Risk Factors Comparison 2023-06-22 to 2022-06-23 Form: 10-K

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The following summarizes the material risks of purchasing or owning our common stock. Additional unknown risks may also adversely impact our business, operating results, and financial condition. Our business, operating results, and financial condition may be materially and adversely affected by the nature and impact of the risks discussed below, as well as additional unknown risks, in which case the trading price of our common stock could be adversely affected, and investors may lose part or all of the value of their investment. You should carefully consider the risks and uncertainties described below. We have grouped these risk factors into the following general categories: • Risks relating to economic, political, social, legislative, regulatory, **and** inflationary ~~, and health~~ factors. • Risks relating to manufacturing, the Relocation, raw materials and component supply, product development and performance, customer demand, and brand recognition. • Risks ~~related~~ **relating** to legal proceedings, product recalls, and other product liabilities. • Risks relating to intellectual property, information systems, and cybersecurity. • Risks relating to certain business matters and securities markets. Risks Relating to Economic, Political, Social, Legislative, Regulatory, **and** Inflationary ~~, and Health~~ Factors Our performance is impacted by a variety of economic, political, social, legislative, and regulatory factors. A variety of economic, political, social, legislative, and regulatory factors could materially and adversely affect our business, operating results, and financial condition. Our business may be adversely impacted by general economic conditions and consumer spending patterns. Economic uncertainty, high levels of unemployment, declines in consumer confidence and discretionary income, lack of consumer credit, increases in consumer debt levels, stock market declines, poor weather conditions, high energy prices, increased **energy and** commodity prices, **higher costs for materials and services,** high levels of tax, interest rates, inflationary conditions **, increased labor costs** , and other economic factors may adversely impact consumer spending on discretionary items and demand for our products. Economic conditions also affect governmental and budgetary policies, which may adversely affect our ability to sell our products to law enforcement, government, and military customers. Our business may be adversely impacted by political, social, and ~~other~~ **related** factors. Concerns about presidential, congressional, ~~and~~ state **, and local** elections, and legislative and public policy shifts resulting from those elections, can adversely affect ~~the~~ demand for our products. For example, demand for our products was negatively impacted by unified Republican control of the ~~Executive~~ **executive** and ~~Legislative~~ **legislative** branches of the federal government during the first two years of the Trump administration, and demand for our products may be negatively impacted by the results of the ~~2022~~ **2024** ~~congressional midterm~~ elections. In addition, speculation surrounding increased gun control at the federal, state, and local level and heightened fears of **crime and** terrorism ~~and crime~~ can affect consumer demand for our products. ~~Often, these~~ **These** concerns **often** result in an increase in near- term consumer demand for our products and subsequent softening of demand when ~~these~~ **such** concerns subside. For example, we experienced historic levels of demand for our products in parts of fiscal **2022 and** 2021 ~~and fiscal 2022~~ as a result of the impact of COVID- 19 and the social unrest experienced in the United States during the summer of **calendar year** 2020. ~~Since then, demand~~ **Demand** for our products **subsequently** ~~has begun to return~~ **returned** to more normalized levels. As a result of these significant fluctuations in demand, our operating results can vary significantly from period to period and we may build and maintain inventory levels that are significantly in excess of customer demand. Federal and state legislatures frequently consider legislation relating to the regulation of firearms, including the amendment or repeal of existing legislation. **For example, in 2022, the Bipartisan Safer Communities Act was signed into law.** Existing laws may also be affected by future judicial rulings and interpretations. ~~These possible changes~~ **Changes** to existing legislation or the enactment of new legislation may seek to restrict the makeup of a firearm, including limitations on magazine capacity; mandate the use of certain technologies in a firearm; remove existing legal defenses in lawsuits; set minimum age limits to purchase certain firearms ~~,~~ **;** or ban the sale and, in some cases, the ownership of various types of firearms and accessories. For example, **14 states and the District of Columbia restrict magazine capacity. Further,** eight states **have adopted some** ~~and the District of Columbia currently ban large capacity ammunition magazines for~~ **form** ~~use with any firearm, and a similar~~ **of so called" gun industry accountability"** ~~law~~ **laws** ~~is scheduled~~ **that attempt** to **facilitate the filing of civil lawsuits by the respective state** ~~go into effect in Washington in July 2022. Further, in 2021, New York amended its public nuisance law to allow~~ government **or** ~~agencies and~~ private individuals ~~to file civil lawsuits~~ against **certain industry participants.** ~~those involved in the sale, production, distribution, import, or marketing of firearms for failing to prevent illegal gun use, and other~~ **Other** states are considering adopting similar laws. Interest in gun control legislation among federal and state legislatures tends to intensify following significant events, such as mass shootings. If restrictive legislation or restrictive changes to existing legislation are adopted, we could find it difficult, expensive, or even impossible to comply with such legislation, which could impede our ability to develop new products and distribute existing products. In addition, gun- control activists may succeed in imposing restrictions or an outright ban on private firearm ownership or particular **firearm** models ~~of firearms~~ , such as modern sporting rifles. Such restrictions or bans could have a material adverse effect on our business, operating results, and financial condition. In addition to ~~the~~ **these** matters ~~addressed above~~ , which are largely beyond our control, demand for our products may also be adversely impacted by shortages of ammunition since potential purchasers of our products may choose not to purchase our products unless supplies of ammunition to use with our products are available. Since we do not manufacture ammunition, the supply of ammunition is beyond our control. Our business is subject to extensive regulation. Firearms Compliance. Our business, as well as the business of all manufacturers and marketers of firearms and firearm parts, is subject to numerous federal, state, local, and foreign laws, regulations, and protocols, including the rules and regulations of the ATF. If we fail to comply with ATF rules and regulations, the ATF may limit our activities or growth, fine us, or, ultimately, put us out of business. The manufacture, sale, and purchase of firearms are subject to extensive federal, state, and local governmental regulation. The primary federal laws are the National Firearms Act of 1934, or NFA, the Gun Control Act of 1968, or GCA, and the Firearms Owners' Protection Act of 1986, ~~or FOPA,~~ which have been amended from time to time. The NFA severely restricts the private ownership of fully automatic weapons and heavily regulates other firearms defined in that law and accompanying regulations, including firearm suppressors. The GCA places certain restrictions on the interstate sales of firearms, among other things. Most of our products are governed by **the** U. S. Department of Commerce and are regulated by **the** Department of Commerce' s Bureau of Industry and Security ~~, or BIS,~~ under the Export Administration Regulations ~~, or EAR~~ . Certain of our products are governed by the U. S. Department of State and are subject to the International Traffic in Arms Regulations ~~, or ITAR~~ . We are **generally** required to obtain U. S. government authorization for exports, including licensure or other similar authorization prior to engaging in international transactions. The U. S. Government has discretion as to whether to grant a license. In addition, Congress may block a proposed sale of firearms that are export controlled by the Department of State valued at $ 1 million or more. Consequently, we may not be able to obtain export licenses ~~,~~ or ~~to~~ complete profitable contracts as a result of political or other reasons that are ~~outside~~ **beyond** our control. Failure to receive required licenses or authorizations, or the termination or suspension of our export privileges, could have a material adverse effect on our business, operating results, and financial condition. Export control laws also impact who is ~~allowed~~ **permitted** to work in our facilities in most positions. Further, because our manufacturing process includes certain toxic, flammable, and explosive chemicals, we are subject to the Chemical Facility Anti- Terrorism Standards, as administered by the Department of Homeland Security, which requires that we take additional reporting and security measures related to our manufacturing process. In addition to federal requirements, state and local laws and regulations may place additional restrictions or prohibitions on firearm ownership and transfer. These laws and regulations vary significantly from jurisdiction to jurisdiction. Some states or other governmental entities have enacted, and others are considering, legislation restricting or prohibiting the ownership, use, ~~or~~ sale **, or importation** of certain categories of firearms, firearm suppressors, ammunition, ammunition feeding devices, or all of these products **. For example, in 2023, Washington became the tenth state to adopt restrictions on the sale of modern sporting rifles** . Several states require internal or external locking mechanisms for firearms sold in their jurisdictions. Some states mandate, or are considering mandating, certain design features based on **perceived** safety or other grounds. Such legislation could have a material adverse effect on our business, operating results, and financial condition. ~~In particular,~~ California maintains a roster of handguns that are certified for sale in the state. From time to time, certain of our products have been removed from the roster (meaning that they can no longer lawfully be sold by retailers) and certain of our products may be removed from the roster in the future. Finally, our ability to sell our products in international markets is impacted by local laws, rules, and regulations in those markets. For example, ~~we may not be able to sell handguns~~ in **2022,** Canada ~~if~~ **adopted** a ~~proposed national~~ freeze on the sale **, purchase, or transfer** of handguns ~~in~~ **within** Canada ~~were to be adopted~~ . Existing industry protections may be repealed or affected by judicial rulings. For example, the Protection of Lawful Commerce in Arms Act of 2005, or the PLCAA, was enacted by Congress in 2005 in order to protect firearms manufacturers and dealers from liability when their legally manufactured and lawfully sold products are later used in criminal acts. The PLCAA (or the state law equivalent of the PLCAA) could be repealed ~~or~~ **,** amended, ~~and legislation has been introduced in Congress to repeal the law. The PLCAA (~~ or ~~the state law equivalent of the PLCAA) may also be~~ affected by future judicial rulings and interpretations. If the PLCAA (or the state law equivalent of the PLCAA) were repealed, amended, or reinterpreted, ~~firearms~~ **firearm** manufacturers could face a significant increase in litigation, which could have a material adverse effect on our business, operating results, and financial condition. Environmental Compliance. We are subject to numerous federal, state, and local laws that regulate or otherwise relate to the protection of the environment, including the Clean Air Act, the Clean Water Act, CERCLA, and the Solid Waste Disposal Act, as amended by RCRA. CERCLA and RCRA and related state laws subject us to the potential obligation to remove or mitigate the environmental effects of the disposal or release of certain pollutants at our manufacturing facilities and at third- party or formerly owned sites at which contaminants generated by us may be located. We have incurred and expect to continue to incur expenditures in order to comply with these requirements. Further, we may become subject to governmental proceedings and orders pertaining to waste disposal, air emissions, and water discharges. We may not have identified all existing contamination on our properties, and our operations may cause contamination in the future. As a result, we could incur additional costs to clean up contamination that exceed the amount of our reserves, and our reserves may increase from time to time. Furthermore, it is not possible to predict with certainty the impact on us of future environmental compliance requirements or the cost to satisfy future regulatory proceedings and claims. We could also be adversely affected by future laws and regulations related to climate change, including laws related to greenhouse gas emissions. These laws and regulations could lead to increased environmental compliance costs and increased energy and raw materials costs, in addition to other impacts. Employment and Occupational Health and Safety Compliance. We are subject to a number of employment and occupational health and safety laws and regulations, including the Fair Labor Standards Act and the Occupational Safety and Health Act and the rules and regulations promulgated thereunder, that could significantly increase our operating costs and reduce our operational flexibility. Corruption Compliance. The Foreign Corrupt Practices Act of 1977, or FCPA, and local anti-corruption laws, among other things, prohibit companies and their intermediaries from making improper payments to government officials for the purpose of influencing official decisions. Our efforts to comply with the FCPA, or other applicable anti- corruption laws and regulations, may cause us to limit our international business activities, or result in reducing or impeding our sales growth in numerous foreign countries. Further, our internal control policies and procedures, or those of our vendors, may not adequately protect us from reckless or criminal acts committed or alleged to have been committed by our employees, agents, or vendors. Any such violations could lead to civil or criminal monetary and non- monetary penalties and / or could damage our reputation. Privacy Compliance. Changing privacy laws in the United States (where, among others, the California Consumer Privacy Act became effective in 2020 and its successor, the California Privacy Rights Act, **became** ~~which~~

~~will be~~ effective January 1, 2023), Europe (where the General Data Protection Regulation became effective in 2018), and elsewhere have created new individual privacy rights, imposed increased obligations on companies handling personal data, and increased potential exposure to fines and penalties. Compliance with laws, regulations, and other requirements, including **, but not limited to,** those discussed above, is costly and time consuming, and our failure to comply could cause us to incur fines and penalties, lead to restrictions on our ability to manufacture and sell our products and services, or **otherwise negatively** impact our ability to import or export the products that we sell. In addition, these laws, regulations, and other requirements may change or be applied or interpreted in ways that will require us to modify our products, subject us to enforcement risk, expose us to reputational harm, or impose on, or require us to incur, additional costs, including substantial compliance costs, which may materially and adversely affect our business, operating results, and financial condition. We face risks associated with international activities. Our foreign sales and purchases of certain components expose us to various economic, political, and other risks, including the following: • compliance with U. S. and local laws and regulatory requirements, including adverse changes in those laws and requirements; • transportation delays or interruptions ~~and other effects of less developed infrastructures~~ ; • foreign exchange rate fluctuations; • limitations on imports and exports; • imposition of restrictions on currency conversion or the transfer of funds; • the possibility of appropriation of our assets without just compensation; • taxes, tariffs, and duties; • the burdens and costs of compliance with a variety of foreign laws; and • political or economic instability in countries in which we conduct business, including possible terrorist acts. Any one or more of these risks could materially and adversely affect our business, operating results, and financial condition. We are exposed to protectionist trade restrictions, including tariffs and potential trade laws. The federal government has, at times, put in place tariffs and other trade restrictions with respect to other countries, including limiting trade and imposing tariffs on imports from foreign countries. In addition, other countries have, at times, threatened or put in place ~~retaliatory~~ tariffs of their own. We are currently subject to tariffs on certain of our products. Protectionist trade restrictions, such as changes in tariff structures, export or import compliance laws, or other trade policies in the United States or foreign countries could reduce our ability to sell our products in foreign markets, the ability of foreign customers to purchase our products, and our ability to import products, components, and raw materials from foreign suppliers. Tariffs that result in increased costs or adversely impact the availability of imported products, components, or raw materials used in the production of our products could materially and adversely impact our business, operating results, and financial condition. In particular, increased input costs may require us to increase the prices of our products, which may result in lower demand for our products or lower gross margins on such products if we are unable to increase the price of ~~such~~ **those** products to our customers. In addition, the imposition of tariffs on products that we export to international markets could make those products more expensive compared to those of our competitors if we pass the additional costs on to our customers, which may also adversely impact our business. Rising inflation **has adversely affected us, and** may **continue to** adversely affect us **,** by increasing ~~costs of materials~~ - **material** , labor, and other costs beyond what we can recover through price increases. Inflation can adversely affect us by increasing ~~the costs of materials~~ - **material** , labor, and other costs required to operate and grow our business. Many of the markets in which we sell our products, including our primary market in the United States, ~~are~~ **have experienced, and continue to** ~~experiencing~~ **experience** high levels of inflation, which **we believe have depressed, and** may **continue to** depress **,** consumer demand for our products and **have reduced, and may continue to** reduce **,** our profitability ~~if we are unable to raise prices enough to keep up with increases in our costs~~ . **For example, in response to** ~~Inflationary~~ **inflationary** pressures **, we** have ~~resulted in~~ **increased the rate of pay for certain of our hourly job categories and have experienced** increases in the cost of certain of the components, parts, raw materials, and other supplies necessary for the production of our products, and such increases may continue to impact us in the future. Because we typically purchase these supplies based on short- term commitments from our suppliers, we are exposed to risks associated with significant levels of cost inflation. If we are unable to increase our prices to offset the effects of inflation, our business, operating results, and financial condition could be materially and adversely affected. ~~Our business has been, and will continue to be, impacted by the coronavirus, or COVID- 19. The impact of COVID- 19 continues to evolve. The virus was declared a pandemic by the World Health Organization in 2020. The impact of this pandemic has been, and will likely continue to be, extensive in many aspects of society, which has resulted in, and could continue to result in, significant disruptions to the global economy, as well as businesses and capital markets around the world. The facilities of certain of our contract manufacturers and other suppliers are subject to the same and additional risks, especially since some of them are located in Europe and India, where the pandemic remains a significant concern. COVID- 19 has impacted our operations and financial performance to varying degrees and the extent of its effect on our operational and financial performance in future periods will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration, scope, and severity of the pandemic (including due to new variants, such as Omicron), the actions taken to contain or mitigate its impact (including the distribution and effectiveness of vaccines), and the direct and indirect economic effects of the pandemic and related containment measures and government responses, among others. For example, we have incurred additional costs to address the pandemic, including costs associated with paid leave and additional cleaning, disinfectants, and sanitation materials for our employees and at our facilities, and have experienced challenges staffing our operations at times primarily as a result of the impact of certain government programs, including the COVID- 19 Temporary Emergency Paid Sick Leave Program in Massachusetts. A reduction or interruption in any of our manufacturing processes could adversely impact us. Our business has been, and will continue to be, impacted by COVID- 19, and these impacts may materially and adversely affect our business, operating results, and financial condition.~~ Risks Relating to Manufacturing, the Relocation, Raw Materials and Component Supply, Product Development and Performance, Customer Demand, and Brand Recognition We must continue to introduce new products that are successful in the marketplace. Our success depends on our ability to continue to conceive, design, produce or source, and market in a timely manner a continuing stream of innovative new products that appeal to consumers, achieve market acceptance, and drive customer satisfaction and loyalty. The development of new products is a lengthy and costly process. Any new products that we develop and introduce to the marketplace may be unsuccessful in achieving customer or market acceptance or may achieve success that does not meet our expectations for a variety of reasons, including delays in introduction, unfavorable cost comparisons with alternative products, unfavorable customer or consumer acceptance, and unfavorable performance. Our business, operating results, and financial condition could be materially and adversely affected if we fail to introduce new products that consumers want to buy or we incur significant expenses related to proposed new products that prove to be unsuccessful for any reason. We are subject to risks associated with the ~~relocation of our principal offices. On September 30, 2021, we announced our plan to relocate our headquarters and significant elements of our operations to Maryville, Tennessee in 2023, or the~~ Relocation. In connection with the Relocation, we ~~will~~ **are** ~~build~~ **building** a new facility in ~~Tennessee~~ **Maryville** and **will relocate** our corporate headquarters, some of our Springfield, Massachusetts manufacturing operations, a portion of our Deep River, Connecticut plastic injection molding operations, and our Columbia, Missouri distribution operations **to Maryville. While we expect to complete the majority of these relocation activities during fiscal 2024, we anticipate that certain activities, such as the relocation of a portion of our Connecticut plastic injection molding operations,** will **not** be ~~relocated to Tennessee~~ **completed until fiscal 2025** . There are a number of significant risks associated with the Relocation, including the following: • we may not complete the Relocation during the expected timeframe or within our anticipated budget **and have already experienced significant increases in the cost of construction of our Maryville facility** ; • we may not have adequate cash resources, borrowing capacity, or other forms of available consideration at favorable terms that would enable us to pay for the Relocation; • a portion of our cash flows from operations **have been, and** will **continue to** be **,** dedicated to funding the Relocation **and have not been,** and will not be **,** available for other purposes; • we may not meet the spending, headcount, and wage commitments that we are required to meet in order to receive certain governmental incentives associated with the Relocation; • we may experience changes in federal, state, and local laws and regulations that prevent or delay the Relocation from proceeding or increase the cost of the Relocation; • we **incurred, and** may **continue to** incur **,** capital expenditures for the Relocation in excess of our expected capital expenditures; and • we may not effectively transition our workforce as part of the Relocation, in which case we could experience business disruption as a result of a loss of historical knowledge and a lack of business continuity. We have experienced, and expect to continue to experience, increased turnover and challenges in recruiting additional employees and retaining existing employees. In particular, we may be unable to recruit employees with the requisite skills to work at our **Maryville** ~~future Tennessee~~ facility, and we may struggle to recruit and retain employees to work in our existing facilities that are being impacted by the Relocation, namely, our facilities in **Springfield** ~~Massachusetts, Missouri,~~ and ~~Connecticut~~ **Deep River** . Any one or more of these risks could cause us to fail to realize the expected benefits of the Relocation. In addition, ~~we anticipate that~~ the Relocation ~~will~~ **has** ~~require~~ **required** a substantial commitment of our management' s time and attention **and we anticipate that it will continue to do so** , which may materially and adversely affect our day- to- day business activities. Our operating facilities are critical to our success, and we may incur business disruptions. We operate in only four facilities **,** and our success depends on our ability to efficiently operate each facility. We currently produce most of our products at our Springfield ~~, Massachusetts~~ facility. This facility also currently houses our principal research, development, engineering, design, sales, ~~marketing,~~ finance, and management functions. We frequently make certain changes in our manufacturing operations to modernize the facility and associated equipment and systems as a result of the age of the facility and the continued need to introduce certain efficiencies in manufacturing and other processes in order to produce our anticipated volume of products in a more efficient and cost- effective manner. We anticipate that we will continue to incur significant capital and other expenditures with respect to the facility, but we may not be successful in continuing to improve efficiencies. A disruption of the operation of this facility would adversely affect our ability to produce many of our products and ~~to provide service~~ -- **serve** ~~to~~ our customers. **In recent years,** ~~Substantially~~ **substantially** all of our products ~~are currently~~ **have been** distributed from our **Columbia** distribution center **. As part of the Relocation, we will be moving our distribution operations to our new facility** in **Maryville. The** Columbia ~~, Missouri. This~~ facility **has included, and the new Maryville facility will** ~~includes~~ - **include,** computer controlled and automated equipment, which ~~are~~ **is** complex and may be subject to a number of risks related to security or computer viruses, the proper operation of software and hardware, electronic or power interruptions, and other system failures. Our ability to successfully operate ~~the~~ **our** ~~facility~~ **facilities** depends on numerous factors, including the proper design of the ~~facility~~ **facilities** , the ability to employ an adequate number of skilled workers to operate the ~~facility~~ **facilities** , the design and operation of computer controlled and automated systems, the design of software systems to operate the ~~facility~~ **facilities** , and the integration of the ~~facility~~ **facilities** into our ERP system. Difficulties or delays in performing any of these critical tasks could negatively impact our operating results, and a disruption of the operation of ~~this~~ **these** ~~facility~~ **facilities** would adversely affect our ability to distribute our products to our customers. We also depend on our Houlton ~~, Maine~~ facility, which is used primarily as a machining facility for our firearms, as well as **for** the manufacturing of all of our handcuffs and restraints, and our Deep River ~~, Connecticut~~ facility, which is used primarily for custom plastic injection molding services, rapid prototyping, and tooling. A disruption in the activities of these facilities could adversely affect our firearm manufacturing operations. The operations at our facilities may be interrupted or impaired by various operating risks, including, but not limited to, risks associated with the following: • catastrophic events, such as fires, floods, earthquakes, explosions, natural disasters, severe weather, including hurricanes, tornados and droughts, and pandemics, including COVID-19, or other similar occurrences; • interruptions in the delivery of raw materials or other manufacturing inputs; • adverse government regulations; • equipment breakdowns or failures; • prolonged power failures; • unscheduled maintenance outages; • telecommunication and information system disruptions or failures due to any number of causes, including cyber- attacks; • violations of our permit or licensing requirements or revocation of permits or licenses; • releases of pollutants and hazardous substances; • disruptions in transportation infrastructure, including roads, bridges, railroad tracks, and tunnels; • human errors; • criminal acts; • shortages of equipment and spare parts; and • labor shortages and disputes. Business disruptions may impair our production and distribution capabilities and materially and adversely affect our business, operating results, and financial condition. The casualty and business interruption insurance that we maintain may not be adequate to protect us from the types and amounts of losses we may incur or from the adverse effects that may be caused by disruptions in our operations, such as the long- term loss of customers or an erosion of our brand image. We rely on our supply chain for our production and any interruptions in these arrangements could disrupt our ability to fill our customers' orders. We utilize contract manufacturers for a portion of our production requirements, particularly during periods of very high customer demand, in order to increase our manufacturing capacity and reduce our capital expenditures for facilities that may not always operate at peak capacity. Qualifying new contract manufacturers is time consuming and may result in unforeseen disruptions in our manufacturing and operations. The loss of our relationships with our contract manufacturers or their inability to conduct their services for us as anticipated in terms of capacity, cost, quality, and timeliness could adversely affect our ability to fill customer orders in accordance with required delivery, quality, and performance requirements. If this were to occur, the resulting decline in net sales could harm our business. The ability of our suppliers to effectively satisfy our production requirements could be impacted by their financial difficulty or various operating risks, including catastrophic events, pandemics such as COVID- 19, terrorist attacks, ~~and~~ natural disasters, interruptions in the delivery of raw materials or other manufacturing supplies, adverse government regulations, or equipment breakdowns or failures. The failure of any supplier to perform to our expectations could result in supply shortages or delays for certain products and product components and harm our business. If we experience significantly increased demand for our products, or if we need to replace an existing supplier, we may be unable to supplement or replace our production capacity on a timely basis or on terms that are acceptable to us, which may increase our costs, reduce our profitability, and harm our ability to deliver our products on time. For certain of our products, it may take a significant amount of time to identify and qualify a supplier that has the capability and resources to meet our product specifications in sufficient volume and satisfy our service and quality control standards. A number of factors related to our suppliers are beyond our control, including political and economic instability in the countries in which they operate, their financial and managerial instability, their failure to meet our standards or production deadlines, their lack of adequate quality control, problems they encounter with production capacity, their labor problems, the availability of raw materials, product quality issues, currency exchange rates, transport availability ~~and~~ **,** cost, inflation, and other factors. Although we have insurance to cover potential loss from most of our suppliers for these events, we could experience losses in excess of our insured limits and any claims for various losses could be denied. In addition, failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could have a material adverse effect on us, as well as require additional resources to restore our supply chain. The capacity of our contract manufacturers to produce our products also depends upon the cost and availability of raw materials. Our contract manufacturers and other suppliers may not be able to obtain sufficient supply of raw materials, which could result in delays in deliveries of our products by our manufacturers or increased costs. Any shortage of raw materials or inability of a manufacturer to produce or ship our products in a timely manner, or at all, could impair our ability to ship orders of our products in a cost- efficient, timely manner and could cause us to miss the delivery requirements of our customers. As a result, we could experience cancellations of orders, refusals to accept deliveries, or reductions in our prices and margins, any of which could harm our financial performance, reputation, and operating results. We have occasionally received, and may receive in the future, product deliveries from suppliers that fail to conform to our quality control standards. In such circumstances, our inability to utilize those products in production could have a negative effect on our net sales and increase our administrative and shipping costs if we are unable to obtain replacement products in a timely manner. We may be unable to forecast demand for our products accurately. We often schedule internal production and place orders for product components and raw materials with third- party suppliers before receiving firm orders from our customers. Demand for our products can vary significantly from period to period. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products to deliver to our customers. Factors that could affect our ability to accurately forecast demand for our products include the following: • our failure to accurately forecast customer acceptance of new products; • an increase or decrease in consumer demand for our products or ~~for the~~ **our competitors'** products ~~of our competitors~~ ; • new product introductions by competitors; • our relationships with customers; • general market conditions and other factors, which may result in **order** cancellations ~~of orders~~ or **changes** ~~a reduction or increase~~ in the rate of reorders placed by customers; • general market conditions, economic conditions, and consumer confidence levels, which could reduce demand for discretionary items, such as our products; and • the domestic political environment, including debates over the regulation of various consumer products related to our industry. **Internal** ~~Inventory~~ **inventory** levels in excess of customer demand may result in inventory write- downs and the sale of excess inventory at discounted prices, which could have a material adverse effect on our business, operating results, and financial condition. **Inventory levels in excess of consumer demand within our distribution channel may also impact our ability to sell our internal inventory. For example, inventory levels in the distribution channel were elevated for much of fiscal 2023 as our customers adjusted to more normal levels of demand following the historic levels of demand for our products in parts of fiscal 2022 and 2021, which we believe resulted in lower than anticipated net sales of our internal inventory in fiscal 2023.** If we underestimate demand for our products, we and our third- party suppliers may not be able to produce products to meet customer demand, and this could result in delays in the shipment of products and lost net sales, as well as damage to our reputation and customer relationships. Our business, operating results, and financial condition could be materially and adversely impacted if we are unable to forecast demand for our products accurately. We may fail to align our capacity with demand for our products. From time to time, we have been capacity constrained and have been unable to satisfy on a timely basis the demand for some of our products. **We** ~~Recently, we~~ believe that we have improved our manufacturing productivity by adding capacity, increasing daily production quantities, increasing operational availability of equipment, reducing machinery down time, extending machinery useful life, ~~and~~ increasing manufacturing efficiency **, and contracting with suppliers to obtain additional finished parts** . Future significant increases in demand for our products, if any, may require us to further expand our manufacturing capacity, particularly through the purchase of additional manufacturing equipment and the addition of manufacturing space, and we may not be able to increase our capacity in time to satisfy these increases. Capacity constraints may prevent us from satisfying customer orders and result in a loss of market share to competitors that are not capacity constrained. At other times, we may suffer excess capacity and increased overhead costs, particularly if we increase our capacity to meet actual or anticipated demand, which decreases or does not materialize. Our business, operating results, and financial condition could be materially and adversely impacted if we fail to align our capacity with demand for our products. Shortages of and price increases for components, parts, raw materials, and other supplies may delay or reduce our sales and increase our costs. Although we manufacture most of the components for our firearms, we purchase certain components and parts from third parties, including bolt carriers, rifle receivers, magazines, slides, small parts, barrels, and rifle stocks. We also purchase ammunition for product testing. Most of the major suppliers for our products are U. S.- based and provide materials, components, and parts, such as raw steel, polymer components, and metal- injected- molded components. We have become increasingly dependent on a small number of key vendors that supply components and parts for our firearms as a result of our decision to increase our manufacturing flexibility by using third parties that can supplement our internal capacity to better react to changes in market conditions. We also use numerous raw materials, including steel, wood, lead, brass, and plastics, that we purchase from third- party suppliers to produce and test our products. The price of these raw materials may fluctuate substantially, depending on a variety of factors, including demand, weather, supply conditions, transportation costs, energy prices, work stoppages, government regulation, environmental protection, and other unpredictable factors. Any and all of these factors may be exacerbated by global climate change. Inflationary pressures have resulted in increases in the cost of certain of the components, parts, raw materials, and other supplies necessary for the production of our products, and such increases may continue to impact us in the future. In addition, uncertainties related to governmental fiscal policies, including increased duties, tariffs, or other trade restrictions, could result in an increase in the price of components, parts, raw materials, and other supplies we purchase from third- party suppliers. In an inflationary environment, we may be unable to raise the price of our products sufficiently to keep up with the rate of inflation, which would reduce our profitability and cash flows. Our inability to obtain sufficient quantities of components, parts, raw materials, and other supplies from independent sources necessary for the production of our products could result in reduced or delayed sales or lost orders. Any delay in or loss of sales could materially and adversely impact our operating results. Many of the components, parts, raw materials, and other supplies used in the production of our products are available only from a limited number of suppliers. In most cases, we do not have long- term supply contracts with these suppliers. As a result, we could be subject to increased costs, supply interruptions, and difficulties in obtaining materials and finished products. Our suppliers also may encounter difficulties or increased costs in obtaining the materials necessary to produce the components and parts that we use in our products. The time lost in seeking and acquiring new sources of supply or our inability to locate alternative sources of supply of comparable quality at an acceptable price, or at all, could negatively impact our net sales and profitability. Our business is highly dependent upon our brand recognition and reputation. We believe that maintaining a high level of brand recognition and a strong reputation are critical to our success, particularly with respect to retaining existing customers and attracting new customers. We anticipate that our advertising, marketing, public relations, and promotional efforts will increase in the foreseeable future as we continue to seek to enhance our brand recognition and ~~the~~ consumer demand for our products. Historically, we have relied on print and electronic media advertising to increase consumer awareness of our brands to increase purchasing intent and conversation. We expect that we will increasingly rely on other forms of media advertising, including social media and digital marketing. Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our advertising, marketing, public relations, and promotional programs. These brand promotion activities may not be effective, and their efficacy will depend on a number of factors, including our ability to ~~do the following~~ : • determine the appropriate creative message and media mix and markets for advertising, marketing, and promotional expenditures; • select the appropriate markets, media, and specific media vehicles in which to advertise; • identify the most effective and efficient level of spending in each market, media, and specific media vehicle; and • effectively manage marketing costs, including creative and media expenses, in order to maintain acceptable customer acquisition costs. Increases in the pricing of one or more of our marketing and advertising channels could increase our marketing and advertising expenses or cause us to choose less expensive, but possibly less effective, marketing and advertising channels. If we implement new marketing and advertising strategies, we may incur significantly higher costs than our current costs, which in turn could materially and adversely affect our operating results. Implementing new marketing and advertising strategies also could increase the risk of devoting significant capital and other resources to endeavors that do not prove to be cost effective. We also may incur marketing and advertising expenses significantly in advance of the time we anticipate recognizing revenue associated with such expenses, and our marketing and advertising expenditures may not generate sufficient levels of brand awareness and conversation or result in increased net sales. Even if our marketing and advertising expenses result in increased net sales, the increase might not offset our related expenditures. If we are unable to maintain our marketing and advertising channels on cost- effective terms or replace or supplement existing marketing and advertising channels with similarly or more effective channels, our marketing and advertising expenses could increase substantially, our customer base could be adversely affected, and our business, operating results, financial condition, and reputation could suffer. Consumers are increasingly using online platforms to learn about firearms , and we face pressure to reach our customers through social media platforms. We plan to continue to expand our brand recognition and product loyalty through social media and our websites, with generation of original content. These efforts are intended to yield greater traffic to our websites and increase our consumer demand. We are subject to de- platforming, whereby our ability to share information on social platforms or websites could be blocked, limiting our ability to reach our customers. In addition, we may determine that certain of our products and brands benefit from endorsements and support from particular sporting enthusiasts, athletes, or other celebrities, and those products and brands may become personally associated with those individuals. As a result, sales of the endorsed products could be adversely affected if any of those individuals' images, reputations, or popularity were to be negatively impacted. Also, in 2021, we were one of a number of companies that received a notice from the **Federal Trade Commission, or** FTC **,** concerning deceptive or unfair conduct around endorsements and testimonials, which recommended that we take any steps necessary to ensure that our practices do not violate the law. Our internal policies and procedures may not adequately protect us from inappropriate acts committed or alleged to have been committed by our employees or social media partners, in which case we could be exposed to penalties and other sanctions by the FTC or other regulatory bodies. Poor product quality or performance, or defects in our products, could harm us. We believe that the value of our brand depends, in part, on the value consumers place on the quality of our products. Poor product quality or performance could adversely impact the value of our brand and materially and adversely impact our business, operating results, and financial condition. In particular, we have experienced manufacturing and design issues with respect to certain of our firearms and have initiated product recalls and safety alerts in the past ~~,~~ and may experience similar issues in the future, which may result in the initiation of product recalls and safety alerts in the future. For example, in October 2021, we issued a safety recall notice for certain of our new M & P 12 shotguns that were manufactured prior to October 15, 2021 ~~and, in January 2022, a purported class action matter was filed against us in Illinois related to the recall~~ . Based on the volume of products we have shipped into the market, any future recalls, safety alerts, or product liability claims could result in us incurring significant warranty, support, and repair costs. Such incidents could harm our reputation, damage the value of our brands, and cause us to lose business, all of which could materially and adversely affect our business, operating results, and financial condition. We generally provide a limited one- year warranty and a lifetime service policy to the original purchaser of our new firearm products. We face intense competition. We operate in highly competitive consumer markets. Our competitors include major domestic and international companies. Competitive conditions could result in pricing pressures, lower sales, reduced profitability, and lower market share. Some of our competitors may have greater financial, technical, marketing, distribution, and other resources and, in certain cases, may have lower cost structures than we have that may afford them competitive advantages. As a result, they may be able to devote greater resources to the promotion and sale of products, negotiate lower prices on raw materials and components, deliver competitive products at lower prices, and introduce new products and respond to customer requirements more effectively and quickly than we can. **Nearly all of our competitors are privately held, which may give them certain competitive advantages. For example, these competitors may be less focused on maintaining high levels of profitability, which may give them more flexibility to compete aggressively on price.** Competition is primarily based on innovation, quality, reliability, durability, price, performance, consumer brand awareness, and customer service and support. Our inability to compete in one or more of these areas could materially and adversely impact our business, operating results, and financial condition. We may be unsuccessful in making and integrating mergers, acquisitions, and investments, and completing divestitures. We may seek to acquire, invest in, or sell companies, assets, or businesses, or enter into joint ventures with third parties. We may not be able to identify suitable targets or purchasers or successfully complete suitable transactions in the future, and completed transactions may not be successful. These transactions create risks, including the following: • disrupting our ongoing business, including distracting management from our existing businesses; • integrating acquired businesses and personnel into our business, including integrating information technology systems and operations across different cultures and languages ~~,~~ and addressing the economic, political, and regulatory risks associated with specific countries; • working with partners or other ownership structures with shared decision- making authority; • obtaining and verifying relevant information regarding a business prior to the consummation of the transaction, including the identification and assessment of liabilities, claims, or other circumstances that could result in litigation or regulatory risk exposure; • obtaining required regulatory approvals and financing on favorable terms; • retaining key employees, contractual relationships, and customers; • the potential impairment of assets; • the additional operating losses and expenses of businesses we acquire or in which we invest; • incurring substantial indebtedness to finance an acquisition or investment; • implementing controls, procedures, and policies at companies we acquire; and • the dilution of interests of holders of our common stock through the issuance of equity securities. Mergers, acquisitions, investments, and divestitures may not be successful and may materially and adversely affect our business, operating results, and financial condition. Among the benefits we expect from potential, as well as completed, acquisitions and joint ventures are synergies, cost savings, growth opportunities, or access to new markets (or a combination thereof) and, in the case of divestitures, the realization of proceeds from the sale of businesses and assets to purchasers that place higher strategic value on these businesses and assets than we do. ~~In~~ **We intend to commence a process in fiscal** ~~2021~~ **2024** ~~, we announced our~~ **or** ~~intention~~ **2025** to dispose of the external customer portion of our plastic injection molding business located in our Deep River ~~, Connecticut~~ facility. We may not identify a suitable purchaser of the business or realize sale proceeds that meet our expectations even if we are able to complete a sale transaction. We may have difficulty collecting amounts owed to us. Certain of our customers have experienced, and may in the future experience, credit- related issues. We perform ongoing credit evaluations of customers, but these evaluations may not be completely effective. We generally grant payment terms to most customers ranging from 20 to 60 days and do not generally require collateral. Should more customers than we anticipate experience liquidity issues, or if payment is not received on a timely basis, we may have difficulty collecting amounts owed to us by such customers and our business, operating results, and financial condition could be materially and adversely impacted. For **fiscal 2023, sales to two of our customers exceeded 10. 0 % of our net sales, and** ~~the~~ **three** ~~year ended April 30,~~ **of our customers together accounted for approximately 39. 4 % of our accounts receivable. For fiscal** 2022, sales to one **of our customers exceeded 10. 0 % of our net sales, and two of our customers together accounted for approximately 36. 8 % of our accounts receivable. For fiscal 2021, four** of our customers exceeded 10 % of our net sales and **together** ~~two of our customers accounted for approximately 36. 8 % of our accounts receivable. For the fiscal year ended April 30, 2021, four of our customers exceeded 10 % of our net sales and~~ accounted for approximately 28. 4 ~~% of our accounts receivable. For the fiscal year ended April 30, 2020, four of our customers exceeded 10 % of our net sales and accounted for approximately 42. 2~~ % our accounts receivable. Liability insurance coverage is expensive and may be difficult to obtain at commercially reasonable rates, or at all. Our insurance policies are subject to periodic review by our insurers and may not be renewed at all or on similar or favorable terms. Because we manufacture and sell firearms, a number of insurance carriers have decided in the past, and may decide in the future, not to insure us. For example, in recent years **, including in fiscal 2023** , certain insurance carriers chose either to cancel our insurance coverage or not to submit proposals to insure us in areas such as auto, general liability, and products liability insurance, among others. In addition, if we or other firearm manufacturers sustain significant losses or make significant insurance claims, our ability to obtain future insurance coverage at commercially reasonable rates could be materially and adversely affected. For example, our ability to obtain liability insurance on commercially reasonable terms ~~may be~~ **has been** adversely impacted by the $ 73 million settlement that was announced in ~~February~~ 2022 between insurance carriers representing Remington Outdoor Company and plaintiffs in the Soto v. Bushmaster Firearms International, LLC case. Our liability insurance costs were $ **7. 8 million, $** 8. 3 million, **and** $ 5. 9 million ~~, and $ 3. 9 million~~ in fiscal **2023,** 2022, **and** 2021 ~~, and 2020~~ , respectively. An inability to obtain liability insurance, significant increases in the cost of insurance we obtain, or losses in excess of our liability insurance coverage, could have a material adverse effect on our business, operating results, and financial condition. In fiscal 2020, we established a wholly owned captive insurance company to help mitigate these risks, but our funding of the insurance company may not adequately cover the cost of claims against us, if any. Risks ~~Related~~ **Relating** to Legal Proceedings, Product Recalls, and Other Product Liabilities We are subject to lawsuits and governmental investigations and inquiries. We are vigorously defending ourselves in a number of lawsuits. As a result of these or future lawsuits, we may have to pay significant damages or amounts in settlement above insurance coverage. An unfavorable outcome or prolonged litigation could materially and adversely impact our business, operating results, and financial condition. Defending litigation of this nature is also expensive and time consuming and may divert the time and attention of our management. Our products expose us to potential product liability, warranty liability, and personal injury claims, as well as litigation relating to the use or misuse of our products. These include allegations of defects in manufacturing and design, failure to warn of inherent dangers in the product itself or activities associated with the product, product performance issues, and negligence and strict liability. In addition, we could be subject to future litigation arising out of the criminal misuse of our firearms. If successful, such claims could have a material adverse effect on our business, operating results, and financial condition. Although we maintain product liability insurance in amounts that we believe are reasonable, we may not be able to maintain such insurance on acceptable terms, if at all, and product liability claims may exceed the amount of insurance coverage available to us. Because we manufacture and sell firearms, insurance carriers may decide not to insure our products or our company in the future. In addition, our reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about our products. Due to the nature of our products, we anticipate that we will continue to be involved in litigation, including product liability cases and claims in the future. We have been and may continue to be subject to governmental investigations and inquiries. Such investigations and inquiries could subject us to various sanctions, including significant civil and criminal penalties, the indictment of our company or various of our officers and employees, our being prevented from bidding on domestic military and government contracts, restriction by the U. S. Government, including by the U. S. Department of State or U. S. Department of Commerce on exporting our products, private civil litigation arising out of the outcome of the investigations or inquiries, the diversion of time and attention of our management from normal business operations, and a negative impact on the perception of our company by investors, customers, and others. For example, in 2020 the office of the attorney general of New Jersey issued **us** a subpoena ~~to us~~ requesting certain business records as part of an investigation into potential violations of the New Jersey Consumer Fraud Act **and** ~~. In addition~~ , in ~~April~~ 2022, certain gun control ~~groups~~ **activists** submitted a petition to the FTC suggesting that the FTC investigate and regulate our industry' s alleged unfair and deceptive advertising **. Also in 2022, the U. S. House of Representatives Committee on Oversight and Reform issued us a subpoena requesting certain business records as part of an investigation into certain firearm manufacturers, including us** . Responding to inquiries and investigations, including through litigation, is time consuming and costly, may disrupt our ongoing business and distract management from operating our business, and may expose us to litigation, including claims raised by private plaintiffs. Our business involves the potential for product recalls and product liability and other claims against us. As a distributor of non- firearm consumer products, such as handcuffs, we are subject to the U. S. Consumer Products Safety Act of 1972, as amended by the Consumer Product Safety Improvement Act of 2008, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous, and similar laws under foreign jurisdictions. Under certain circumstances, the Consumer Products Safety Commission or comparable foreign agency could require us to repurchase or recall one or more of our products. Additionally, other laws and agencies regulate certain consumer products sold by us and more restrictive laws and regulations may be adopted in the future. Any repurchase or recall of our products could be costly and damage our reputation. If we were required to remove, or we voluntarily remove, our products from the market, our reputation could be tarnished, and we might have large quantities of finished products that we could not sell. We also face exposure to product liability claims in the event that one of our products is alleged to have resulted in property damage, bodily injury, or other adverse effects. In addition to the risk of substantial monetary judgments, fines, or penalties that may result from any governmental investigations, product liability claims, or regulatory actions, such events could result in negative publicity that could harm our reputation, adversely impact the value of our brands, and result in an increase in the cost of producing our products. Similar to product liability claims, we face exposure to class action lawsuits related to the performance, safety, or advertising of our products. Such class action lawsuits could result in substantial monetary judgments, injunctions related to the **marketing and** sale of products, and potentially harm our reputation. In fiscal 2020, we formed a wholly owned captive insurance company, which provides product liability insurance to us and our subsidiaries. The product liability insurance that we carry is, in most cases, subject to large self- insured retentions for which we are responsible, and we may not be able to maintain such insurance on acceptable terms, if at all. Further, product liability claims may exceed the amount of insurance coverage available. As a result, product recalls or product liability claims could have a material adverse effect on our business, operating results, and financial condition. In addition, we face other types of litigation arising out of alleged defects in our products or otherwise, such as class action lawsuits. ~~We do~~ **Our insurance may** not ~~maintain insurance that will~~ cover us in connection with ~~two~~ **a** purported class action ~~matters~~ - **matter** ~~that were~~ filed against us in 2022. Further, ~~we do~~ **our insurance may** not **cover certain** ~~maintain insurance against many types of~~ claims involving alleged defects in our products that do not involve personal injury or property damage. Our product liability insurance program is an occurrence- based program based on our current and historical claims experience and the availability and cost of insurance. Our future product liability experience may not be consistent with our past experience and future claims and awards may substantially impact the costs of our insurance programs in the future. We produce or source and sell products that create exposure to potential product liability, warranty liability, and personal injury claims and litigation. Some of our products involve or are used in applications and situations that involve risk of personal injury and death. Our products expose us to potential product liability, warranty liability, personal injury claims, and litigation relating to the use or misuse of our products, including allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product or activities associated with the product, negligence, and strict liability. If successful, such claims could have a material adverse effect on our business. In addition, defects in our products could reduce demand for our products and result in a decrease in sales and market acceptance and damage to our reputation. Components used in our products may contain undetected defects that are subsequently discovered at any point in the life of the product. In addition, we obtain many of our finished products and product components from third- party suppliers and may not be able to detect defects in such products or components until after they are sold. Defects in our products may result in a loss of sales, recall expenses, delay in market acceptance, damage to our reputation, and increased warranty costs, which could have a material adverse effect on our business, operating results, and financial condition. Risks Relating to Intellectual Property, Information Systems, and Cybersecurity We may be unable to protect our intellectual property or obtain the right to use intellectual property from third parties. Our success depends, in part, on our ability to protect our intellectual property. We rely on a combination of patents, copyrights, trade secrets, trademarks, trade dress, customer records, monitoring, brand protection services, confidentiality agreements, and other contractual provisions to protect our intellectual property, but these measures may provide only limited protection. Our failure to enforce and protect our intellectual property rights or obtain the right to use necessary intellectual property from third parties may lead to our loss of trademark and service mark rights, brand loyalty, and notoriety among our customers and prospective customers. The scope of any intellectual property to which we have or may obtain rights may not prevent others from developing and selling competing products. In addition, our intellectual property may be held invalid upon challenge, or others may claim rights in, or ownership of, our intellectual property. Moreover, we may become subject to litigation with parties that claim, among other things, that we infringed their patents or other intellectual property rights. The defense and prosecution of patent and other intellectual property claims are costly and time- consuming and could materially and adversely affect our business, operating results, and financial condition. Patents may not be issued for the patent applications that we have filed or may file in the future. Our issued patents may be challenged, invalidated, or circumvented, and claims of our patents may not be of sufficient scope or strength, or issued in the proper geographic regions, to provide meaningful protection or any commercial advantage. We have registered certain of our trademarks and trade dress in the United States and other countries. We have also recorded certain of our registered trademarks with customs officials in the United States and other countries. We may be unable to enforce existing, or obtain new, registrations of ~~principle or other~~ trademarks in key markets. Our failure to obtain or enforce such registrations could compromise our ability to protect **our trademarks and brands** fully ~~our trademarks and brands~~ and could increase the risk of challenges from third parties to our use of our trademarks and brands. In addition to intellectual property that we own, some of our products and services may use or include intellectual property owned by third parties. As a result, it may be necessary in the future to seek or renew licenses relating to various aspects of our products, processes, and services. We may be unable to obtain or renew such licenses in the future on reasonable terms or at all. In the past, we did not consistently require our employees and consultants to enter into confidentiality agreements, employment agreements, or proprietary information and invention agreements. Therefore, our former employees and consultants **, and certain of our current employees,** may try to claim some ownership interest in our intellectual property and may use our intellectual property competitively and without appropriate limitations. In addition, our acquired businesses may not have consistently required their employees and consultants to enter into confidentiality agreements, employment agreements, or proprietary information and invention agreements. Claims by such individuals may affect our business, operating results, and financial condition. We may incur substantial expenses and devote significant resources in prosecuting others for their unauthorized use of our intellectual property rights. We may become involved in litigation regarding patents and other intellectual property rights. Other companies, including our competitors, may develop intellectual property that is similar or superior to our intellectual property, duplicate our intellectual property, or design around our patents and may have or obtain patents or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, or sell our products. Effective intellectual property protection may be unavailable or limited in some foreign countries in which we sell products or from which competing products may be sold. Unauthorized parties may attempt to copy or otherwise use aspects of our intellectual property and products that we regard as proprietary. Our means of protecting our proprietary rights in the United States or abroad may prove ~~to be~~ inadequate **,** and competitors may be able to independently develop similar intellectual property. If our intellectual property protection is insufficient to protect our intellectual property rights, we could face increased competition in the markets for our products. Should any of our competitors file patent applications or obtain patents that claim inventions also claimed by us, we may choose to participate in an interference proceeding to determine the right to a patent for these inventions because our business would be harmed if we fail to enforce and protect our intellectual property rights. Even if the outcome is favorable, this proceeding could be costly and disrupt our business. We **have filed lawsuits, and** may file **additional** lawsuits **in the future,** to enforce our intellectual property rights, protect our trade secrets, or determine the validity and scope of the proprietary rights of others. This litigation, whether successful or unsuccessful, could be costly and divert valuable resources, which could materially and adversely impact our business, financial condition, and results of operation. Interruptions in the proper functioning of our information systems or other issues with our ERP systems could disrupt our operations. We rely on our information systems to manage our business, data, communications, supply chain, ordering, pricing, billing, inventory replenishment, accounting functions, and other processes. Our systems are subject to damage or interruption from various sources, including computer and telecommunications failures, computer viruses, cyber security breaches, attacks by hackers and other breaches, introduction of malware or ransomware, phishing attacks, denial of service attacks, blocking of authorized service attacks, vandalism, severe weather conditions, power outages, catastrophic events, terrorism, and human error, and our disaster recovery planning cannot account for all eventualities. If our systems are damaged, fail to function properly, or otherwise become compromised or unavailable, we may incur substantial costs to repair or replace them, and we may experience loss of critical data and interruptions or delays in our ability to perform critical functions, which could materially and adversely affect our business, operating results, and financial condition. Our information technology systems require periodic modifications, upgrades, and replacement that subject us to costs and risks, including potential disruption to our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel or outside firms to implement and operate existing or new systems, and other risks and costs of delays or difficulties in transitioning to new or modified systems or of integrating new or modified systems into our current systems. In addition, challenges implementing new or modified technology systems may cause disruptions in our business operations and have an adverse effect on our business operations if not anticipated and appropriately mitigated. We operate our business utilizing SAP, which is a fully integrated ERP system. We continue to implement various modules and additional usages of SAP, including in connection with the Relocation. Any new implementations or usages of SAP, including those related to the Relocation, could result in a significant disruption to our business, and any disruption could materially and adversely impact our business, operating results, and financial condition. In addition, utilizing SAP has required and will continue to require significant resources and refinement to fully realize the expected benefits of the system. We are subject to cyber- security risks, including risks related to customer, employee, vendor, and other company data. We use information technologies to securely manage operations and various business functions. We rely on various technologies, some of which are managed by third parties, to process, transmit, and store electronic information. In addition, we facilitate a variety of business processes and activities, including reporting on our business and interacting with customers, vendors, and employees. We also collect and store data, including proprietary business information, and may have access to confidential or personal information that is subject to privacy and security laws, regulations, and customer- imposed controls. Our systems are subject to recurring attempts by third parties to access information, manipulate data, or disrupt our operations. Despite our security design and controls and those of our third- party providers, we have in the past experienced, and may in the future become subject to, system damage, disruptions, or shutdowns due to any number of causes, including cyber- attacks, data breaches, employee error or malfeasance, power outages, telecommunication or utility failures, systems failures, service provider failures, natural disasters, or other catastrophic events. The cyber- security- related vulnerabilities that we face may also remain undetected for an extended period of time. We maintain contingency plans and processes to prevent or mitigate the impact of these events; however, these events could result in operational disruptions or the misappropriation of sensitive data and, depending on their nature and scope, could lead to the compromise of confidential information, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes, operational disruptions, and exposure to liability. Such disruptions or misappropriations and the resulting repercussions, including **, but not limited to,** reputational damage and legal claims or proceedings, may materially and adversely affect our business, operating results, and financial condition. Risks Relating to Certain Business Matters and Securities Markets Our operating results may involve significant fluctuations. Various factors contribute to significant periodic and seasonal fluctuations in our operating results. These factors may include the following: • market acceptance of our products, including new products; • market acceptance and new product introductions by our competitors; • the timing of large domestic and international orders; • cancellation of existing orders; • changes in our sales mix; • the cost of new product introductions; • problems with our supply chain; • the volume of customer orders relative to our capacity; • timing of expenditures in anticipation of future customer orders; • effectiveness in managing production processes and costs; • transportation disruptions; • changes in cost and availability of labor and finished products, product components, and raw materials; • ability to manage inventory and inventory obsolescence; • pricing and other competitive pressures; • the effects of climate change; • changes or anticipated changes in economic, political, social, legislative, regulatory, inflationary, and health factors; • a material change in federal or state income tax regulations; • the outcome of any litigation; • adverse publicity surrounding our products, the safety of our products, or the use of our products; • changes in amount and or timing of our operating expenses; and • changes in laws and regulations that may affect the marketability of our products. As a result of these and other factors, we believe that period- to- period comparisons of our operating results may not be meaningful in the short term and our performance in a particular period may not be indicative of our performance in any future period. For example, we experienced historic levels of demand for our products in parts of fiscal ~~2020~~ **2022 and** ~~, fiscal~~ 2021 ~~, and fiscal 2022~~ as a result of the impact of COVID- 19 and the social unrest experienced in the United States during the summer of **calendar year** 2020, which positively impacted our operating results. As overall market demand ~~has~~ returned to more ~~normalized~~ ---- **normal** levels **late in fiscal 2022** , year- over- year comparisons of our operating results ~~have~~ **, particularly during fiscal 2023,** ~~become~~ **became** ~~, and may continue to become,~~ more challenging and **less** ~~may not be~~ meaningful ~~in the short term~~ . The ~~market~~ **trading** price of our common stock has fluctuated widely in the past and may fluctuate widely in the future. The ~~market~~ **trading** price of our common stock has fluctuated widely in the past and may fluctuate widely in the future. For example, the trading price of our common stock closed at $ 35. 40 per share on July 1, 2021 and closed at $ 13. 73 on April ~~30~~ **29** , **the final trading day of our fiscal** 2022. Many factors could affect the ~~market~~ **trading** price of our common stock, including the following: • variations in our operating results; • the relatively small public float of our common stock; • introductions of new products and services by us or our competitors; • the performance of our customers; •

changes in the estimates of our operating performance or changes in recommendations by any securities analysts that follow our stock; • general economic, social, political, and market conditions and consumer spending patterns; • governmental policies and regulations; • investor reaction to news events; • lack of investor interest in a firearm business; • the general performance of the markets in which we participate; and • factors relating to suppliers and competitors. In addition, market demand for small-capitalization stocks like ours, and price and volume fluctuations in the stock market unrelated to our performance, could result in significant fluctuations in the market price of our common stock. The performance of our common stock could adversely affect our ability to raise equity in the public markets and adversely affect the growth of our business. **We are subject to risks related to corporate social responsibility and the growth in ESG investing. The growing integration of environmental, social, and governance, or ESG, factors in making investment decisions is relatively new, and frameworks and methods used by investors for assessing ESG policies are not fully developed and vary considerably among the investment community. We have recently expanded our public disclosures related to ESG issues both in documents filed with the SEC, and through the publication of other relevant materials. Our disclosures or lack of disclosures, in addition to ESG disclosure criteria established by third parties, may impact our reputation. For example, public perception, including among our stakeholders, may depend, in part, on the policies and procedures we adopt and the disclosures we make, whether or not we meet third party ESG disclosure requirements (including those related to human rights) that the ESG investment community deems relevant, and whether we are perceived to fail to act responsibly in the areas on which we report. The subjective nature and wide variety of methods and processes used by stakeholders, including investors, to assess companies on ESG criteria could result in a negative perception about our ESG- related policies and practices or a misrepresentation of our policies and practices. If our stakeholders feel that we are failing to achieve progress with respect to ESG factors, or if we fail to meet ESG disclosure criteria set by third parties, our ability to attract and retain employees; the willingness of third parties to do business with us; investors' willingness or ability to purchase or hold our securities; or our ability to access capital, could be impacted, any of which could materially and adversely impact our business, operating results, and financial condition. Further, ESG investing (also called sustainable investing, socially responsible investing, or impact investing) continues to grow in popularity and attract significant amounts of capital. Managers of these investments may screen out companies in certain sectors (such as the firearm industry) and otherwise exercise broad discretion in determining whether to invest in certain sectors or individual companies. The trading price of our common stock may be adversely impacted by the growth of ESG investing, including if such growth results in more investors choosing not to invest in our common stock or divesting from investments in our common stock.** Actions of social activists could cause us to incur substantial costs and divert management' s attention and our resources. We have been, and may be in the future, subject to informal private or public inquiries and formal proxy proposals by activists urging us to take certain corporate actions, many of which we believe may not be **in the** ~~aligned with our~~ best interests **of our company or our stockholders. For example, in recent years, certain activists have submitted stockholder proposals requesting that our board of directors adopt a human rights policy** . These activities may adversely affect our business in a number of ways, ~~since~~ **and** responding to inquiries or proposals can be costly, time consuming, and disruptive to our operations and could meaningfully divert the attention of our resources, including those of our management team and our employees. For example, in response to these activities, we **have engaged, and** may ~~be required to~~ engage **in future** third- party service professionals, including legal, financial, and communications advisors, to advise us, which ~~could~~ **has been, and may continue to** be **,** costly. In addition, certain stockholder inquiries and proposals could create perceived uncertainties or concerns as to our future operating environment, legislative environment, strategy direction, or leadership, and could (i) result in the loss of potential business opportunities; (ii) harm our ability to attract or retain investors, customers, and employees; (iii) harm or disrupt our business and financial relationships; (iv) result in consumer boycotts of our products; and (iv) cause the trading price of our common stock to experience periods of decline, volatility, or stagnation. ~~For example, activists~~ **Activists** have pressured and may continue to pressure our financial institutions, insurance carriers, customers, vendors, or other businesses and institutions with whom we maintain relationships to cease doing business with us or adopt actions that are not in ~~our~~ **the** best interests **of our company or our stockholders** , inconsistent with the legal operation of our business, or contrary to the beliefs of our core consumers. **Our** ~~In addition, our~~ reputation could be damaged if our core consumers believe that we have adopted the gun control agenda of certain activists. Finally, the actions of social activists may strengthen our competitors, particularly those that are privately held and not subject to these types of gun ~~-~~control ~~-~~focused stockholder activism. The actions of social activists could materially and adversely impact our business, operating results, and financial condition. Our ability to operate our business efficiently may be adversely impacted if service providers refuse to work with us. In recent years, gun control activists have sought to engineer boycotts of firearm products by service providers to our industry ~~.~~ **,** ~~Certain~~ **certain** ~~service providers~~ **of which** have announced plans to discriminate against companies involved with the firearm industry. For example, some financial institutions and insurance companies no longer provide certain services to firearm manufacturers. Gun control ~~groups~~ **activists** have also targeted credit card companies and trucking and logistics companies, among others. ~~In May 2022, a group of U. S. Senators delivered an information request to a number of trucking and logistics companies seeking information about firearm shipment data.~~ Further ~~, in recent years~~ , certain law firms have announced that they will no longer provide services to firearm manufacturers, and **in 2022,** we **were** ~~have been~~ notified by ~~certain~~ **a** law ~~firms~~ - **firm with which we had maintained a long-term relationship** that ~~they will~~ **it would** no longer provide legal services to us. If **additional** service providers refuse to work with us, we would need to locate alternative service providers, which may adversely impact the delivery of important services to us and increase our costs. Further, we may be unable to locate suitable alternative service providers. The refusal of service providers to work with us could have a material adverse effect on our business, operating results, and financial condition. We operate in a challenging market for talent and may fail to attract, motivate, train, and retain qualified personnel, including key personnel. Our success depends on our ability to attract, motivate, train, and retain employees with the skills necessary to understand and adapt to the continuously developing needs of our customers. The increasing demand for qualified personnel makes it more difficult for us to attract and retain employees with requisite skill sets, particularly employees with specialized technical and trade experience. Changing demographics and labor work force trends also may result in a loss of knowledge and skills as workers with more tenure and experience retire. The market for both hourly workers and professional workers ~~was~~ **has been** particularly challenging in ~~fiscal 2022~~ **recent years** . In certain locations where we operate, the demand for labor has exceeded the supply of labor, resulting in higher **labor** costs. Despite our focused efforts to attract and retain employees, we experienced ~~higher~~ attrition rates in fiscal 2022 **and 2021 that were higher than our historical rates** , resulting in higher operating costs at some of our facilities in the form of **higher wages and** higher levels of overtime pay. We believe that the Relocation was a significant contributing factor to these higher rates of attrition ~~in fiscal 2022~~ , as certain employees, particularly those based in our Springfield ~~, Massachusetts~~ headquarters and Deep River ~~, Connecticut~~ facility, left **our employment** to work for employers that will allow them to continue working near their homes or to work remotely. We expect that the market for both hourly workers and professional workers will remain challenging at least through fiscal ~~2023~~ **2024** and that the Relocation **, which will require qualified employees in a new location,** will continue to adversely impact our hiring and retention efforts **in fiscal 2024** . In addition to challenges associated with a competitive labor market, we may also struggle to identify qualified candidates who are comfortable or enthusiastic to work for a firearm business. If we fail to attract, motivate, train, and retain qualified personnel, or if we experience excessive turnover, we may experience declining sales, manufacturing delays or other operating inefficiencies, increased recruiting, training, and relocation costs, or other difficulties, and our business, financial condition, and results of operations may be materially and adversely impacted. We rely on key executive and management personnel to manage our business efficiently and effectively. The loss of these employees, particularly during a challenging market for attracting and retaining employees, could materially and adversely affect our business, financial condition, and results of operations. Nevada law could make it more difficult for a third party to acquire us and discourage a takeover. We are incorporated in Nevada. Certain provisions of Nevada law and our articles of incorporation and bylaws make it more difficult for a third party to acquire us and make a takeover more difficult to complete, even if such a transaction were in our stockholders' interest or might result in a premium over the ~~market~~ **trading** price for the shares held by our stockholders. We identified a material weakness in our internal control over financial reporting in the past and may identify material weaknesses in our internal control over financial reporting in the future that could result in material misstatements in our financial statements. In fiscal 2020, we identified a material weakness in our control over financial reporting that was remediated in fiscal 2021. A material weakness is defined as a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company' s annual or interim financial statements might not be prevented or detected on a timely basis. If our remedial measures related to the material weakness that we identified in fiscal 2020 are insufficient to address the material weakness, or if additional material weaknesses in our internal control are discovered or occur in the future, our financial statements may contain material misstatements and we could be required to restate our financial statements. The AOUT spin- off could result in substantial tax liability to us and our stockholders. We received opinions of tax advisors substantially to the effect that, for U. S. Federal income tax purposes, the **AOUT** spin- off and certain related transactions qualify for tax- free treatment under certain sections of the Internal Revenue Code. However, if the factual assumptions or representations made by us in connection with the delivery of the opinions are inaccurate or incomplete in any material respect, including those relating to the past and future conduct of our business, we will not be able to rely on the opinions. Furthermore, the opinions are not binding on the IRS or the courts. If, notwithstanding receipt of the opinions, the spin- off transaction and certain related transactions are determined to be taxable, we would be subject to a substantial tax liability. In addition, if the spin- off transaction is taxable, each holder of our common stock who received shares of AOUT in connection with the spin- off would generally be treated as receiving a taxable distribution of property in an amount equal to the fair market value of the shares received. Even if the spin- off otherwise qualifies as a tax- free transaction, the distribution would be taxable to us (but not to our stockholders) in certain circumstances if future significant acquisitions of our stock or the stock of AOUT are deemed to be part of a plan or series of related transactions that included the spin- off. In this event, the resulting tax liability could be substantial. In connection with the spin- off, we entered into a tax matters agreement with AOUT, pursuant to which AOUT agreed to not enter into any transaction that could cause any portion of the spin- off to be taxable to us without our consent and to indemnify us for any tax liability resulting from any such transaction. In addition, these potential tax liabilities may discourage, delay, or prevent a change of control of us. 32