, we are subject to the Payment Card Industry Data Security Standard (" PCI DSS"), issued by the PCI Council. PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. We cannot be certain that all of our information technology systems are able to prevent, contain or detect any cyber- attacks, cyber terrorism, or security breaches from known malware or malware that may be developed in the future. To the extent that any disruption results in the loss, damage or misappropriation of information, we may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card associations and others. In addition, the cost of complying with stricter privacy and information security laws and standards could be significant to us. In January ~~2023~~ **2024** , we were deemed to be PCI compliant by PCI DSS 3. 2. 1, the new security standards as issued by the PCI Council. In the future, there could be additional new standards and there is no guarantee that we will be able to conform to these new standards, and if we fail to meet these standards, we could become subject to fines and other penalties and experience a significant increase in payment card transaction costs. In addition, such failure could damage our reputation, inhibit sales, and adversely affect our business. Our ~~e- commerce~~ **eCommerce** system is dependent on open- source software, which exposes us to uncertainty and potential liability. We utilize open- source software such as Linux, Apache, MySQL, PHP, Fedora and Perl throughout our web properties and supporting infrastructure although we have created proprietary programs. Open- source software is maintained and upgraded by a general community of software developers under various open- source licenses, including the GNU General Public License (" GPL "). These developers are under no obligation to maintain, enhance or provide any fixes or updates to this software in the future. Additionally, under the terms of the GPL and other open- source licenses, we may be forced to release to the public source- code internally developed by us pursuant to such licenses. Furthermore, if any of these developers contribute any code of others to any of the software that we use, we may be exposed to claims and liability for intellectual property infringement and may also be forced to implement changes to the code- base for this software or replace this software with internally developed or commercially licensed software. System failures, including failures due to natural disasters or other catastrophic events, could prevent access to our websites, which could reduce our net sales and harm our reputation. Our sales would decline and we could lose existing or potential customers if they are not able to access our websites or if our websites, transactions processing systems or network infrastructure do not perform to our customers' satisfaction. Any Internet network interruptions or problems with our websites could: ● prevent customers from accessing our websites; ● reduce our ability to fulfill orders or bill customers; ● reduce the number of products that we sell; ● cause customer dissatisfaction; ~~or~~ **or23** ● damage our brand and reputation. We have experienced brief computer system interruptions in the past, and we believe they may continue to occur from time to time in the future. Our systems and operations are also vulnerable to damage or interruption from a number of sources, including a natural disaster or other catastrophic event such as an earthquake, typhoon, volcanic eruption, fire, flood, terrorist attack, computer viruses, power loss, telecommunications failure, physical and electronic break- ins and other similar events. For example, our headquarters and the majority of our infrastructure, including some of our servers, are located in Southern California, a seismically active region. We also maintain offshore and outsourced ~~23operations~~ -- **operations** in the Philippines, an area that has been subjected to a typhoon and a volcanic eruption in the recent past. In addition, California has in the past experienced power outages as a result of limited electrical power supplies and due to recent fires in the southern part of the state. Such outages, natural disasters and similar events may recur in the future and could disrupt the operation of our business. Our technology infrastructure is also vulnerable to computer viruses, physical or electronic break- ins and similar disruptions. Although the critical portions of our systems are redundant and backup copies are maintained offsite, not all of our systems and data are fully redundant. We do not presently have a formal disaster recovery plan in effect and may not have sufficient insurance for losses that may occur from natural disasters or catastrophic events. Any substantial disruption of our technology infrastructure could cause interruptions or delays in our business and loss of data or render us unable to accept and fulfill customer orders or operate our websites in a timely manner, or at all. We recently implemented a new enterprise resource planning system **in fiscal year 2022** , and we may occasionally update or integrate other IT systems. Problems with the design, integration or implementation of these systems could interfere with our business and operations. We recently completed a multi- year implementation of a new global enterprise resource planning system (ERP) **in fiscal year 2022** . The ERP is designed to accurately maintain the company' s books and records and provide important information to the company' s management team for use in the operation of the business. The Company' s ERP ~~has~~ required the investment of significant human and financial resources. If the ERP system does not operate as intended, it could adversely affect our financial reporting systems and our ability to produce financial reports and process transactions. Additionally, if we are unable to successfully implement any new IT system, remediate, update or integrate our existing systems at times when necessary, our financial ~~positions~~ **position** , results of operations and cash flows could be negatively impacted. If we do not respond to technological change, our websites could become obsolete and our financial results and conditions could be adversely affected. We maintain a network of websites which requires substantial development and maintenance efforts, and entails significant technical and business risks. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our websites. The Internet and the ~~e- commerce~~ **eCommerce** industry are characterized by rapid technological change, the emergence of new industry standards and practices and changes in customer requirements and preferences. Therefore, we may be required to license emerging technologies, enhance our existing websites, develop new services and technology that address the increasingly sophisticated and varied needs of our current and prospective customers, and adapt to technological advances and emerging industry and regulatory standards and practices in a cost- effective and timely manner. Our ability to remain technologically competitive may require substantial expenditures and lead time and our failure to take necessary action in a timely manner to improve our websites and other technology applications may harm our business and results of operations. Use of social media may adversely impact our reputation or subject us to fines or other penalties. The use of social media platforms, including blogs, social media websites and other forms of internet- based communication, which allow individuals access to a broad audience of consumers and other interested persons, has become commonplace. Negative commentary regarding us or the brands that we sell may be posted on social media platforms or similar devices at any time and may harm our reputation or business. Consumers value readily available information concerning retailers and their goods and services and often act on such information without further ~~investigation~~ **24investigation** and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction. In addition, social media platforms provide users with access to such a broad audience that collective action against our website and marketplace stores, such as boycotts, can be more easily organized. If such actions were organized, we could suffer reputational damage as well as physical damage to our stores and merchandise. We also use social media platforms as marketing tools or as channels to disseminate information. For example, the Company and its executive officers maintain Facebook, Instagram, Twitter, LinkedIn, and other social media accounts, where marketing and other information relevant to customers and investors is disseminated. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at ~~24our~~ -- **our** direction to abide by applicable laws and regulations in the use of these platforms and devices could adversely impact our business, financial condition and results of operations or subject us to fines or other penalties. Risks Related To Our Capital StockOur common stock price has been and may continue to be volatile, which may result in losses to our stockholders. The market prices of technology and ~~e- commerce~~ **eCommerce** companies generally have been extremely volatile and have recently experienced sharp share price and trading volume changes. The trading price of our common stock is likely to be volatile and could fluctuate widely in response to, among other things, the risk factors described in this report and other factors beyond our control such as fluctuations in the operations or valuations of companies perceived by investors to be comparable to us, our ability to meet analysts’ expectations, our trading volume, activities of activist investors, the impact of any stock repurchase program or conditions or trends in the Internet or auto parts industries. Since the completion of our initial public offering in February 2007 through December ~~31~~ **30** , ~~2022~~ **2023** , the trading price of our common stock has been volatile ~~, ranging from a high of $ 23. 26 per share to a low per share of $ 0. 88~~ . We have also experienced significant fluctuations in the trading volume of our common stock. General economic and political conditions unrelated to our performance may also adversely affect the price of our common stock. In the past, following periods of volatility in the market price of a public company’ s securities, securities class action litigation has often been initiated. Due to the inherent uncertainties of litigation, we cannot predict the ultimate outcome of any such litigation if it were initiated. The initiation of any such litigation or an unfavorable result could have a material adverse effect on our financial condition and results of operations. Our future operating results may fluctuate and may fail to meet market expectations. We expect that our revenue and operating results will continue to fluctuate from quarter to quarter due to various factors, many of which are beyond our control. The factors that could cause our operating results to continue to fluctuate include, but are not limited to: ● fluctuations in the demand for aftermarket auto parts; ● fluctuations in the availability of products for resale; ● price competition on the Internet or among offline retailers for auto parts; ● our ability to attract visitors to our websites and convert those visitors into customers, including to the extent based on our ability to successfully work with different search engines to drive visitors to our websites; ● our ability to successfully sell our products through third-party online marketplaces or the effects of any price increases in those marketplaces; ● competition from companies that have longer operating histories, larger customer bases, greater brand recognition, access to merchandise at lower costs and significantly greater resources than we do, like third- party online market places and our suppliers; **25** ● our ability to maintain and expand our supplier and distribution relationships without significant price increases or reduced service levels; ● our ability to borrow funds under our Credit Facility; ● the effects of seasonality on the demand for our products; ~~25~~ ● our ability to accurately forecast demand for our products, price our products at market rates and maintain appropriate inventory levels; ● our ability to build and maintain customer loyalty; ● our ability to successfully integrate our acquisitions; ● infringement actions that could impact the viability of the auto parts aftermarket or portions thereof; ● the success of our brand- building and marketing campaigns; ● our ability to accurately project our future revenues, earnings, and results of operations; ● government regulations related to use of the Internet for commerce, including the application of existing tax regulations to Internet commerce and changes in tax regulations; ● technical difficulties, system downtime or Internet brownouts; ● the amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; and ● macroeconomic conditions that adversely impact the general and automotive retail sales environment. If we fail to maintain an effective system of internal control over financial reporting or comply with Section 404 of the Sarbanes- Oxley Act of 2002, we may not be able to accurately report our financial results or prevent fraud, and our stock price could decline. While management has concluded that our internal controls over financial reporting were effective as of December ~~31~~ **30** , ~~2022~~ **2023** , we have in the past identified, and could in the future identify, a significant deficiency or material weakness in internal control over financial reporting or fail to comply with Section 404 of the Sarbanes- Oxley Act of 2002. If we fail to properly maintain an effective system of internal control over financial reporting, it could impact our ability to prevent fraud or to issue our financial statements in a timely manner that presents fairly our financial condition and results of operations. The existence of any such deficiencies or weaknesses, even if remediated, may also lead to the loss of investor confidence in the reliability of our financial statements, could harm our business and negatively impact the trading price of our common stock. Such deficiencies or material weaknesses may also subject us to lawsuits, regulatory investigations and other penalties. ~~Our charter documents could deter a takeover effort, which could inhibit your ability to receive an acquisition premium for your shares. Provisions in our certificate of incorporation and bylaws could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. Such provisions include the following: ● our Board of Directors are authorized, without prior stockholder approval, to create and issue preferred stock which could be used to implement anti- takeover devices; ● advance notice is required for director nominations or for proposals that can be acted upon at stockholder meetings; ● stockholders and stockholder nominees for director are required to provide detailed information, regarding both the relevant stockholder and nominee, in connection with stockholder nominations for director;~~ 26