Risk Factors Comparison 2024-04-01 to 2023-04-17 Form: 10-K

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

Investing in SGRP' s common stock (" SGRP Common Stock") is subject to a number of Risks that could cause the Company' s actual results to differ materially from those projected or otherwise expected in any forward- looking statements or other information (see Forward- Looking Statements immediately preceding Part I, above). You should carefully review and consider the following Risks, but you should not place undue reliance on any of them. All forward- looking statements and other information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all such Risks. Those Risks reflect our expectations, views and assumptions only as of the date of this Annual Report, and the Company does not intend, assume any obligation, or promise to publicly update or revise any such Risk or information (in whole or in part), whether as a result of new information, new or worsening Risks or uncertainties, changed circumstances, future events, recognition, or otherwise ~~. Our results of operations were adversely affected in 2021 globally by the COVID- 19 pandemic, and the adverse impact continued through 2022 in certain international countries. The adverse impact of the COVID- 19 pandemic may continue through 2023 and beyond. In March 2020, the World Health Organization declared the novel strain of Coronavirus (" COVID- 19") a global pandemic and recommended containment and mitigation measures worldwide. The full impact of the COVID- 19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company' s financial condition and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, operations, suppliers, industry and workforce. In 2021, most of our clients whose business was shut down or reduced capacity earlier in 2020 returned to normal operations, and the overall business improved for fiscal year 2021 and 2022. However, a few international countries continued to be impacted during fiscal 2022. Specifically, China and Japan. The zero- covid policy in China caused many of our client operations in China to suspend operations for several months. In Japan, the government policies have continued to make it more challenging to continue our normal work in stores for 2022. Although the Company cannot reasonably estimate the length or severity of the continuing pandemic, we do not anticipate a continual material adverse impact on our consolidated financial position, results of operations and cash flows~~ . The markets we operate in are cyclical and subject to the effects of economic downturns. The markets in which the Company operates are cyclical and subject to the effects of economic downturns. The current political, social and economic conditions, including the impact of terrorism and COVID- 19 on consumer and business behavior, make it difficult for the Company, its vendors and its clients to accurately forecast and plan future business activities. Substantially all of the Company' s key clients are either retailers, manufacturers or those seeking to do product merchandising at retailers. Should the retail or manufacturing industries experience a significant economic downturn, the resultant reduction in product sales could decrease the Company' s revenues. The Company also has risks associated with its clients changing their business plans and / or reducing their third- party services' budgets in response to economic conditions, which could also decrease the Company' s revenues. Such revenue decreases could have a material adverse effect on the Company or its performance or condition. We can be adversely affected if governments pass legislation that mandates an increase in wages, changes labor laws or otherwise drives market behavior that negatively impacts the business or operations of SPAR Group or our clients. The Company has operations in nine distinct countries and relies on independent contractors as well as other third- party providers to perform work. There is risk that any government legislation that restricts travel, changes labor laws, impacts wages or otherwise incentivizes behavior that negatively impacts our business or our clients could impact our business. The Company continues to analyze various aspects of potential business impact driven by any legislation in all of the countries we operate. While we do not foresee any material impact in the short- term, the Company will continue to monitor and manage the business accordingly. ~~- 7-~~ Our business depends on variable client projects that can shift from period to period, be delayed, be canceled or otherwise require us to assume higher costs to perform the work. The Company has experienced and, in the future, may experience fluctuations in quarterly operating results and cash flow. Factors that may cause the Company' s quarterly operating results and cash flow to vary from time to time and may result in reduced revenue and profits include: (i) the number of active client projects ; (ii) seasonality of client products ; (iii) client delays, changes and cancellations in projects ; (iv) staffing requirements, indemnifications, risk allocations, primary insurance coverages, intellectual property claims and other contractual provisions and concessions demanded by clients that are unilateral, unreasonable and very time consuming to review and attempt to negotiate ; (v) the timing requirements of client projects ; (vi) the completion of major client projects ; (vii) the timing of new engagements ; (viii) the timing of personnel cost increases ; (ix) service locations and conditions with higher than contemplated personnel costs (remote areas, weather and health closures, higher minimum wages, higher skill sets required, etc.) ; and (x) the loss of major clients. In addition, the Company is subject to revenue or profit uncertainties resulting from factors such as unprofitable client work and the failure of clients to pay. These revenue fluctuations could materially and adversely affect the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected. Our business could be adversely affected if retailers and manufacturers elect to perform merchandising and marketing services with their own resources or if they have less stores that need our services. The business and growth of the Company depends in part on the continued outsourcing of merchandising and marketing services, which the Company believes has increased from the consolidation of retailers and manufacturers, as well as the desire to seek outsourcing specialists to reduce fixed operation expenses and concentrate internal staff on customer service and sales. There can be no assurance that this outsourcing will continue, as companies may elect to perform such services internally. In addition, retailers with physical store locations are facing increasing consolidation and competition from eCommerce / virtual stores. The Company' s business and growth depends in part on the continuing need for in- store merchandising of products and the continuing success of retailers with physical store locations. There can be no assurance that the in- store merchandising of products will increase or even continue at current levels or that retailers with physical store locations will continue to compete successfully in those stores, and some retailers are shifting their sales focus to their virtual online stores. A significant decrease in such need for in- store merchandising or success of such physical stores could significantly decrease the Company' s revenues and such decreased revenues could have a material adverse effect on the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected. We do work with furniture and other related assembly services at stores, in homes and in offices. The Company' s technicians assemble furniture and other products in the stores, homes and offices of customers. Working at a customer' s store, home or office could give rise to claims against the Company for errors, omissions or misconduct by those technicians, including (without limitation) objectional behavior, harassment, personal injury, death, damage to or theft of customer property, or other civil or criminal misconduct by such technicians. Claims also could be made against the Company as a result of its involvement in such assembly services due to (among other things) product assembly errors and omissions, product defects, deficiencies, breakdowns or collapse, products that are not merchantable or fit for their particular purpose, products that do not conform to published specifications or satisfy customer expectations, or products that cause personal injury, death or property damage, in each case whether actual, alleged or perceived by customers, and irrespective of how much time may have passed since such assembly. If such claims are asserted and adversely determined against the Company, then to the extent such claims are not covered by indemnification from the product' s seller or manufacturer or by insurance, they could have a material adverse effect on the Company or its performance or condition. We depend upon third- party independent contractors and the services they provide. The success of the Company' s business in the USA is dependent upon the successful execution and administration of its domestic field services through the services of Field Specialists, and a significant portion of them are provided to the Company and are engaged by the Independent Field Vendor and located, scheduled, deployed and administered domestically through the services of Field Administrators (who were provided by an independent vendor through December 2022 and by the Company thereafter). The inability to identify, engage and successfully administer its domestic field services through qualified Field Specialists and Field Administrators could have a material adverse effect on the Company or its performance or condition. A significant portion of the services of the Field Specialists provided to the Company are supplied by the Independent Field Vendor. It is possible that the appropriateness of the treatment of those Field Specialists as independent contractors by the Independent Field Vendor will be periodically subject to legal review or challenge by various states and others. The Company, in its discretion, may review and decide each request by its Independent Field Vendor for reimbursement of its legal defense expenses on a case- by- case basis, including the relative costs and benefits to the Company of doing so, but the Company has no obligation to do so. To the Company' s knowledge, its Independent Field Vendor is not involved in any material proceeding involving the misclassification of its independent contractors. However: (i) if the Company approves its reimbursement of any material legal defense costs of the Independent Field Vendor; (ii) if the Company somehow becomes liable for any legal expenses incurred by the Independent Field Vendor, any related party or any third party in defending any claim or satisfying any judgment against such parties; (iii) if the Company somehow becomes liable through any judicial determination for any judgment against the Independent Field Vendor, or any related party or other vendor or service provider (in whole or in part); or (iv) if any such proceeding or matter causes: (A) any decrease in the Independent Field Vendor' s performance (quality or otherwise); (B) any inability by the Independent Field Vendor to execute the services for the Company or to continue with its present business model; or (C) any increase in the Company' s use of employees (rather than independent contractors) as its domestic Field Specialists; then any of the foregoing, in whole or in part, could have a material adverse effect on the Company or its performance or condition. There can be no assurance that plaintiffs or someone else will not claim that the Company is liable (under applicable law, through reimbursement or indemnification, or otherwise) for any judgment or similar amount imposed against any provider of Field Specialists or Field Administrators to the Company, which the Company would defend vigorously if pursued. There can be no assurance that the Company would be able to successfully defend any such claim. Any imposition of liability on the Company for any such judgment or amount could have a material adverse effect on the Company or its performance or condition. Additionally, the Company believes that its business model of executing a significant portion of its services domestically (other than in California and in performing its non- merchandising services elsewhere), where the Company is using its own employees) through independent contractors provided by others is equally effective but inherently less costly than doing so with employees, both under applicable tax and employment laws and otherwise. However, the Company continues to reevaluate its business model of using third party independent contractors as Field Specialists in performing merchandising services outside of California in light of changing client requirements and legal and regulatory environments. We rely on our systems and third- party vendors. The Company relies on its proprietary systems for (among other things) the scheduling, tracking, coordination and reporting of its merchandising and marketing services. In addition to proprietary software and applications of the Company, the systems use and rely upon software (including operating system, office, exchange, data base and server programs) licensed and hardware purchased or leased from third parties and telecommunication services provided by third parties, which third- party software, hardware and telecommunication services may not continue to be available at all or (if available) with the necessary access, uptime, speeds or bandwidth, at reasonable prices or on commercially reasonable terms. Any defect, error or other performance failure in such third- party software, hardware or service also could result in a defect, error or performance failure in our client services. Systems can experience excess traffic and related inefficiencies, from increased demand or otherwise, as well as increased cyberattacks by hackers and other saboteurs. To the extent that systems experience increased demands on current capacity and for additional capacity from (among other things) an increase in the numbers of users, frequency or duration of use, bandwidth requirements of software, applications and users (including the increasing demand from the Company' s clients for data- intensive as- serviced pictures from the Field Specialists), or cyberattacks, there can be no assurance that the Company' s technological systems and third-party software, hardware and telecommunication providers will continue to be able to support the demands placed on them by such increased demand or negative events. The Company relies on third- party vendors to provide its telecommunication network access and other services used in its business, and the Company has no control over such third- party providers. Additionally, a cybersecurity breach that results in unauthorized access to sensitive consumer or corporate information contained in these systems may adversely affect the Company' s reputation and lead to claims against it. Such claims could include identity theft or other similar fraud- related claims and claims related to violations of applicable data privacy laws. Any system failure, accident or security breach could result in disruptions to the Company' s operations. To the extent that any disruption or security breach results in a loss or damage to the Company' s data, or results in inappropriate disclosure of confidential information, it could cause significant damage to the Company' s reputation, affect its relationships with its customers, lead to claims against it and ultimately harm its business. In addition, the Company may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future. Any such software, hardware or service unavailability or unreasonable pricing or terms, defect, error or other performance failure in such third- party software, hardware or service, increased capacity demands, disruption in services, security breach or protective measures could increase the Company' s costs of operation and reduce its efficiency and performance, which could have a material adverse effect on the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected. Our stock is subject to volatility and general market risk. The market price of SGRP Common Stock has historically experienced and may continue to experience significant volatility. During the year ended December 31, ~~2022~~ **2023** , the sale price of SGRP Common Stock fluctuated from $ ~~1~~ **0** . ~~27~~ **70** to $ 1. ~~30~~ **40** per share. The Company believes that its Common Stock is subject to wide price fluctuations due to (among other things) the following: ● The relatively small public float and corresponding thin trading market for SGRP Common Stock, attributable to (among other things) the large block of voting shares beneficially owned by the Company' s Majority Stockholders (as defined below) and generally low trading volumes, and that thin trading market may cause small trades to have significant impacts on SGRP Common Stock price. ● The substantial beneficial ownership of the Company' s voting stock and potential control by Mr. Robert G. Brown and Mr. William H. Bartels and related parties (the" Majority Stockholders"). See Our significant stockholders may take actions, subject to the restrictions of the Change of Control, Voting and Restricted Stock Agreement (" CIC Agreement ") and our By- Laws, Item 3-- Legal Proceedings, below, Note 6 to the Company' s Consolidated Financial Statements- Commitments and Contingencies, and Note 10 to the Company' s Consolidated Financial Statements- Related Party Transactions ~~Domestic Related Party~~ - (including Change of Control, Voting and Restricted Stock Agreement), below. ● Any announcement, estimate or disclosure by the Company, or any projection or other claim or pronouncement by any of the Company' s competitors or any financial analyst, commentator, blogger or other person, respecting: (i) any new service created or improved, significant contract, business acquisition or relationship, or other publicized development by the Company or any of its competitors; or (ii) any change, fluctuation or other development in the Company' s actual, estimated or desired affiliates, assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, legal costs, liabilities, liquidity, locations, marketing, operations, prospects, sales, strategies, taxation or other achievement, results or condition or in those of any of the Company' s competitors, in each case irrespective of accuracy or validity and whether or not adverse or material. ● The general volatility of stock markets, consumer and investor confidence, and the general state of the economy (which often affect the prices of stock issued by the ~~Company~~ **Corporation** and many others without regard to financial results or condition). If the ~~Company~~ **Corporation** issues (other than at fair market value for cash) or the Majority Stockholders sell a large number of shares of SGRP Common Stock, or if the market perceives such an issuance or sale is likely or imminent, the market price of SGRP Common Stock could decline. The **Corporation had** ~~Company currently has~~ in place a **2022 Stock** Repurchase Program (as defined and described in Item 5- Market for Registrant' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, below) **, which ended in May 24, 2023** . ~~Those repurchases~~ **Repurchases by the Corporation** could adversely affect the market liquidity of the SGRP Common Stock. In addition, the volatility in the market price of SGRP Common Stock could lead to class action securities litigation that could in turn impose substantial costs on the Company, divert management' s attention and resources from the day- to- day operations of the Company' s business and harm the ~~Company~~ **Corporation** ' s stock price, the Company or its performance or condition. As a small company with stock price volatility, our stock may be de- listed from NASDAQ. There can be no assurance that the ~~Company~~ **Corporation** will be able to comply in the future with Nasdaq' s Board Independence Rule, Audit Committee Composition Rule, Bid Price Rule or other Nasdaq continued listing requirements. See Our ~~Significant~~ **significant** ~~Stockholders~~ **stockholders** ~~May~~ **may** ~~Take~~ **take** ~~Unilateral Actions~~ **actions , subject to the restrictions of the Change of Control, Voting and Restricted Stock Agreement (" CIC Agreement") and our By- Laws** , below. If the ~~Company~~ **Corporation** fails to satisfy the applicable continued listing requirement again in the future, Nasdaq may commence delisting procedures against the ~~Company~~ **Corporation** (during which the ~~Company~~ **Corporation** may have additional time of up to six (6) months to appeal and correct its non- compliance). If the SGRP Common Stock shares were ultimately delisted by Nasdaq, trading of the SGRP Common Stock could be limited to" over- the- counter" trades and the market liquidity of the SGRP Common Stock could be adversely affected, which could result in a decrease in the market price of the SGRP Common Stock due to (among other things) the potential for increased spreads between bids and asks, lower trading volumes and reporting delays in over- the- counter trades and the negative implications and perceptions that could arise from such a delisting In addition to the foregoing, if the SGRP Common Stock is delisted from Nasdaq and is traded on the over- the- counter market, the" penny stock" rules, if applicable, could adversely affect the market price of the SGRP Common Stock and increase the transaction costs to sell those shares. The SEC has adopted specific rules regulating" penny stock", including additional risk disclosure requirements by broker dealers. If applicable in the future, the penny stock rules may also restrict the ability of broker- dealers to sell the SGRP Common Stock and may adversely affect the ability of investors to sell their shares. We have inherent risk of failure to maintain effective internal controls. Establishing and maintaining effective internal control over financial reporting and disclosures are necessary for the Company to provide reliable financial and other reporting in accordance with accounting principles generally accepted and applicable securities and other laws in the United States and all other countries in which we operate. Because of its inherent limitations, internal controls over financial and other reporting are not intended to provide absolute assurance that the Company could prevent or detect a misstatement of its financial statements or other reports or any misconduct or fraud. Any failure to maintain an effective system of internal control over financial and disclosure reporting could limit the Company' s ability to report its financial results and file its other reports accurately and timely or to detect and prevent misconduct or fraud. A significant financial or disclosure reporting failure or material weakness in internal control over financial or other reporting could cause a loss of investor confidence and a decline in the market price of the SGRP Common Stock. The Company' s management is responsible for establishing and maintaining adequate internal controls over its financial reporting, as defined in Rule 13a- 15 (f) and 15d- 15 (f) under the Securities Exchange Act. ~~As disclosed in Item 9A of Part II of this report, the Company identified a material weakness in its internal controls as of December 31, 2022. While this control deficiency did not result in a material error in the annual or interim financial statements, there was a reasonable possibility that a material misstatement in the annual or interim financial statements would not have been detected. As such, Management has determined this control deficiency constitutes a material weakness. Please see the discussion of these conclusions below under Item 9A. " Controls and Procedures " of this Annual Report on Form 10- K. Due to the material weakness in the Company' s internal control over financial reporting, the Company also concluded that its disclosure controls and procedures were not effective as of December 31, 2022. Our inability to remediate the material weaknesses, our discovery of additional weaknesses, and our ability to achieve and maintain effective disclosure controls and procedures and internal control over financial reporting could affect our ability to ensure timely and reliable financial reports, affect the ability of our auditors to attest to the effectiveness of our internal controls, and weaken investor confidence in our financial reporting. The Company is actively engaged in developing a remediation plan designed to address the material weakness, but cannot be certain as to when its remediation plans will be fully completed. If the remedial measures are insufficient to address the material weakness or if additional material weaknesses or significant deficiencies in the internal controls are discovered or occur in the future, the consolidated financial statements may contain material misstatements and the Company could be required to restate its financial results, which could materially and adversely affect the Company' s business and results of operations or financial condition, restrict its ability to access the capital markets, require the Company to expend significant resources to correct the weaknesses or deficiencies, subject it to fines, lawsuits, penalties, judgements or other legal expenses, harm its reputation, create delays or the inability to meet future SEC reporting obligations or otherwise cause a decline in investor confidence.~~ Our business is dependent on client payments, business performance and broad economic shifts, and we may be at risk of liquidity constraints and not satisfying all of our credit facility covenants. Our business and cash flow can be adversely affected by adverse changes in our client payments, our business performance and broad economic shifts. There can be no assurances that in the future the Company will not violate covenants of its current or future credit facilities; and if it does violate them, that the Company' s lenders will waive any violations of such covenants affecting the Company' s ability to maintain adequate lines of credit or sufficient availability under its lines of credit. Accordingly, minimal profitability by the Company, additional one- time charges and changes in the composition and quality of its borrowing base, as well as any failure to maintain sufficient availability or lines of credit from the Company' s lenders (which may involve their subjective ~~judgement~~ **judgment**), could have a material adverse effect on the Company or its performance or condition, whether actual or as planned, intended, anticipated, estimated or otherwise expected. Our business and stock liquidity and market value could be adversely affected if we settle outstanding litigation by making payments or issuing stock. The timing, size and success of litigation settlement efforts and any associated capital commitments cannot be readily predicted. Future litigation settlements may be financed by issuing shares of the SGRP Common Stock (directly or through convertible securities), cash or a combination thereof. If the SGRP Common Stock does not maintain a sufficient market value, or if potential litigants are otherwise unwilling to accept the SGRP Common Stock as part of the consideration for the settlement of their litigation, the Company may be required to obtain additional capital through debt or equity financings. To the extent the SGRP Common Stock is used for all or a portion of the consideration to be paid for legal settlements, dilution may be experienced by existing stockholders. In addition, there can be no assurance that the Company will be able to obtain the additional financing it may need for litigation settlements on terms that the Company deems acceptable. Failure to obtain such capital would materially and adversely affect the Company or its performance or condition. There also can be no assurance that the other parties in any settlement will abide by the terms or any settlement or any related releases. See Item 3-- Legal Proceedings, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations; Overview, and Note 10 to the Company' s Consolidated Financial Statements- Related Party Transactions ~~Domestic Related Party Services~~ (including Change of Control, Voting and Restricted Stock Agreement), below. Our business performance is connected to the experience and retention of key executives. The business strategy, client relationships and operating knowledge are critical to the Company' s long- term success. We believe we have attracted and developed the most experienced and proven executive leadership team in the industry. However, we work in a competitive industry where talent is visible and other companies may approach and attract our key executives. We continuously review the terms and incentives for our executives to retain them and competitively compensate them to deliver industry leading results on behalf of all shareholders. Our significant stockholders may take actions, subject to the restrictions of the Change of Control, Voting and Restricted Stock Agreement (" CIC Agreement") and our By- Laws. The Company' s co- founders, Mr. Robert G. Brown and Mr. William H. Bartels, are significant stockholders (" Significant Stockholders ") and Directors of SGRP and together with certain related parties (collectively, the" Majority Stockholders") beneficially own approximately ~~52~~ **62** . ~~3~~ **75** % of the SGRP Common Stock and could acquire more. That amount was calculated using their respective individual beneficial ownership, ~~excluding affiliates shares,~~ on ~~January 28~~ **December 31** , ~~2022~~ **2023** , ~~as~~ **which includes the amounts** they represented in the CIC Agreement and **subsequent Form 4 filings,** the total outstanding ownership (~~approximately 21. 3 million~~ **23, 446, 444** shares) of the SGRP

Common Stock on a non- diluted basis as of December 31, ~~2021~~ **2023** . **See Security Ownership** ~~Assuming no other purchases or sales, after the vesting~~ of **Certain** ~~their Series B Preferred Stock and its conversion into SGRP Common Stock in accordance with the CIC Agreement, the Significant Stockholders will together beneficially~~ -- **Beneficial Owners and Management** ~~own approximately 52. 3 % of the SGRP Common Stock~~ , ~~excluding affiliates shares.~~ **in Part III below,** Item 5 Market for Registrant' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, and Note 10 to the Company' s Consolidated Financial Statements- Related Party Transactions ~~Domestic Related Party Services (including Change of Controls, Voting and Restricted Stock Agreement)~~ , below. As significant stockholders, the Majority Stockholders can have an impact on the nomination and election of directors and the passage of other shareholder meeting proposals. ~~- 8-~~ There is inherent business risk for a joint venture business structure. The Company' s growth strategy for the international markets has been to join forces with local investors having merchandising service expertise, and combine their knowledge of the local market with the Company' s proprietary software and expertise in the merchandising business through joint venture business structure. Currently, of the ~~9~~ **8** countries the Company **is** conducting businesses in, **5** ~~6 of the countries~~ are under a joint venture business structure (Brazil, South Africa, Mexico, China, ~~Australia~~ and India). The Company also has begun to use the model in the United States in recent years and formed or acquired two joint ventures, National Merchandising Services, LLC (NMS), and Resource Plus Inc. (RPI), domestically. **On December 22, 2023, entered into an agreement with National Retail Remodel Services (the buyer) to sell its 51 percent interest in National Merchandising Services (NMS). See Note 10 to the Company' s Consolidated Financial Statements Related Party Transactions** The Company owns 51 % of these joint ventures in all cases; the principal of our local minority investors generally is the Chief Executive Officer, and each joint venture is governed by a Board comprised of directors from both parties. SGRP designates half of the directors for the local boards of its joint venture subsidiaries (other than Brazil where it is 60 %), and significant actions require local board agreement. All joint ventures are also governed under the Company’ s policies and guidelines. The Company believes its relationship with the joint venture partners are strong. However, there can be no assurance that the Company can successfully manage through inherent business risk due to significant misalignment of business objectives. Any cancellation, nonperformance or material changes of the joint venture could have a material adverse effect of the Company. ~~- 9-~~ We have inherent risks operating international businesses. The Company operates in ~~9~~ **8** countries around the world. There can be no assurances that the respective business environments will remain favorable. In the future, the Company' s International operations and sales may be affected by the following risks, which may adversely affect United States companies doing business in foreign countries: ● Political and economic risks, including terrorist attacks and political instability; ● Various forms of protectionist trade legislation that currently exist or have been proposed; ● Expenses associated with customizing services and technology; ● Local laws and business practices that favor local competition; ● Dependence on local vendors and potential for undisclosed related party transactions; ● Multiple conflicting and changing governmental laws, regulations and enforcement; ● Potentially adverse tax and employment law consequences; ● Local accounting principles, practices and procedures; ● Local legal principles, practices and procedures, local contract review and negotiation, and limited familiarity with contract issues (excessive warranties, extra- territoriality, sweeping intellectual property claims and the like); ● Limited familiarity or an unwillingness to comply with, or wrongly believing the inapplicability of, generally accepted accounting principles in the USA (" GAAP"), applicable corporate controls and policies of the Company (including its ethics code), or applicable law in the USA (including Nasdaq rules, securities laws, anti- terrorism law, Sarbanes Oxley and the Foreign Corrupt Practices Act) by Local Investors; ● Foreign currency exchange rate fluctuations and limits on the export of funds; ● Substantial communication barriers, including those arising from language, culture, custom and time zones; and ● Supervisory challenges arising from local board deadlocks, agreements, distance, physical absences and such communication barriers. If any developments should occur with respect to any of those international risks and materially and adversely affect the Company' s applicable international subsidiary, such developments could have a material adverse effect on the Company or its performance or condition.