Risk Factors Comparison 2024-03-15 to 2023-03-10 Form: 10-K

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

An investment in our common stock is subject to certain risks inherent in our business. Before making an investment decision, investors should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference in this Annual Report on Form 10- K. If any of the following risks occur, our business, results of operations, financial condition and cash flows could be materially and adversely affected. These described risks are not the only risks facing us. Additional risks and uncertainties not known to us or that we deem to be immaterial also may materially adversely affect our business, results of operations, financial condition and cash flows. If any of these risks were to materialize, the value of our common stock could decline significantly. Business Risks Expanding our brands into new footwear and apparel markets may be difficult and expensive, and if we are unable to successfully continue such expansion, our brands may be adversely affected, and we may not achieve our planned sales growth. Our growth strategy is founded substantially on the expansion of our brands into new footwear and apparel markets. New products that we introduce may not be successful with consumers or one or more of our brands may fall out of favor with consumers. If we are unable to anticipate, identify or react appropriately to changes in consumer preferences, we may not grow as fast as we plan to grow or our sales may decline, and our brand image and operating performance may suffer. Furthermore, achieving market acceptance for new products will likely require us to exert substantial product development and marketing efforts, which could result in a material increase in our operating expenses, and there can be no assurance that we will have the resources necessary to undertake such efforts. Material increases in our operating expenses could adversely impact our results of operations and cash flows. We may also encounter difficulties in producing new products that we did not anticipate during the development stage. Our development schedules for new products are difficult to predict and are subject to change as a result of shifting priorities in response to consumer preferences and competing products. If we are not able to efficiently manufacture newly- developed products in quantities sufficient to support retail distribution, we may not be able to recoup our investment in the development of new products. Failure to gain market acceptance for new products that we introduce could impede our growth, reduce our profits, adversely affect the image of our brands, erode our competitive position and result in long term harm to our business. ~~Our recent acquisition of the performance and lifestyle footwear business of certain subsidiaries of Honeywell International Inc. carries certain inherent risks, and we may not be able to successfully achieve anticipated synergies, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our Acquisition that closed on March 15, 2021 involved inherent risks and we still face certain inherent risks such as: ● The potential loss of key personnel from the acquired business, our potential inability to achieve identified financial, operating and other synergies anticipated to result from the acquisition; ● changes in economic conditions; and ● potential unknown liabilities associated with the acquired business. While we conducted financial and other due diligence in connection with the Acquisition and obtained representations and warranties insurance coverage, the acquired business may have weaknesses or liabilities that were not accurately assessed or realized at the time of the acquisition and insurance coverage may not cover (or fully cover) such matters. If we are not able to successfully navigate such risks with respect to the acquired business, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.~~ A majority of our products are produced outside the U. S. where we are subject to the risks of international commerce and other international conditions. A majority of our products are produced in **China,** the Dominican Republic, **and** Vietnam ~~, and China~~ . Therefore, our business is subject to certain risks of doing business offshore including: ● the imposition of additional U. S. legislation and regulations relating to imports, including quotas, duties, taxes or other charges or restrictions; ● foreign governmental regulation and taxation, including tariffs, import and export controls and other non- tariff barriers; ● fluctuations in foreign exchange rates; ● changes in economic conditions, including expropriation and nationalization; ● transportation conditions and costs in the Pacific and Caribbean; ● changes in the political stability of these countries; ● labor disputes and other work stoppages or interruptions; ● changes in relationships between the U. S. and these countries; and ● the occurrence of contagious disease or illness. Changes in any of these factors could materially increase our costs of products or cause us to experience delays and we may not be able to recover all of our cost increases or missed sales. If any of these factors were to render the conduct of business in these countries undesirable or impracticable, we would have to manufacture or source our products elsewhere. There can be no assurance that additional sources or products would be available to us or, if available, that these sources could be relied on to provide product at terms favorable to us. The occurrence of any of these developments could have a material adverse effect on our business, financial condition, results of operations and cash flows ~~. We conduct a portion of our business pursuant to U. S. military contracts, which are subject to unique risks. Our contracts with the U. S. military subject our business to unique risks. In 2022, 2. 3 % of our revenues were earned pursuant to U. S. military contracts. Business conducted pursuant to such contracts is subject to extensive procurement regulations and other unique risks. The U. S. military may modify, curtail or choose not to renew one or more of our contracts. In addition, funding pursuant to our U. S. military contracts may be reduced or withheld as part of the U. S. Congressional appropriations process due to fiscal constraints and / or changes in U. S. military strategy. Our contracts with the U. S. military are fixed- price contracts. While fixed price contracts enable us to benefit from performance improvements, cost reductions and efficiencies, they also subject us to the risk of reduced margins or losses if we are unable to achieve estimated costs reductions. The U. S. military provides preference on contract bids to small businesses and our current company structure classifies us as a large business which could have an effect on our ability to be awarded new contracts in the future~~ . Our success depends on our ability to anticipate consumer trends. Demand for our products may be adversely affected by changing consumer trends. Our future success will depend upon our ability to anticipate and respond to changing consumer preferences and technical design or material developments in a timely manner. The failure to adequately anticipate or respond to these changes could have a material adverse effect on our business, financial condition, results of operations and cash flows. We depend on a limited number of suppliers for key production materials, and any disruption in the supply of such materials could interrupt product manufacturing and increase product costs. We purchase raw materials from a number of domestic and foreign sources. We do not have any long- term supply contracts for the purchase of our raw materials, except for limited blanket orders on leather. The principal raw materials used in the production of our footwear, in terms of dollar value, are leather, Gore- Tex waterproof breathable fabric, Cordura nylon fabric and soling materials. Availability or change in the prices of our raw materials could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our ability to import products in a timely and cost- effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as fluctuations in freight costs, port and shipping capacity, labor disputes or severe weather due to climate change. These issues have in the past and may in the future delay importation of products or require us to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher costs, which could have an adverse impact on our business and financial condition. **The emergence or persistence of geopolitical instability may disrupt the global economy, the impacts of which may negatively impact our business, financial, condition and results of operations. The emergence or persistence of geopolitical instability creates risks for disruptions in the global economy which may negatively impact our business, financial condition, and results of operations. Factors such as shipping disruptions in the Red Sea, uncertainties related to the political environment in China, and ongoing conflicts such as the war between Russia and Ukraine have adversely affected the global economy and contributed to geopolitical instability. While we have managed to navigate impacts from these conflicts thus far, the ongoing instability resulting from these disruptions or other future disruptions could potentially harm our business, financial condition, results of operations, supply chain, intangible assets, partners, customers, or employees, should tensions escalate. Moreover, an escalation of geopolitical tensions may lead to broader impacts, including but not limited to cyberattacks, supply chain and logistics disruptions, lower consumer demand, and changes to foreign exchange rates and interest rates. Any of these factors may adversely affect our business and supply chain.** Our outdoor and insulated products are seasonal and sales of such products are sensitive to weather conditions. We have historically experienced significant seasonal fluctuations in our business because we derive a significant portion of our revenues from sales of our outdoor products. Many of our outdoor products are used by consumers in cold or wet weather. As a result, a majority of orders for these products are placed by our retailers in January through April for delivery in July through October. In order to meet demand, we must manufacture and source outdoor footwear year- round to be in a position to ship advance orders for these products during the last two quarters of each year. Accordingly, average inventory levels have been highest during the second and third quarters of each year and sales have been highest in the last two quarters of each year. There is no assurance that we will have either sufficient inventory to satisfy demand in any particular quarter or have sufficient demand to sell substantially all of our inventory without significant markdowns. Mild or dry weather has in the past and may in the future have a material adverse effect on sales of our products, particularly if mild or dry weather conditions occur in broad geographical areas during late fall or early winter **. Climate change may exacerbate these conditions** . Our business could suffer if our third- party manufacturers violate labor, environmental or other applicable laws or fail to conform to generally accepted ethical standards. We require our third- party manufacturers to meet our standards for working conditions and other matters before we are willing to place business with them. As a result, we may not always obtain the lowest cost production. Moreover, we do not control our third- party manufacturers or their respective business practices. If one of our third- party manufacturers violates generally accepted labor standards by, for example, using forced or indentured labor or child labor, failing to pay compensation in accordance with local law, failing to operate its factories in compliance with local safety regulations or diverging from other labor practices generally accepted as ethical, we likely would cease dealing with that manufacturer, and we could suffer an interruption in our product supply. Similarly, if one or more of our third- party manufacturers violate applicable environmental or other laws and regulations, we could suffer an interruption in our product supply. In addition, such actions by a manufacturer could result in negative publicity and may damage our reputation and the value of our brand and discourage retail customers and consumers from buying our products. The growth of our business will be dependent upon the availability of adequate capital. The growth of our business will depend on the availability of adequate capital, which in turn will depend largely on cash flow generated by our business and the availability of equity and debt financing. We cannot assure that our operations will generate positive cash flow or that we will be able to obtain equity or debt financing on acceptable terms or at all. Our credit facilities contain provisions that restrict our ability to incur additional indebtedness or make substantial asset sales that might otherwise be used to finance our expansion. Security interests in substantially all of our assets, which may further limit our access to certain capital markets or lending sources, secure our obligations under our credit facilities. Moreover, the actual availability of funds under our credit facilities is limited to specified percentages of our eligible inventory and accounts receivable. Accordingly, opportunities for increasing our cash on hand through sales of inventory would be partially offset by reduced availability under our credit facilities. As a result, we may not be able to finance our current expansion plans. Our current level of indebtedness could adversely affect our business by increasing our borrowing costs and decreasing our overall business flexibility. Our current level of indebtedness could adversely affect our business by increasing our borrowing costs and decreasing our overall business flexibility. We have debt outstanding under two credit facilities, which contain customary restrictive covenants imposing operating and financial restrictions, including restrictions that may limit our ability to engage in certain actions that may be in our long- term best interests. We must comply with the restrictive covenants contained in our credit facilities. Our credit facilities require us to comply with certain financial restrictive covenants that impose restrictions on our operations, including our ability to incur additional indebtedness, make investments of other restricted payments, sell or otherwise dispose of assets and engage in other activities. Any failure by us to comply with the restrictive covenants could result in an event of default under those borrowing arrangements, in which case the lenders could elect to declare all amounts outstanding thereunder to be due and payable, which could have a material adverse effect on our financial condition. Our credit facilities contain restrictive covenants which requires us to maintain a maximum total average ratio and a minimum fixed charge coverage ratio. Interest rate increases could adversely affect our financial results. An increase in interest rates under our credit facilities would adversely affect our financial results, as our loan agreements provide for adjustments in our interest rates based on changes to the Secured Overnight Financing Rate (SOFR) and / or the prime rate. We face intense competition, including competition from companies with significantly greater resources than ours, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed. The footwear and apparel industries are intensely competitive, and we expect competition to increase in the future. A number of our competitors have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources than we do, as well as greater brand awareness in the footwear market. Our ability to succeed depends on our ability to remain competitive with respect to the quality, design, price and timely delivery of products. Competition could materially adversely affect our business, financial condition, results of operations and cash flows. Our financial success is influenced by the success of our customers, and the loss of a key customer could have a material adverse effect on our financial condition and results of operations. Much of our financial success is directly related to the ability of our retailer and distributor partners to successfully market and sell our brands directly to consumers. If a retailer or distributor partner fails to satisfy contractual obligations or to otherwise meet our expectations, it may be difficult to locate an acceptable substitute partner. If we determine that it is necessary to make a change, we may experience increased costs, loss of customers, or increased credit or inventory risk. In addition, there is no guarantee that any replacement retailer or distributor partner will generate results that are more favorable than the terminated party. We currently do not have long- term contracts with any of our retailers. Sales to our retailers and distributors are generally on an order- by- order basis and are subject to rights of cancellation and rescheduling by our wholesale customers. We use the timing of delivery dates for our wholesale customer orders as a key factor in forecasting our sales and earnings for future periods. If any of our major customers experience a significant downturn in business or fail to remain committed to our products or brands, these customers could postpone, reduce, or discontinue purchases from us, which could result in us failing to meet our forecasted results. These risks have been exacerbated recently as our key retail customers are operating within a retail industry that continues to undergo significant structural changes fueled by technology and the internet, changes in consumer purchasing behavior and a shrinking retail footprint. We may lose key retail and wholesale customers if they fail to manage the impact of the rapidly changing retail environment. Any loss of one of these key customers, the financial collapse or bankruptcy of one of these customers, or a significant reduction in purchases from one of these customers could result in a significant decline in sales, write- downs of excess inventory, or increased discounts to our customers, any of which could have a material adverse effect on our financial condition or results of operations. Certain of our larger wholesale customers may develop and manufacture competing products under their own brands and reduce purchases of our branded products. Certain of our larger wholesale customers may develop, and in certain cases have developed, products under their own brands that compete with our branded products. Wholesale customers who increase the concentration of their own brands may result in a reduction or elimination of purchases of our branded products, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We currently manufacture a portion of our products, and we may not be able to do so in the future, at costs that are competitive with those of competitors who source their goods. We currently plan to retain our internal manufacturing capability in order to continue benefiting from expertise we have gained with respect to footwear manufacturing methods conducted at our manufacturing facilities. We continue to evaluate our manufacturing facilities and third- party manufacturing alternatives in order to determine the appropriate size and scope of our manufacturing facilities. There can be no assurance that the costs of products that continue to be manufactured by us can remain competitive with products sourced from third parties. We rely on our distribution centers in Ohio and Nevada and manufacturing facilities in the Dominican Republic, Puerto Rico, **and** China ~~and Illinois,~~ and if there is a natural disaster or other serious disruption at any of these facilities, we may be unable to deliver merchandise effectively to our retailers and consumers. We rely on our distribution centers located in Ohio and Nevada and our manufacturing facilities in the Dominican Republic, Puerto Rico, **and** China ~~and Illinois~~. Any natural disaster or other serious disruption at any of these facilities due to fire, tornado, flood, terrorist attack or any other cause could damage our ability to manufacture our products, a portion of our inventory, or impair our ability to use our distribution center as a docking location for merchandise. Any of these occurrences could impair our ability to adequately supply our retailers and consumers and harm our operating results. If our efforts to establish and protect our trademarks, patents and other intellectual property are unsuccessful, the value of our brands could suffer. We regard certain of our footwear designs as proprietary and rely on patents to protect those designs. We believe that the ownership of patents is a significant factor in our business. Existing intellectual property laws afford only limited protection of our proprietary rights, and it may be possible for unauthorized third parties to copy certain of our footwear designs or to reverse engineer or otherwise obtain and use information that we regard as proprietary. If our patents are found to be invalid, however, to the extent they have served, or would in the future serve, as a barrier to entry to our competitors, such invalidity could have a material adverse effect on our business, financial condition, results of operations and cash flows. We own U. S. registrations for many our trademarks, trade names and designs, including such marks as Rocky, **Muck,** Georgia Boot, Durango, **XTRATUF,** Lehigh ~~, Muck, XTRATUF, Servus~~ and Ranger. Additional trademarks, trade names and designs are the subject of pending federal applications for registration. We also use and have common law rights in certain trademarks. Over time, we have increased distribution of our goods in several foreign countries. Accordingly, we have applied for trademark registrations in a number of these countries. We intend to enforce our trademarks and trade names against unauthorized use by third parties. An impairment of intangibles, including goodwill, could have an adverse impact to the Company' s results of operations. The carrying value of intangibles represents the fair value of trade names and other acquired intangibles as of the acquisition date. Acquired intangibles expected to contribute indefinitely to the Company' s cash flows are not amortized but must be evaluated by the Company at least annually for impairment. If the carrying amounts of one or more of these assets are not recoverable based upon discounted cash flow and market- approach analyses, the carrying amounts of such assets are impaired by the estimated difference between the carrying value and estimated fair value. An impairment charge could adversely affect the Company' s results of operations. ~~The COVID- 19 outbreak has had, and may continue to have, an adverse impact on our business, financial condition and results of operations. The World Health Organization declared the novel coronavirus (COVID- 19), a pandemic in March 2020. Our business, financial condition and results of operations have been and may continue to be adversely affected by the COVID- 19 outbreak. The COVID- 19 outbreak has affected nearly all regions of the world, and preventative measures taken to contain or mitigate the outbreak have caused, and are continuing to cause, business slowdown or shutdown in affected areas. This has and could continue to negatively affect the global economy, including reduced consumer spending and disruption of manufacturing and global supply chains. We cannot predict the degree to which our business, financial condition and results of operations will be affected by the COVID- 19 pandemic, and the effects could be material. Potential impacts to our business, financial condition and results of operations include: ● Disruption to our employees, suppliers, third party manufacturing partners, vendors and logistics providers, including through the effects of facility closures, reductions in operating hours, labor shortages, and changes in operating procedures; ● Closure or reduced operations of brick and mortar retail stores and reductions in customer traffic, which adversely affects our Wholesale segment; ● Lower performance of customers in our Wholesale segment, which may result in reduction or cancellation of future orders; ● Closure or reduced operations of manufacturing and other facilities and businesses served by our Lehigh CustomFit business, resulting in reductions in future orders, which adversely affects our retail channel; ● Reductions in consumer spending due to macroeconomic conditions caused by the COVID- 19 pandemic, including decreased disposable income and increased unemployment, which may result in decreased sales; ● Additional expenses related to mitigating the pandemic' s impact on regular operations; ● Supply chain disruption effecting our ability to receive and distribute product as well as increases in supply chain costs; and ● Continued volatility in the availability and prices for commodities and raw materials used in the Company' s products and related inflationary pressures. In addition, the disruption caused to the global economy and our business could lead to triggering events indicating that the carrying value or certain assets, such as long- lived assets, intangibles and goodwill, may not be recoverable. Any required non- cash impairment charges will adversely affect our results of operations. The further spread of COVID- 19 and the emergence of new variants, and the requirements to take action to help limit the spread of the illness, may impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations and financial condition.~~ Our success depends on our ability to forecast sales. Our investments in infrastructure and product inventory are based on sales forecasts and are necessarily made in advance of actual sales. The markets in which we do business are highly competitive, and our business is affected by a variety of factors, including brand awareness, changing consumer preferences, product innovations, susceptibility to fashion trends, retail market conditions, weather conditions and economic conditions, and other factors. One of our principal challenges is to improve our ability to predict these factors in order to enable us to better match production with demand. In addition, our growth over the years has created the need to increase the investment in infrastructure and product inventory and to enhance our systems. To the extent sales forecasts are not achieved, costs associated with the infrastructure and carrying costs of product inventory would represent a higher percentage of revenue, which would adversely affect our business, financial condition, results of operations and cash flows. Our dividend policy may change. Although we have paid dividends to our shareholders, we have no obligation to continue doing so and may change our dividend policy at any time without notice to our shareholders. Holders of our common stock are only entitled to receive such cash dividends as our Board of Directors may declare out of funds legally available for such payments. Industry Risks Because the footwear market is sensitive to decreased consumer spending and slow economic cycles, if general economic conditions deteriorate, many of our customers may significantly reduce their purchases from us or may not be able to pay for our products in a timely manner. The footwear industry has been subject to cyclical variation and decline in performance when consumer spending decreases or softness appears in the retail market. Many factors affect the level of consumer spending in the footwear industry, including: ● general business conditions; ● interest rates; ● the availability of consumer credit; ● weather; ● increases in prices of nondiscretionary goods; ● taxation; and ● consumer confidence in future economic conditions. Consumer purchases of discretionary items, including our products, may decline during recessionary periods and also may decline at other times when disposable income is lower. A downturn in regional economies where we sell products also reduces sales. The continued shift in the marketplace from traditional independent retailers to large mass merchandisers may result in decreased margins. A continued shift in the marketplace from traditional independent retailers to large mass merchandisers has increased the pressure on many footwear manufacturers to sell products to these mass merchandisers at less favorable margins. Because of competition from large discount mass merchandisers, a number of our small retailing customers have gone out of business, and in the future more of these customers may go out of business, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. If we do not effectively respond to the ~~trend~~ **shift** of consumer shopping moving to online retailers, including third **-** party marketplaces, it may negatively impact our business. The retail industry is rapidly changing ~~,~~ and we must ensure we are evolving both our own online e- commerce websites and third **-** party marketplaces. We must also provide digital assistance to our wholesale customers to support their e- commerce websites. Failure to timely identify and effectively respond to the online trends of the retail industry could negatively impact our product reach and market share. We are making technology investments in our websites and mobile applications. If we are unable to improve or develop relevant technology in a timely manner, our ability to compete and our results of operations could be adversely affected. General Risk Factors Changes to U. S. tax, tariff and import / export regulations may have a negative effect on global economic conditions, financial markets and our business. The current political climate has introduced greater uncertainty with respect to trade policies, tariffs and government regulations affecting trade between the U. S. and other countries. We source products from manufacturers located outside of the U. S., primarily in China ~~,~~ and Vietnam. Major developments in tax policy or trade relations, such as the disallowance of tax deductions for imported products or the imposition of unilateral tariffs on imported products, could have a material adverse effect on our business, results of operations and liquidity. There are risks, including stock market volatility, inherent in owning our common stock. The market price and volume of our common stock have been, and may continue to be, subject to significant fluctuations. These fluctuations may arise from general stock market conditions, the impact of risk factors described in this Item 1A on our results of operations and financial position, or a change in opinion in the market regarding our business prospects or other factors, many of which may be outside our immediate control. Changes in the amounts and frequency of share repurchases or dividends also could adversely affect the value of our common stock. Disruption of our information technology systems could adversely affect our business Our information technology systems are critical to our business operations. Any interruption, unauthorized access, impairment or loss of data integrity or malfunction of these systems could severely impact our business, including delays in product fulfillment and reduced efficiency in operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems, or with maintenance or adequate support of existing systems, could disrupt or reduce the efficiency of our operations. Disruption to our information technology systems may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, denial- of- service attacks, computer viruses, physical or electronic break- ins, or similar events or disruptions. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could prevent access to our online services and preclude retail transactions. System failures and disruptions could also impede the manufacturing and shipping of products, transactions processing and financial reporting. Additionally, we may be adversely affected if we are unable to improve, upgrade, maintain, and expand our technology systems. Some of our employees are working remotely which could strain our information technology systems and impact business continuity plans. Remote work could also introduce operational risk such as, but not limited to, cyber security risks. A cyber- security breach could have a material adverse effect on our business and reputation. We rely heavily on digital technologies for the successful operation of our business, including electronic messaging, digital marketing efforts and the collection and retention of customer data and employee information. We also rely on third parties to process credit card transactions, perform online e- commerce and social media activities and retain data relating to our financial position and results of operations, strategic initiatives and other important information. Despite the security measures we have in place, our facilities and systems and those of our third- party service providers, may be vulnerable to cyber- security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and / or human errors or other similar events. Any misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information, whether by us or by our third- party service providers, could damage our reputation and our customers' willingness to purchase our products, which may adversely affect our business. In addition, we could incur liabilities and remediation costs, including regulatory fines, reimbursement or other compensatory costs, additional compliance costs, and costs for providing credit monitoring or other benefits to customers or employees affected. We maintain cyber risk insurance, but this insurance may not be sufficient to cover all of our losses from any future breaches of our systems. Compliance with data privacy and marketing laws may subject us to increased additional costs, and our ability to effectively engage customers via personalized marketing may be impacted, all of which may have a material adverse effect on our business operations. **As** ~~In addition, as~~ data privacy and marketing laws change, we may incur additional costs to ensure we remain in compliance. If applicable data privacy and marketing laws become more restrictive at the federal or state level, our compliance costs may increase, our ability to effectively engage customers via personalized marketing may decrease, opportunities for growth may be curtailed by our compliance capabilities or reputational harm and the potential liability for security breaches may increase. We are also subject to U. S. and international data privacy and cybersecurity laws and regulations, which may impose fines and penalties for noncompliance and may have an adverse effect on our operations. For example, the European Union' s General Data Protection Regulation (the" GDPR"), which became effective in May 2018, extends the scope of the European Union' s data protection laws to all companies processing data of European Union residents, regardless of our location, and imposes significant new requirements on how we collect, processes and transfer personal data. In addition, California adopted the California Consumer Privacy Act (" CCPA"), which became effective January 1, 2020 and limits how we may collect and use personal data. **Various other states have followed with similar laws governing the collection and use of personal data.** As a result, GDPR ~~and~~ **,** CCPA **and other state law** compliance increased our responsibility and potential liability in relation to personal data that we process, and we may be required to put in place additional mechanisms to ensure compliance with the new data protection rules. Any failure to comply with these rules and related national laws of European Union member states, could lead to government enforcement actions and significant penalties and fines against us, and could adversely affect our business, financial condition, cash flows and results of operations. **Continued** ~~Compliance~~ **compliance** with ~~any of~~ the foregoing laws and regulations **, as well as any new laws or regulations that may be enacted in the future,** can be costly. We are subject to certain environmental and other regulations. Some of our operations use substances regulated under various federal, state, local and international environmental and pollution laws, including those relating to the storage, use, discharge, disposal and labeling of, and human exposure to, hazardous and toxic materials. Compliance with current or future environmental laws and regulations could restrict our ability to expand our facilities or require us to acquire additional expensive equipment, modify our manufacturing processes or incur other significant expenses. In addition, we could incur costs, fines and civil or criminal sanctions, **or incur liability for** third- party property damage or personal injury claims **,** or **we** could be required to incur substantial investigation or remediation costs ~~,~~ if we were to violate or become liable under any environmental laws. Liability under environmental laws can be joint and several and without regard to comparative fault. There can be no assurance that violations of environmental laws or regulations have not occurred in the past and will not occur in the future as a result of our inability to obtain permits, human error, equipment failure or other causes, and any such violations could harm our business, financial condition, results of operations and cash flows. **Many governmental and regulatory bodies globally are implementing regulations to address the impacts of climate change. Compliance with these laws and regulations, whether mandated or voluntarily adopted by us, our suppliers, or third- party manufacturers, may lead to heightened costs across various aspects of our operations. These increased costs may encompass energy, production, transportation, raw materials, capital expenditures, as well as insurance premiums and deductibles. Such financial impacts have the potential to adversely affect our business, financial condition and results of operations. We maintain an ongoing assessment and monitoring processes to gauge the impact that future climate change disclosures, regulations, or industry standards, and international treaties may have on our business and results of operations.** We are subject to periodic litigation and other regulatory proceedings, which could result in the unexpected expenditure of time and resources. We are a defendant from time to time in lawsuits and regulatory actions relating to our business and to our past operations. Due to the inherent uncertainties of litigation and regulatory proceedings, we cannot accurately predict the ultimate outcome of any such proceedings. An unfavorable outcome could have a material adverse impact on our business, financial condition and results of operations. In addition, regardless of the outcome of any litigation or regulatory proceedings, such proceedings are expensive and will require that we devote substantial resources and executive time to defend, thereby diverting management' s attention and resources that are needed to successfully run our business. ~~Public health crises could harm our business. Public health crises, such as the outbreak of the coronavirus (COVID- 19), could cause disruption to the Company' s manufacturers and suppliers located in China, Vietnam and elsewhere. If our manufacturers and suppliers are so affected, our supply chain could be disrupted causing our product shipments to be delayed. In addition, a public health crises could negatively impact our consumer spending in impacted regions or globally, which could materially adversely affect our business, financial condition, and results of operation. The impact of COVID- 19 and the related economic, business and market disruptions were wide- ranging. These impacts have had and may continue to cause disruptions from both a manufacturing and distribution standpoint. As a result of COVID- 19, we were required to temporarily close our manufacturing facilities in both the Dominican Republic and Puerto Rico for several weeks spanning through both the first and second quarters of 2020. In response to COVID- 19, we have incurred incremental costs associated with protecting the health and safety of our global workforce, enhanced sanitization of our global operating facilities, and information technology capabilities for employees operating remotely. Beginning in March 2020, restrictions imposed by various governmental authorities on both domestic and international shipping and travel have caused a disruption to the timing of delivery of raw materials and finished goods resulting in negative impacts to our financial position, results of operations and cash flows. The duration and severity of the outbreak and its long- term impact on our business are uncertain at this time. We are unable to predict the impact that COVID- 19 will have on our future financial position, results of operations and cash flows.~~ Loss of services of our key personnel could adversely affect our business. The development of our business has been, and will continue to be, dependent ~~on~~ **upon** execution at all levels of our organization which requires an experienced and talented executive team. The loss of service of any of the executive officers or key employees could have an adverse effect on our business and financial condition. We have entered into employment agreements with several executive officers and key employees, and also offer compensation packages designed to attract and retain talent.