

## Risk Factors Comparison 2025-01-24 to 2024-01-26 Form: 10-K

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

Risks Related to Our Business and Operations We anticipate that our revenue and operating results will fluctuate, which could adversely affect the enterprise value of our Company and our securities. Our operating results have fluctuated and will fluctuate in the future as a result of many factors, including: • the impact of the business acquisitions and dispositions we make; • general economic conditions and level of IT spending; • the loss or consolidation of one or more of our significant OEM suppliers or customers; • market acceptance, quality, pricing, availability and useful life of our products and services, as well as the mix of our products and services sold; • competitive conditions in our industry; • trends towards cloud based infrastructure and “ as- a- Service ” type product offerings; • pricing, margin and other terms with our OEM suppliers; • decline in inventory value as a result of product obsolescence and market acceptance; • variations in our levels of excess inventory, vendor reserves and doubtful accounts; • fluctuations in rates in the currencies in which we transact; • changes in the terms of OEM supplier-inventory protections, such as price protection and return rights; and • the expansion of our design and integration solutions sales and operations, globally. Although we attempt to control our expense levels, these levels are based, in part, on anticipated revenue. Therefore, we may not be able to control spending in a timely manner to compensate for any unexpected revenue shortfall. Our operating results are affected by the seasonality of the IT products and services industry. We have historically experienced slightly higher sales in our first and fourth fiscal quarters due to patterns in the capital budgeting, federal government spending and purchasing cycles of our customers and end- users. These historical patterns may not be repeated in subsequent periods. You should not rely on period- to- period comparisons of our operating results as an indication of future performance. In future years, our operating results may be below our expectations or those of our public market analysts or investors, which would likely cause our share price to decline. We are subject to uncertainties and variability in demand by our customers, which could decrease revenue and adversely affect our operating results, and we have customer contracts with provisions that could cause fluctuations in our revenue. We **typically** sell to our customers on a purchase order basis, rather than pursuant to long- term contracts or contracts with minimum purchase requirements. Consequently, our sales are subject to demand variability by our customers. The level and timing of orders placed by our customers vary for a variety of reasons, including seasonal buying by end- users, the introduction of new hardware and software technologies and general economic conditions. Customers submitting a purchase order may cancel, reduce or delay their orders. If we are unable to anticipate and respond to the demands of our reseller, retail and design and integration solutions customers, we may lose customers because we have an inadequate supply of products, or we may have excess inventory, either of which could harm our business, financial position and operating results. With regard to our design and integration solutions customers, unique parts are purchased based both on customer purchase orders and forecasted demand. We have limited protection against excess inventory should anticipated demand not materialize. We depend on a limited number of OEMs to supply the IT products and services that we sell and the loss of, or a material change in, our business relationship with a major OEM supplier could adversely affect our business, financial position and operating results. Our future success is highly dependent on our relationships with a small number of OEM suppliers. For example, sales of Apple Inc. products and services comprised approximately **12 %, 11 %, and 11 %** of our total revenue for ~~both~~ fiscal years **2024, 2023 , and 2022 , respectively** , and sales of HP Inc. products and services comprised approximately 10 % ~~and 12 %~~ of our total revenue for ~~fiscal years - year 2022 and 2021, respectively~~ . Our OEM supplier agreements typically are short- term and may be terminated without cause upon short notice. OEM supplier agreements are often established at a regional or country level and these relationships may change in some countries or regions and not others. The loss or deterioration of our relationship with **Apple Inc., HP Inc., Apple** Inc. or any other major OEM supplier, the authorization by OEM suppliers of additional distributors, the sale of products by OEM suppliers directly to our reseller and retail customers and end- users, or our failure to establish relationships with new OEM suppliers or to expand the distribution and supply chain services that we provide OEM suppliers could adversely affect our business, financial position and operating results. In addition, OEM suppliers may face liquidity or solvency issues that in turn could negatively affect our business and operating results. Our business is also highly dependent on the terms provided by our OEM suppliers. Generally, each OEM supplier has the ability to change the terms and conditions of its distribution agreements, such as reducing the amount of price protection and return rights or reducing the level of purchase discounts, incentive rebates, scope of the geographic area in which we can sell and marketing programs available to us. Additionally, **we have certain arrangements with third- party financial institutions (" Supplier Finance Programs"), which facilitate the participating OEM suppliers' ability to sell their accounts receivable from us to third- party financial institutions, at the sole discretion of these OEM suppliers. As part of these arrangements, we generally receive more favorable payment terms from the participating OEM suppliers.** ~~significant~~ **Significant** changes in **these Supplier Finance Programs or in other** vendor payment terms ~~or payment arrangements~~ could negatively impact our liquidity and financial condition. From time to time we may conduct business with a supplier without a formal agreement because the agreement has expired or was otherwise terminated. In such case, we are subject to additional risk with respect to products, warranties and returns, and other terms and conditions. If we are unable to pass the impact of these changes through to our reseller and retail customers, our business, financial position and operating results could be adversely affected. Our gross margins are low, which magnifies the impact of variations in gross margin, operating costs and our operating results. As a result of significant price competition in the IT products and services industry, our gross margins are low, and we expect them to continue to be low in the future. Increased competition arising from industry consolidation and low demand for certain IT products and services may hinder our ability to maintain or improve our gross

margins. These low gross margins magnify the impact of variations in revenue and operating costs on our operating results. A portion of our operating expenses are relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, we may not be able to reduce our operating expenses to sufficiently mitigate any further reductions in gross profit or margin in the future. If we cannot proportionately decrease our cost structure in response to competitive price pressures, our business and operating results could suffer. We also receive purchase discounts and rebates from OEM suppliers based on various factors, including sales or purchase volume and breadth of customers. A decrease in revenue could negatively affect the level of volume rebates received from our OEM suppliers and thus, our gross margin. Because some rebates from OEM suppliers are based on percentage increases in sales of products, it may become more difficult for us to achieve the percentage growth in sales required for larger discounts due to the current size of our revenue base. A decrease or elimination of purchase discounts and rebates from our OEM suppliers would adversely affect our business and operating results. We are subject to the risk that our inventory value may decline, and protective terms under our OEM supplier agreements may not adequately cover the decline in value, which in turn may harm our business, financial position and operating results. The IT products industry is subject to rapid technological change, new and enhanced product specification requirements, and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. Most of our OEM suppliers offer limited protection from the loss in value of inventory. For example, we can receive a credit from many OEM suppliers for products held in inventory in the event of a supplier price reduction. In addition, we have a limited right to return a certain percentage of purchases to most OEM suppliers. These policies are often subject to time restrictions and do not protect us in all cases from declines in inventory value. In addition, our OEM suppliers may become unable or unwilling to fulfill their protection obligations to us. The decrease or elimination of price protection, or the inability of our OEM suppliers to fulfill their protection obligations, could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage our inventory with our OEM suppliers with a high degree of precision, we may have insufficient product supplies or we may have excess inventory, resulting in inventory write-downs, either of which could harm our business, financial position and operating results. We depend on OEM suppliers to maintain an adequate supply of products to fulfill customer orders on a timely basis, and any supply shortages or delays could cause us to be unable to timely fulfill orders, which in turn could harm our business, financial position and operating results. Our ability to obtain particular products in the required quantities and to fulfill reseller and retail customer orders on a timely basis is critical to our success. In most cases, we have no guaranteed price or delivery agreements with our OEM suppliers. We have experienced supply shortages of certain products as a result of strong demand or problems experienced by our OEM suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. Such delays could also impact our ability to procure critical components required to complete customer orders. In addition, our OEM suppliers may decide to distribute, or to substantially increase their existing distribution business, through other distributors, their own dealer networks, or directly to resellers, retailers or end-users. Accordingly, if we are not able to secure and maintain an adequate supply of products to fulfill our customer orders on a timely basis, our business, financial position and operating results could be adversely affected. We experience customer concentration and intense competition which could adversely impact our revenue. Our business experiences customer concentration from time to time. One customer accounted for **12%**, **11%**, **and 10%** ~~and 17%~~ of our total revenue in fiscal years **2024**, **2023**, ~~and 2022~~ **and 2021**, **respectively**. The loss of one of our significant customers could result in an adverse impact on our business. For example, our systems design and integration solutions product line has significant customer concentration, requires investments in working capital and infrastructure, and has customer contracts that often offer limited or no volume guarantees or protection for end-of-life investments. The loss of a customer or reduction in order volumes could adversely impact our revenue, provision for inventory losses, the absorption of fixed overhead costs and our future expansion plans. The systems design and integration solutions business operates in a competitive environment. Volumes can fluctuate based on customer demand, delivery quality and the competitive landscape. Our ability to deliver customized solutions on a timely basis is critical to our success. Any delay could impact our competitive position and result in loss of customer orders, which could impact our financial position and operating results. We have pursued and intend to continue to pursue strategic acquisitions or investments in new markets and may encounter risks associated with these activities, which could harm our business and operating results. We have in the past pursued, and in the future expect to pursue, acquisitions of, or investments in, businesses and assets in new markets, either within or outside the IT products and services industry, that complement or expand our existing business. ~~For example, in September 2021, we completed the acquisition of Tech Data.~~ Our acquisition strategy involves a number of risks, including: • difficulty in successfully integrating acquired operations, IT systems, customers, OEM supplier relationships, products, services and businesses with our operations; • risk that the acquired businesses will fail to maintain the quality of services that we have historically provided; • loss of key co-workers of acquired operations or inability to hire key co-workers necessary for our expansion; • diversion of our capital and management attention away from other business issues; • increase in our expenses and working capital requirements; • in the case of acquisitions that we may make outside of the United States, difficulty in operating in foreign countries and over significant geographical distances; • other financial risks, such as potential liabilities of the businesses we acquire; and • our due diligence process may fail to identify significant issues with the acquired company's product and service quality, financial disclosures, accounting practices or internal control deficiencies. We may incur additional costs and certain redundant expenses in connection with our acquisitions and investments, which may have an adverse impact on our operating margins. Future acquisitions may result in dilutive issuances of equity securities, the incurrence of additional debt, large write-offs, a decrease in future profitability, or future losses. The incurrence of debt in connection with any future acquisitions could restrict our ability to obtain working capital or other financing necessary to operate our business. Our recent and future acquisitions or investments may not be successful, and if we fail to realize the anticipated benefits of these acquisitions or investments, our business and operating results could be harmed. Our goodwill and identifiable intangible assets could become impaired, which could have a

material non- cash adverse effect on our results of operations. We recorded substantial goodwill and both finite and indefinite-lived intangible assets as a result of our previous acquisitions, including the Merger. We review our goodwill and intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We assess whether there has been an impairment in the value of goodwill and indefinite-lived intangible assets at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows and slower growth rates in our industry. Our annual goodwill impairment testing indicated no goodwill impairments for any of the years presented. We could be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined, negatively impacting our results of operations. Because of the capital-intensive nature of our business, we need continued access to capital, which if not available to us or if not available on favorable terms, could harm our ability to operate or expand our business. Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. If cash from available sources is insufficient, proceeds from our accounts receivable securitization and revolving credit programs are limited or cash is used for unanticipated needs, we may require additional capital sooner than anticipated. In the event we are required, or elect, to raise additional funds, we may be unable to do so on favorable terms, or at all, and may incur expenses in raising the additional funds. Our current and future indebtedness could adversely affect our operating results and severely limit our ability to plan for, or react to, changes in our business or industry. We could also be limited by financial and other restrictive covenants in our securitization or credit arrangements, including limitations on our borrowing of additional funds and issuing dividends. Furthermore, the cost of securitization or debt financing could significantly increase in the future, making it cost prohibitive to securitize our accounts receivable or borrow, which could force us to issue new equity securities. If we issue new equity securities, existing stockholders may experience dilution, or the new equity securities may have rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise funds on acceptable terms, we may not be able to take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. Any inability to raise additional capital when required could have an adverse effect on our business and operating results. We have significant credit exposure to our customers, and negative trends in their businesses could cause us significant credit loss and negatively impact our cash flow and liquidity position. We extend credit to our customers for a significant portion of our sales to them and they have a period of time, generally 30 days after the date of invoice, to make payment. However, in certain cases, for some of our customers, we offer longer terms of payment. As a result, we are subject to the risk that our customers will not pay on time or at all. Our credit exposure risk may increase due to financial difficulties or liquidity or solvency issues experienced by our customers, resulting in their inability to repay us. The liquidity or solvency issues may increase as a result of an economic downturn, increases in costs including due to inflation or higher interest rates, or a decrease in IT spending by end-users. If we are unable to collect payments in a timely manner from our customers due to changes in financial or economic conditions, or for other reasons, and we are unable to collect under our credit insurance policies, we may write-off the amount due from the customers. These write-offs may result in credit insurance being more expensive and on terms that are less favorable to us and may negatively impact our ability to utilize accounts receivable-based financing. In addition, the failure of customers to pay within a specified time period after the date of an invoice could result in defaults under our accounts receivable securitization program. These circumstances could negatively impact our cash flow and liquidity position, or result in the cross-default to our other indebtedness and acceleration of the repayment of our indebtedness. Further, we are exposed to higher collection risk as we continue to expand internationally, where the payment cycles are generally longer and the credit rating process may not be as robust as in the United States, and where our access to accounts receivable financing is more limited. We are dependent on a variety of IT and telecommunications systems and the Internet, and any failure of these systems could adversely impact our business and operating results. We depend on IT and telecommunications systems and the Internet for our operations. These systems support a variety of functions including inventory management, order processing, shipping, shipment tracking, and billing. Failures or significant downtime of our IT or telecommunications systems has, in the past, and could, in the future, prevent us from taking customer orders, printing product pick-lists, shipping products, billing customers and handling call volume. Sales also may be affected if our reseller and retail customers are unable to access our pricing and product availability information. We also rely on the Internet, and in particular EDI and XML, for a large portion of our orders and information exchanges with our OEM suppliers and reseller and retail customers. The Internet and individual websites have experienced a number of disruptions, slowdowns and security breakdowns, some of which were caused by organized attacks. If we were to experience a future security breakdown, disruption or breach that compromised sensitive information, it could harm our relationship with our OEM suppliers and reseller and retail customers. Disruption of our website or the Internet in general could impair our order processing or more generally prevent our OEM suppliers and reseller and retail customers from accessing information. A significant increase in our IT costs or a temporary or permanent loss of our IT systems could harm our relationships with our customers. The occurrence of any of these events could have an adverse effect on our operations and financial results. Because of the experience of our key personnel in the IT industry and their technological and industry expertise, if we were to lose any of our key personnel, it could inhibit our ability to operate and grow our business successfully. We are dependent in large part on our ability to retain the services of our key senior executives and other technological and industry experts and personnel. Except for certain of our key executives, we generally do not have employment agreements with our co-workers. We also do not carry "key person" insurance coverage for any of our key executives. We compete for qualified senior management and technical personnel. The loss of, or inability to hire, key executives or qualified co-workers could inhibit our ability to operate and grow our business successfully. We may experience theft of product from our warehouses, water damage to our properties and other casualty events which could harm our operating results. From time to time, we have experienced incidents of theft at various facilities, water damages to our properties and other casualty events.

These types of incidents may make it more difficult or expensive for us to obtain insurance coverage in the future. Also, the same or similar incidents may occur in the future for which we may not have sufficient insurance coverage or policy limits to be fully compensated for the loss, which may have an adverse effect on our business and financial results. We may become involved in intellectual property or other disputes that could cause us to incur substantial costs, divert the efforts of our management, and require us to pay substantial damages or require us to obtain a license, which may not be available on commercially reasonable terms, if at all. From time to time, we receive notifications alleging infringements of intellectual property rights allegedly held by others relating to our business or the products we sell or integrate for our OEM suppliers and others. Litigation with respect to patents or other intellectual property matters could result in substantial costs and diversion of management and other resources and could have an adverse effect on our business. Although we generally have various levels of indemnification protection from our OEM suppliers and design and integration solutions customers, in many cases any indemnification to which we may be entitled is subject to maximum limits or other restrictions. In addition, we have developed proprietary IT systems, mobile applications, and cloud-based technology and acquired technologies that play an important role in our business. If any infringement claim is successful against us and if indemnification is not available or sufficient, we may be required to pay substantial damages or we may need to seek and obtain a license of the other party's intellectual property rights. We may be unable to obtain such a license on commercially reasonable terms, if at all. We are from time to time involved in other litigation in the ordinary course of business which has and may include claims with respect to antitrust, mergers and acquisitions and other matters. In the ordinary course of business, we also receive inquiries from and have discussions with government entities regarding the compliance of our contracting and sales practices with laws and regulations. We may not be successful in defending these or other claims. Regardless of the outcome, litigation could result in substantial expense and could divert the efforts of our management. Allegations made in the course of regulatory or legal proceedings may also harm our reputation, regardless of whether there is merit to such claims. Furthermore, because litigation and the outcome of regulatory proceedings are inherently unpredictable, our business, financial condition or operating results could be materially affected by an unfavorable resolution of one or more of these proceedings, claims, demands or investigations. We do not expect that the ultimate resolution of these matters will have a material adverse effect on our consolidated financial position. However, the resolution of certain of these matters could be material to our operating results for any particular period. For further information regarding our current litigation matters, refer to Note 17-16 – Commitments and Contingencies, to the Consolidated Financial Statements in Item 8. We have significant operations globally and any disruption in the operations of our facilities could harm our business and operating results. Our worldwide operations could be subject to natural disasters, adverse weather conditions, global pandemics and other business disruptions, which could seriously harm our revenue and financial condition and increase our costs and expenses. We have significant operations in our facilities located in the Americas, Europe and APJ. Certain of our facilities, including our corporate headquarters locations in Clearwater, Florida and Fremont, California, are located in geographic areas that heighten our exposure to hurricanes, tropical storms, earthquakes and other severe weather events. Any prolonged disruption in the operations of our facilities, whether due to technical difficulties, power failures, break-ins, destruction, damage to, or prolonged closure of, the facilities as a result of a natural disaster, fire, pandemic or any other reason, could harm our operating results. If there are related disruptions in local or international supply chains, we may experience supply shortages or delays in receiving products from our OEM suppliers or experience other delays in shipping to our customers. If we are unable to fulfill customer requirements in a timely manner, this could harm our operating results. We currently have a disaster recovery plan and carry property damage and business interruption insurance; however, they may not be sufficient to compensate for losses that may occur. ~~A portion of our revenue is financed by floor plan financing companies and any termination or reduction in these financing arrangements could increase our financing costs and harm our business and operating results. A portion of our product distribution revenue is financed by floor plan financing companies. Floor plan financing companies are engaged by our customers to finance, or floor, the purchase of products from us. In exchange for a fee that is either subsidized by our OEM suppliers or paid by us, we transfer the risk of loss on the sale of our products to the floor plan companies. These arrangements with financing companies allow our business to operate at much lower relative working capital levels than if such programs were not available. If these floor plan arrangements are terminated or substantially reduced, the need for more working capital and the increased financing cost could harm our business and operating results.~~ Risks Related to our Indebtedness The terms of our debt arrangements impose restrictions on our ability to operate which in turn could negatively affect our ability to respond to business and market conditions and therefore could have an adverse effect on our business and operating results. As of November 30, 2023-2024, we had \$ 4-3 . 1-9 billion in outstanding short and long-term borrowings under term loans, our Senior Notes (as defined in Note 10- Borrowings to the Consolidated Financial Statements in Item 8), lines of credit, ~~and our~~ accounts receivable securitization ~~programs – program and finance leases~~, excluding trade payables. The terms of one or more of the agreements under which this indebtedness was incurred may limit or restrict, among other things, our (or our subsidiaries', as applicable) ability to: • incur additional indebtedness or liens; • enter into certain transactions with affiliates; and • merge, consolidate or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of our assets. We are also required to maintain specified financial ratios and satisfy certain financial condition tests under certain of our debt facilities. Our inability to meet these ratios and tests could result in the acceleration of the repayment of the related debt, termination of the applicable facility, an increase in our effective cost of funds or the cross-default of other debt facilities and securitization arrangements. As a result, our ability to operate may be restricted and our ability to respond to business and market conditions may be limited, which could have an adverse effect on our business and operating results. We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations, which could adversely affect our business. Our ability to make scheduled debt payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot be certain that we

will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We cannot be certain that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Some of our indebtedness restricts our ability to dispose of certain assets. As such, we may not be able to consummate those dispositions or use any resulting proceeds and, in addition, such proceeds may not be adequate to meet any debt service obligations then due. If we cannot make scheduled payments on our debt, we will be in default and, as a result: • our lenders could declare all outstanding principal and interest to be due and payable; • the lenders under our credit agreements could terminate their commitments to loan us money and, in the case of any secured credit arrangements, foreclose against the assets securing their borrowings; • we could be forced to raise additional capital through the issuance of additional, potentially dilutive securities; and • we could be forced into bankruptcy or liquidation, which is likely to result in delays in the payment of our indebtedness and in the exercise of enforcement remedies related to our indebtedness. Despite our current level of indebtedness, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks to our financial condition. We and our subsidiaries may be able to incur significant additional indebtedness in the future. For example, as of November 30, 2023-2024, we had access to \$ 3. 5 billion in unused commitments under the TD SYNEX revolving ~~Revolving credit facility~~ **Credit Facility** (as defined ~~below~~ **in the Liquidity and Capital Resources section of Item 7 of this Report** ). If new debt is added to our current debt levels, the related risks that we now face could intensify. Although the TD SYNEX Credit Agreement (as defined ~~below~~ **in the Liquidity and Capital Resources section of Item 7 of this Report** ) contains restrictions on the incurrence of additional indebtedness by our subsidiaries, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. Changes in our credit rating may increase our interest expense or other costs of capital. Certain of our financing instruments involve variable rate debt, thus exposing us to the risk of fluctuations in interest rates. In addition, the interest rate payable on our Senior Notes, our revolving and term loan credit agreement and certain other debt instruments is subject to adjustment from time to time if our credit rating is downgraded. Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly. Interest rates in the United States and other countries where we operate have increased and may continue to increase in the future. As a result, interest rates on the obligations under certain of our credit facilities, our and our subsidiaries' respective accounts receivable securitization programs and debt facilities, or other variable rate debt incurrences or offerings could be higher than current levels. If interest rates increase, debt service obligations and our interest expense will increase even though the amount borrowed remains the same. Our net income and cash flows, including cash available for servicing indebtedness, will correspondingly decrease. An increase in interest rates may increase our future borrowing costs and restrict our access to capital. Additionally, current market conditions, the global economy, and overall credit conditions could limit our availability of capital, which could cause increases in interest margin spreads over underlying indices, effectively increasing the cost of our borrowing. While some of our debt arrangements have contractually negotiated spreads, any changes to these spreads in connection with renegotiations of our credit facilities could adversely affect our results of operations.

~~Risks Related to Our Relationships with Apollo Global Management, Inc. and MiTAC Holdings Corporation~~ The concentration of ownership of our common stock among our executive officers, directors and principal stockholders could allow them to influence all matters requiring stockholder approval and could delay or prevent a change in control of TD SYNEX. As of November 30, 2023, our executive officers, directors and principal stockholders owned approximately 43 % of our outstanding common stock. In particular, Apollo Global Management, Inc. ("Apollo") and its affiliates owned approximately 32 % of our common stock. Apollo is the private equity company that through its affiliates owned Tech Data prior to the Merger. As part of the Merger, 44 million shares of TD SYNEX common stock were issued to Apollo. Additionally, the Company entered into an Investor Rights Agreement at the closing of the Merger, which provides that the board of directors be comprised of at least eleven directors, and that affiliates of Apollo have the right to nominate (i) up to four directors, if Apollo and its affiliates own 30 % or more of the outstanding shares of TD SYNEX common stock; (ii) up to three directors if Apollo and its affiliates own between 20 % and 30 % of the outstanding shares of TD SYNEX common stock; (iii) up to two directors, if Apollo and its affiliates own between 10 % and 20 % of the outstanding shares of TD SYNEX common stock; or (iv) up to one director, if Apollo and its affiliates own between 5 % and 10 % of the outstanding shares of TD SYNEX common stock. As a result, Apollo is in a position to influence (subject to organizational documents and Delaware law) the composition of the Company' s board of directors and the outcome of corporate actions requiring stockholder approval, such as mergers, business combinations and dispositions of assets, among other corporate transactions. This concentration of investment and voting power could discourage others from initiating a potential merger, takeover or other change of control transaction that may otherwise be beneficial to TD SYNEX and its stockholders, which could adversely affect the market price of TD SYNEX common stock. There could be potential conflicts of interest between us and MiTAC Holdings Corporation and its affiliates, which could affect our business and operating results. As of November 30, 2023, MiTAC Holdings Corporation ("MiTAC Holdings") and its affiliates owned approximately 9. 3 % of our common stock. MiTAC Holdings' and its affiliates' continuing beneficial ownership of our common stock could create conflicts of interest with respect to a variety of business matters. For example, we currently purchase inventories from MiTAC Holdings and its affiliates. Similar risks could exist as a result of Matthew F. C. Miao' s positions as our Chairman Emeritus, a member of our Board of Directors, the Chairman of MiTAC Holdings and as a director or officer of MiTAC Holdings' affiliates. For fiscal year 2023, Mr. Miao received the same compensation as our independent directors. Mr. Miao' s compensation as one of our directors is

based upon the approval of the Nominating and Corporate Governance Committee, which is solely composed of independent members of the Board of Directors. We also have adopted a policy requiring material transactions in which any of our directors has a potential conflict of interest to be approved by our Audit Committee, which is also composed of independent members of the Board of Directors. Synnex Technology International Corp., or Synnex Technology International, a publicly-traded company based in Taiwan and affiliated with MiTAC Holdings, currently provides distribution and fulfillment services to various markets in Asia and Australia, and is also a competitor of ours. As of November 30, 2023, MiTAC Incorporated, a privately-held company based in Taiwan and a separate entity from MiTAC Holdings, directly and indirectly owned approximately 15.7% of Synnex Technology International and approximately 8.4% of MiTAC Holdings. As of November 30, 2023, MiTAC Holdings directly and indirectly owned 1.0% of Synnex Technology International. In addition, MiTAC Holdings directly and indirectly owned approximately 14.1% of MiTAC Incorporated and Synnex Technology International directly and indirectly owned approximately 18.4% of MiTAC Incorporated as of November 30, 2023. Synnex Technology International indirectly through its ownership of Peer Developments Limited owned approximately 3.9% of our outstanding common stock as of November 30, 2023. Neither MiTAC Holdings, nor Synnex Technology International is restricted from competing with us. In the future, we may increasingly compete with Synnex Technology International, particularly if our business in Asia expands or Synnex Technology International expands its business into geographies or customers we serve. The future sale of a large number of shares by Apollo or MiTAC Holdings, including as the result of the exercise of registration rights, may adversely affect the market price of the Company's common stock. We have granted registration rights to Apollo pursuant to an Investors Rights Agreement dated September 1, 2021, and to MiTAC Holdings pursuant to a Letter Agreement dated September 3, 2021, that require us to register their shares for resale in certain circumstances. On January 30, 2023, we announced the closing of a secondary public offering (the "January Offering") of an aggregate of approximately 5.2 million shares of our common stock that were sold by certain entities managed by Apollo. Additionally, on October 10, 2023, we entered into an underwriting agreement relating to the secondary public offering (the "October Offering") of an aggregate of approximately 6.8 million shares sold by certain entities managed by affiliates of Apollo and certain entities affiliated with MiTAC Holdings Corporation (collectively, the "Selling Stockholders"). In addition, the Selling Stockholders granted the underwriters an option to purchase up to an additional 1,012,500 shares of our common stock. The October Offering was completed on October 13, 2023 and the underwriters exercised their option in full. We did not receive any of the proceeds from the sale of shares in the January Offering or the October Offering. Any additional future sales of a substantial number of shares of the Company's common stock in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline. These sales, or the possibility of these sales, also may make it more difficult for us to sell equity securities in the future.

**Risks Related to Our Industry** Volatility in the IT industry could have a material adverse effect on our business and operating results. We have, in the past, experienced decreases in demand and we anticipate that the industries we operate in will be subject to a high degree of cyclical in the future. Softening demand for our products and services caused by economic downturns and over-capacity may impact our revenue, as well as the salability of inventory and collection of reseller and retail customer accounts receivable. In addition, if we are not able to adequately adapt to the emergence of new technology or customer demand, such as cloud-based IT infrastructure and technology-as-a-service, our future operating results could be adversely affected. We are subject to intense competition, both in the United States and internationally, and if we fail to compete successfully, we will be unable to gain or retain market share. We operate in a highly competitive environment, both in the United States and internationally. This competition is based primarily on product and service availability, credit availability, price, effectiveness of information systems and e-commerce tools, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product and service lines, pre-sales and post-sales technical support, flexibility and timely response to design changes, and technological capabilities, service and support. We compete with a variety of regional, national and international IT product and service providers and contract manufacturers and assemblers. In some instances, we also compete with our own customers, and our own OEM suppliers and MiTAC Holdings and its affiliates. Some of our competitors may have a broader range of services than us and may have more developed relationships with their existing customers. We may lose market share in the United States or in international markets, or may be forced in the future to reduce our prices in response to the actions of our competitors and thereby experience a reduction in our gross margins. We may initiate other business activities, including the broadening of our supply chain capabilities, and may face competition from companies with more experience in those new areas. In addition, as we enter new areas of business, we may also encounter increased competition from current competitors or from new competitors, including some that may once have been our OEM suppliers or reseller and retail customers. Increased competition and negative reaction from our OEM suppliers or reseller and retail customers resulting from our expansion into new business areas could harm our business and operating results. Our business may be adversely affected by some OEM suppliers' strategies to consolidate business or increase their direct sales, which in turn could cause our business and operating results to suffer. A determination by any of our primary OEMs to consolidate their business with other distributors or integration service providers could negatively affect our business and operating results. Consolidation of OEM suppliers has resulted in fewer sources for some of the products and services that we distribute. This consolidation has also resulted in larger OEM suppliers that have significant operating and financial resources. Other suppliers may reduce or eliminate promotional activities to reduce their expenses, which could, in turn, result in declined demand from our reseller or retailer customers and end-users. Some OEM suppliers, including some of the leading OEM suppliers that we service, have been selling products and services directly to reseller and retail customers and end-users, thereby limiting our business opportunities. If large OEM suppliers increasingly sell directly to end-users or our resellers and retailers, or select a competitor rather than use us as the distributor of their products and services, our business and operating results will suffer. The IT industry is subject to rapidly changing technologies and process developments, and we may not be able to adequately adjust our business to these changes, which in turn would harm our business and operating results. Dynamic changes

in the IT industry, including the consolidation of OEM suppliers and reductions in the number of authorized distributors used by OEM suppliers, have resulted in new and increased responsibilities for management personnel and have placed, and continue to place, a significant strain upon our management, operating and financial systems and other resources. We may be unable to successfully respond to and manage our business in light of industry developments and trends. As end- users migrate to cloud-based IT infrastructure and technology- as- a- service, sales of hardware products may be reduced, thereby negatively impacting our operating results. Also crucial to our success in managing our operations is our ability to achieve additional economies of scale. Our failure to achieve these additional economies of scale or to respond to changes in the IT industry could adversely affect our business and operating results. Risks Related to the Macro- Economic and Regulatory Environment **The widespread outbreak of an illness or..... financial condition and our stock price.** Changes in foreign currency exchange rates and limitations on the convertibility of foreign currencies could adversely affect our business and operating results. Approximately 47 %, **47 %** and 45 % and ~~37 %~~ of our revenues in fiscal years **2024, 2023 ,and 2022 and 2021**, respectively, were generated outside the United States. Most of our international revenue, cost of revenue and operating expenses are denominated in foreign currencies. We presently have currency exposure arising from both sales and purchases denominated in foreign currencies. Changes in exchange rates between foreign currencies and the U. S. dollar may adversely affect our operating margins. For example, if these foreign currencies appreciate against the U. S. dollar, it will be more expensive in terms of U. S. dollars to purchase inventory or pay expenses with foreign currencies. This could have a negative impact on us if revenue related to these purchases is transacted in U. S. dollars. In addition, currency devaluation can result in products that we purchase in U. S. dollars being relatively more expensive to procure than products manufactured locally. Furthermore, our local competitors in certain markets may have different purchasing models that provide them reduced foreign currency exposure compared to us. This may result in market pricing that we cannot meet without significantly lower profit on sales. We hedge some of our exposure to changes in foreign exchange rates through the use of currency forward or option contracts. Hedging foreign currencies can be risky. Certain of these hedge positions are undesignated hedges of balance sheet exposures, such as intercompany loans, and typically have maturities of less than one year. While we maintain policies to protect against fluctuations in currency exchange rates, extreme fluctuations may result in our incurring losses in some countries. There is also additional risk if the currency is not freely or actively traded. Some currencies, such as the Chinese Renminbi are subject to limitations on conversion into other currencies, which can limit our ability to hedge or to otherwise react to rapid foreign currency devaluations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results. We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates. As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue ~~from in~~ the local currency ~~services~~ substantially offsets the local currency denominated operating expenses. The translation of the financial statements of foreign operations into U. S. dollars is also impacted by fluctuations in foreign currency exchange rates, which may positively or negatively impact our results of operations. For example, in the past, several foreign currencies in which we transact business depreciated against the U. S. dollar, including the euro and the Japanese yen, which adversely affected the results of operations of our Europe and APJ segments in ~~that year~~ **the applicable periods** . In addition, the value of our equity investment in foreign countries may fluctuate based upon changes in foreign currency exchange rates. These fluctuations, which are recorded in a cumulative translation adjustment account, may result in losses in the event a foreign subsidiary is sold or closed at a time when the foreign currency is weaker than when we made investments in the country. The realization of any or all of these risks could have a significant adverse effect on our financial results. We rely on independent shipping companies for delivery of products, and price increases or service interruptions from these carriers could adversely affect our business and operating results. We rely almost entirely on arrangements with independent shipping companies, such as FedEx and UPS, for the delivery of our products from OEM suppliers and delivery of products to reseller and retail customers. Freight and shipping charges can have a significant impact on our gross margin. As a result, an increase in freight surcharges due to inflation, rising fuel cost or general price increases will have an immediate adverse effect on our margins, unless we are able to pass the increased charges to our reseller and retail customers or renegotiate terms with our OEM suppliers. In addition, in the past, carriers have experienced work stoppages due to labor negotiations with management. An increase in freight or shipping charges, the termination of our arrangements with one or more of these independent shipping companies, the failure or inability of one or more of these independent shipping companies to deliver products, or the unavailability of their shipping services, even temporarily, could have an adverse effect on our business and operating results. Because we conduct substantial operations in China, risks associated with economic, political and social events in China could negatively affect our business and operating results. A substantial portion of our IT systems operations, including a substantial portion of our IT systems support and software development operations, are located in China. In addition, we also conduct general and administrative activities from our facilities in China. Our operations in China are subject to a number of risks relating to China' s economic and political systems, including: • a government controlled foreign exchange rate and limitations on the convertibility of the Chinese Renminbi; • extensive government regulation; • changing governmental policies relating to tax benefits available to foreign-owned businesses; • the telecommunications infrastructure; • a relatively uncertain legal system; and • uncertainties related to continued economic and social reform. Our IT systems are an important part of our global operations. Any significant interruption in service, whether resulting from any of the above uncertainties, natural disasters or otherwise, could result in delays in our inventory purchasing, errors in order fulfillment, reduced levels of customer service and other disruptions in operations, any of which could cause our business and operating results to suffer. We may have higher than anticipated tax liabilities. We conduct business globally and file income tax returns in various tax jurisdictions. Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including: • changes in income before taxes in various jurisdictions in which we operate that have differing statutory tax rates; • changing tax laws, regulations, and / or

interpretations of such tax laws in multiple jurisdictions; • effect of tax rate on accounting for acquisitions and dispositions; • issues arising from tax audit or examinations and any related interest or penalties; and • uncertainty in obtaining tax holiday extensions or expiration or loss of tax holidays in various jurisdictions. **The Many jurisdictions have enacted legislation and adopted policies resulting from the Organization for Economic Co-Operation and Development has been working on the 's (" OECD ") Anti-Base Erosion and Profit Shifting Project project, which would generally grant grants additional taxing rights over profits earned by multinational enterprises to the countries in which their products are sold and services rendered. Rules adopted in response to this project would establish a global per-country minimum tax of 15 %, and the European Union has approved a directive requiring members to adopt similar provisions into their respective domestic laws. These -- The directive requires the rules would to initially become effective for fiscal years starting on or after December 31, 2023 (fiscal year 2025 for the Company). Significant details around Numerous countries have enacted legislation, or have indicated the their intent to adopt legislation, to implement certain aspects of these rules effective January 1, 2024, with general implementation of the remaining global minimum tax rules effective January 1, 2025. The OECD and implementing countries are still under formulation and expected to continue to make further revisions to the their timing around enactment remains uncertain legislation and release additional guidance.** Due to these new rules, our income tax expense could be unfavorably impacted as the legislation becomes effective in countries in which we conduct business. We will continue to monitor the pending legislation and implementation that follows by individual countries. Certain countries are evaluating their tax policies and regulations, which could affect international business and may have an adverse effect on our overall tax rate, along with increasing the complexity, burden and cost of tax compliance. Additional changes in the U. S. tax regime or in how U. S. multinational corporations are taxed on foreign earnings, including changes in how existing tax laws are interpreted or enforced, could adversely affect our business, financial condition or results of operations. We report our results of operations based on our determination of the amount of taxes owed in various tax jurisdictions in which we operate. The determination of our worldwide provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by tax authorities in various tax jurisdictions. Any adverse outcome of such review or examination could have a negative impact on our operating results and financial condition. The results from various tax examinations and audits may differ from the liabilities recorded in our financial statements and could adversely affect our financial results and cash flows. Cyberattacks or the improper disclosure or control of personal information could result in liability and harm our reputation, which could adversely affect our business. Our business is heavily dependent upon information technology networks and systems, including those of our vendors, suppliers and partners. Internal or external attacks on those networks and systems could disrupt our normal operations centers and impede our ability to provide critical products and services to our customers, subjecting us to liability under our contracts and damaging our reputation. Additionally, such attacks could compromise our, or our customers' or vendors', intellectual property or confidential information or result in fraud or other financial loss. For example, in July 2021, we announced publicly that a threat actor had gained access to our systems. That incident did not have a material impact to the business. In July 2022 and September 2023, we became aware that a sophisticated threat actor gained access to a portion of our networks and systems. After conducting a thorough review of those attacks with a leading third-party cybersecurity firm, we determined that those attacks did not have a material impact on us. Evidence indicates that the threat actor responsible for these incidents is related to, or the same as, the threat actor that previously gained unauthorized access to our systems in July 2021. **In November 2024, we were notified by a partner of one of our wholly owned subsidiaries that a different threat actor gained unauthorized access to the partner's networks and systems which contained data and information of a few of our subsidiary's customers.** In response to these threats, we engaged in remedial and preventative actions to remove the threat actor and prevent further unauthorized access to our network, analyzed the information that the threat actors accessed, enhanced our data security and governance program, added additional protective security layers and are cooperating with law enforcement authorities. While we do not believe at this time that these cyber-attacks had a material impact on our systems or operations, should new or different information come to light establishing that the intrusions are broader than now known or if additional attacks occur, it could have a broader impact on our systems and operations, and we could incur significant costs in responding to such intrusions. Our business also involves the use, storage and transmission of information about our co-workers, and customers. If any person, including any of our co-workers, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines or criminal prosecution. We have security controls for our systems and other security practices in place to protect the security of, and prevent unauthorized access to, our systems and personal and proprietary information, such as firewalls and anti-virus software, and we also provide information to our co-workers about the need to deploy security measures and the impact of doing so; however, notwithstanding our efforts to date, there are numerous sophisticated threat actors that are actively engaging in cyber-attacks that include our systems and there can be no assurance that such security measures will prevent additional improper access to our networks and systems, or access to or disclosure of, personally identifiable or proprietary information which could harm our business. We could also face legal, reputational and financial risks if we fail to protect customer and internal data from security breaches or cyberattacks. Furthermore, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. The General Data Protection Regulation (" GDPR ") in Europe, the California Consumer Privacy Act and other similar laws have resulted, and will continue to result, in increased compliance costs. Our failure to adhere to or successfully implement processes in response to these and other changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition and results of operations. Global health and economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price. Worldwide economic conditions remain uncertain due to

the persistence of inflation, elevated interest rates, market volatility as a result of political leadership in certain countries, including due to Russia's invasion of Ukraine, the **conflicts involving Israel – Hamas War and the surrounding region** and other disruptions to global and regional economies and markets. External factors, such as potential terrorist attacks, acts of war, geopolitical and social turmoil or epidemics and other similar outbreaks in many parts of the world, could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. More generally, these geopolitical, social and economic conditions could result in increased volatility in the United States and worldwide financial markets and economies. For example, increased instability may enhance volatility in currency exchange rates, cause our customers or potential customers to delay or reduce spending on our products or services, and limit our suppliers' access to credit. It could also adversely impact our ability to obtain adequate insurance at reasonable rates and may require us to incur increased costs for security measures for our domestic and international operations. We are predominantly uninsured for losses and interruptions caused by terrorism, acts of war and similar events. These uncertainties make it difficult for us and our suppliers and customers to accurately plan future business activities. The widespread outbreak of an illness or any other communicable disease, or any other public health crisis, could adversely affect our business, results of operations and financial condition. We could be negatively impacted by the widespread outbreak of an illness or any other communicable disease, ~~such as the outbreak of COVID-19 that occurred during fiscal 2020~~, or any other public health crisis that results in economic and trade disruptions, including the disruption of global supply chains. The extent of the impact of any such public health crisis on our future operational and financial performance, including our ability to execute our business strategies and initiatives in the expected time frame, could depend on future developments, including the effect on our customers and demand for our products and services; our ability to sell and provide our products and services, including as a result of travel restrictions and people working remotely; the ability of our customers to pay for our solutions; any closures of our or our customers' or partners' offices and facilities; and the impact of governmental actions or mandates imposed in response to any such public health crisis, all of which are uncertain and cannot be predicted. An extended period of global supply chain and economic disruption could materially affect our business, our results of operations, our access to sources of liquidity, the carrying value of **our goodwill and intangible assets, our financial condition and our stock price**. Part of our business is conducted outside of the United States, exposing us to additional risks that may not exist in the United States, which in turn could cause our business and operating results to suffer. We have significant international operations and presence which subjects us to risks, including: • political or economic instability; • extensive governmental regulation; • changes in import / export duties; • fluctuation in foreign currency exchange rates; • trade restrictions; • compliance with the Foreign Corrupt Practices Act ("FCPA"), U. K. bribery laws and similar laws; • difficulties and costs of staffing and managing operations in certain foreign countries; • work stoppages or other changes in labor conditions; • minimum wage increases; • difficulties in collecting accounts receivable on a timely basis or at all; • taxes; and • seasonal reductions in business activity in some parts of the world. We may continue to expand internationally to respond to competitive pressure and customer and market requirements. Establishing operations in any foreign country or region presents risks such as those described above as well as risks specific to the particular country or region. For example, periodically, we receive reports directly from co-workers, vendors and customers related to, or otherwise become aware of, potential non-compliance with our Code of Conduct and various U. S. or foreign laws, such as the FCPA, U. K. bribery laws or local anti-corruption laws. We investigate these reports and matters, report the activity to governmental authorities as required and also cooperate with investigations by U. S. and foreign law enforcement authorities. While we do not believe any of the findings of these investigations have been material to the Company to date, we take these matters seriously and activities of our employees, vendors and customers in these regions could subject us to liability, even if we do not explicitly authorize or have actual knowledge of their activities. In addition, until a payment history is established over time with customers in a new geography or region, the likelihood of collecting accounts receivable generated by such operations could be less than our expectations. As a result, there is a greater risk that reserves set with respect to the collection of such accounts receivable may be inadequate. Furthermore, if our international expansion efforts in any foreign country are unsuccessful, we may decide to cease operations, which would likely cause us to incur additional expense and loss. In addition, changes in policies or laws of the United States or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers or the expropriation of private enterprises, could reduce the anticipated benefits of our international expansion. Any actions by countries in which we conduct business to reverse policies that encourage foreign trade or investment could adversely affect our business. If we fail to realize the anticipated growth of our future international operations, our business and operating results could suffer. Increasing attention on environmental, social and governance ("ESG") matters may have a negative impact on our business, impose additional costs on us, and expose us to additional risks. Companies are facing increasing attention from investors, customers, partners, consumers and other stakeholders relating to ESG matters, including environmental stewardship, social responsibility, diversity and inclusion, racial justice and workplace conduct. In addition, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to negative investor sentiment toward the Company, which could have a negative impact on our stock price and our access to and costs of capital. We have established corporate social responsibility programs aligned with sound environmental, social and governance principles. These programs reflect our current initiatives and are not guarantees that we will be able to achieve them. Our ability to successfully execute these initiatives and accurately report our progress presents numerous operational, financial, legal, reputational and other risks, many of which are outside our control, and all of which could have a material negative impact on our business. Additionally, the implementation of these initiatives imposes additional costs on us. If our ESG initiatives fail to satisfy investors, customers, partners and our other stakeholders, our reputation, our ability to sell products and services to customers, our ability to attract or retain co-workers, and our attractiveness as an investment, business partner or acquirer could be negatively impacted. Similarly, our failure or perceived failure to pursue or

fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also have similar negative impacts and expose us to government enforcement actions and private litigation. If we are unable to maintain effective internal control over financial reporting, our ability to report our financial results on a timely and accurate basis may be adversely affected, which in turn could cause the market price of our common stock to decline. Section 404 of the Sarbanes- Oxley Act of 2002 requires our management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control structure and procedures for financial reporting. We completed an evaluation of the effectiveness of our internal control over financial reporting for fiscal year ~~2023~~ 2024, and we have an ongoing program to perform the system and process evaluation and testing necessary to continue to comply with these requirements. However, internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of the inherent limitations, misstatements due to error or fraud may occur and may not always be prevented or timely detected. We expect to continue to incur significant expenses and to devote management resources to Section 404 compliance. In the event that our management or independent registered public accounting firm determines that there is a material weakness in our internal control over financial reporting, investor perceptions and our reputation may be adversely affected, and the market price of our stock could decline. Changes to financial accounting standards may affect our results of operations and cause us to change our business practices. We prepare our financial statements to conform to generally accepted accounting principles in the United States (“GAAP”). These accounting principles are subject to interpretation by the Financial Accounting Standards Board, American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.