Risk Factors Comparison 2024-05-28 to 2023-06-06 Form: 10-K

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You should carefully consider the following risks and all other information included in this report. The risks and uncertainties described below and elsewhere in this report are not the only ones facing our business. If any of the following risks were to actually occur, our business, financial condition or results of operations would likely suffer. Macroeconomic and Business Risks Adverse changes in economic and market conditions, including ~~rising~~ **an ongoing** ~~inflation~~ **inflationary environment** , or uncertainty about future market conditions, may result in increased costs of operations and negatively impact the credit and securities markets generally, which could have a material adverse effect on our results of operations and the market price of our common stock. Our results of operations and the implementation of our business strategy could be materially and adversely affected by general conditions in the U. S. and global economy, including financial and economic conditions that are outside of our control. We are subject to risks arising from adverse changes in general economic market conditions, including supply chain delays or interruptions, labor shortages, wage pressures, ~~rising~~ **the ongoing** ~~inflation~~ **inflationary environment, changes in interest rates** , volatility in the banking industry, geopolitical events **, political instability** , global health crises, including epidemics and pandemics **,** such as the COVID- 19 pandemic, or interruptions and other force majeure events. Inflation has ~~accelerated~~ **persisted** in the **United States** ~~U. S.~~ and globally due in part to **geopolitical events** ~~global supply chain issues~~ , a rise in energy prices, and strong consumer demand. An inflationary environment can increase our cost of labor as well as our energy and other operating costs which may have a material adverse impact on our financial results. In addition, economic conditions could impact and reduce the number of customers who purchase our products or services as credit becomes more expensive or unavailable. Although interest rates have increased and ~~are expected~~ **may continue** to increase ~~further~~ **or remain relatively high for a sustained period** , inflation may continue. Further, ~~increased~~ **uncertainty resulting from interest rate policy or changes to** interest rates **in the future** could have a negative effect on the securities markets generally which may, in turn, have a material adverse effect on the market price of our common stock. Further, uncertainty about future economic conditions could negatively affect our current and prospective customers causing them to delay purchase of services or test and measurement instruments. Poor economic conditions could materially and adversely impact our business, financial condition, operating results and cash flows. ~~The impact of widespread public health crises, pandemics or other epidemics is difficult to predict and could materially and adversely affect our business and results of operations. Any adverse widespread public health developments in locations where we conduct business, as well as any governmental restrictive measures implemented to control such outbreaks and consumer responses to such outbreaks, could have a material adverse impact on our business and results of operations. These impacts, which are highly uncertain and cannot be accurately predicted, could be significant and long term. Further, any actions taken to mitigate any health crises could lead to an economic recession. For example, the COVID- 19 pandemic and the efforts to control it caused significantly increased economic uncertainty, inflationary pressure in the U. S. and globally, supply chain disruptions, volatility in the capital markets, a decline in consumer confidence, changes in consumer behavior, significant economic deterioration, and an increasingly competitive labor market. The ultimate impact of the COVID- 19 pandemic or any other widespread public health crisis on our business and results of operations will depend on, among other things, the severity and length of the health crisis, the duration, effectiveness and extent of the mitigation measures and actions designed to contain the outbreak, the emergence, contagiousness and threat of new and different strains of the disease, the availability and efficacy of vaccines and effective treatments, public acceptance of vaccines and treatments for the disease, if any, changes in customer and consumer behavior as a result of the crisis, as well as the resulting economic conditions and how quickly and to what extent normal economic and operating conditions resume, all of which are highly uncertain. Such extraordinary events and their aftermaths can cause investor fear and panic, which could further materially and adversely affect our operations, the economies in which we operate, and the financial markets generally in ways that cannot necessarily be predicted. The effects of the COVID- 19 pandemic, or any future public health crisis, and mitigation measures taken in response, could have a material and adverse impact on our business and results of operations and may amplify many of the other risk factors disclosed elsewhere in this" Item 1A. Risk Factors."~~ The industries in which we compete are highly competitive, and we may not be able to compete successfully. Within our Service segment, we provide calibration services and compete in an industry that is highly fragmented and is composed of companies ranging from internationally recognized and accredited corporations to non- accredited sole proprietors, resulting in a tremendous range of service levels and capabilities. Also, within our Service segment, we provide compliance services and compete in an industry that is composed of both small local and regional service providers and large multi- national companies who are also OEMs. Within our Service segment, some of our larger competitors may have broader service capabilities and may have greater name recognition than us. Some manufacturers of the products we sell may also offer calibration and compliance services for their products. Within our Distribution segment, we compete with numerous companies, including several major manufacturers and distributors **to make product sales** . Most of ~~our~~ **the** products **we sell** are available from several sources and our customers tend to have relationships with several distributors. Competitors in the product distribution industry could also obtain exclusive rights to market particular products, which we would then be unable to market. Manufacturers could also increase their efforts to sell directly to end- users and bypass distributors like us. Industry consolidation among distributors, the unavailability of products, whether due to our inability to gain access to products or interruptions in supply from manufacturers, or the emergence of new competitors could also increase competition and adversely affect our business or results of operations. In each of the industries in which we compete, some of our competitors have greater financial and other resources than we do, which could allow them to compete more successfully. In the future, we may be unable to compete successfully and competitive pressures may reduce our sales .We face significant competition in our Distribution segment,including from suppliers and web- based distributors **,to make product sales and to source products** .We may not be able to compete successfully.We face substantial and increased competition throughout the world,especially in our Distribution segment.The competition is changing,with certain of our vendors engaging directly with customers and web- based distributors ~~continuing to be a presence with~~ increasing their market share.Some of our competitors are much larger than us.Changes in the competitive landscape pose new challenges that could adversely affect our ability to compete.Entry or expansion of other vendors into this market may establish competitors that have larger customer bases and substantially greater financial and other resources with which to pursue marketing and distribution of products.Their current customer base and relationships,as well as their relationships and ability to negotiate with manufacturers,may ~~also~~ provide them with a competitive advantage.Additionally, **if** our vendors ~~who decide to~~ sell directly to customers, **they** may choose ~~to~~ not to sell to us or to **do so** ~~provide products to us~~ on less favorable and more costly terms, ~~any of~~ which could have a material and adverse impact on our results of operations.If we are unable to effectively compete with our current and future competitors,our ability to sell products could be harmed and ~~could result in a negative~~ **negatively** impact ~~on~~ our Distribution segment.Any erosion of our competitive position could have a material adverse effect on our **business,results of operations,and financial condition** . Our Service segment has a concentration of customers in the life science and other FDA- regulated ~~and~~ **businesses, as well as the** industrial manufacturing **, aerospace, defense, energy and utilities** industries. A number of our Service segment customers operate ~~in the~~ life science, pharmaceutical **, biotechnology, medical device** and other FDA- regulated ~~or~~ **businesses. We also serve the** industrial manufacturing **, energy and utilities, chemical manufacturing, aerospace and defense** industries. This concentration of our customer base affects our overall risk profile, since a significant portion of our customers would be similarly affected by changes in economic, political, regulatory, and other industry conditions. An abrupt or unforeseen change in conditions in these industries could adversely affect customer demand for our services, which could have a material adverse effect on our financial results . We face significant competition in our...... results of operations, and financial condition . Any impairment of goodwill or intangible assets could negatively impact our results of operations. Our goodwill and intangible assets are subject to an impairment test on an annual basis and are also tested whenever events and circumstances indicate that goodwill and / or intangible assets may be impaired. Any excess goodwill and / or indefinite- lived intangible assets value resulting from the impairment test must be written ~~–~~off in the period of determination. Intangible assets (other than goodwill and indefinite- lived intangible assets) are amortized over the useful life of such assets. In addition, ~~from time to time,~~ we may **record goodwill when we** acquire or make an investment in a business ~~that will require us to record goodwill~~ based on the purchase price and the value of the acquired tangible and intangible assets. We may subsequently experience unforeseen issues with the businesses we acquire, which may adversely affect the anticipated returns of the business or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets for ~~such~~ **the** business. Future determinations of significant write- offs of goodwill or intangible assets because of an impairment test or any accelerated amortization of other intangible assets could have a material negative impact on our results of operations and financial condition. Tariffs imposed by the **United States** ~~U. S.~~ and other countries, as well as changing trade relations, **regional and international conflicts, and political conditions** could have a material adverse effect on our business and results of operations. Changes in **United States** ~~U. S.~~ and foreign governments' trade policies **, as well as volatility caused by regional and international conflicts, such as the conflict between Russia and Ukraine, Israel and Hamas, and the political climate in the United States, China, and Taiwan,** have resulted in, and may continue to result in, tariffs on imports into and exports from the **United States** ~~U. S~~. Tariffs on certain products can increase our costs of doing business. If we are unable to recover these costs, our profit margins may be negatively impacted. Diminished trade relations **, conflicts** between the **United States** ~~U. S.~~ and other countries, **and** ~~as well as~~ any escalation of tariffs ~~,~~ could have a material adverse effect on our financial performance and results of operations. **Negative publicity and other reputational harm could impact the value of our brand and materially and adversely affect our business and results of operations. Negative publicity and other reputational harm relating to events or activities attributed to us, our policies, our employees or others associated with us, whether or not justified, may tarnish our reputation and reduce the value of our brand. Additionally, disclosure of our corporate governance practices, such as our environmental, social and governance initiatives, may draw negative publicity from our shareholders and other stakeholders. If our brand is negatively impacted, we may lose existing customer relationships, which would reduce our sales and negatively impact our results of operations and financial condition, and we may be unable to attract and retain key personnel, which would negatively impact our prospects. The impact of widespread public health crises, pandemics or other epidemics is difficult to predict and could materially and adversely affect our business and results of operations. Any adverse widespread public health crises in locations where we conduct business, as well as any measures implemented to control these events, could have a material adverse impact on our business and results of operations. Further, any actions taken to mitigate any health crises could lead to an economic recession. Such extraordinary events, like the COVID- 19 pandemic, and their aftermath can cause investor fear and panic, which could further materially and adversely affect our operations, the economies in which we operate, and the financial markets generally in ways that cannot be predicted, but may amplify many of the other risk factors disclosed elsewhere in this" Item 1A. Risk Factors."** Risks Related to Acquisitions We may not successfully integrate business acquisitions. We completed **three acquisitions during fiscal year 2024 and** four acquisitions during fiscal year 2023 **. We have a robust** and ~~three~~ **diverse acquisition pipeline and may complete additional** acquisitions **in the future** ~~during fiscal year 2022~~ . If we fail to accurately assess and successfully integrate any recent or future business acquisitions, we may not achieve the anticipated benefits, which could result in lower revenues, unanticipated operating expenses, reduced profitability and dilution of our book value per share. ~~Successful~~ **Successfully** ~~integration~~ - **integrating** ~~of~~ acquisitions involves many challenges, including: ● The difficulty of integrating acquired operations and personnel with our existing operations; ●

~~Implementation~~ --- **Implementing** or ~~remediation~~ - **remediating** ~~of~~ controls, procedures, and policies at the acquired company; ● ~~Integration~~ - **Integrating** of the acquired company' s accounting and other administrative systems; ● In the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries; ● Currency and regulatory risks associated with operations in foreign countries; ● The difficulty of developing and marketing new products and services; ● **Diverting** ~~The diversion of our~~ management' s attention **while** ~~as a result of~~ evaluating, negotiating and integrating acquisitions; ● Our exposure to unforeseen liabilities of acquired companies; and ● The **potential** loss of key employees of an acquired operation. In addition, an acquisition could adversely impact cash flows and / or operating results, and dilute shareholder interests ~~,~~ for many reasons, including: ● Charges to our income to reflect the impairment of acquired intangible assets, including goodwill; ● Contingent consideration payments; ● Agreements to provide indemnification for certain potential liabilities; ● Interest costs and debt service requirements for any debt incurred in connection with an acquisition or new business venture; and ● Any issuance of securities in connection with an acquisition or new business venture that dilutes or lessens the rights of our current shareholders. If the integration of any or all of our acquisitions or future acquisitions is not successful, it could have a material adverse impact on our operating results and stock price. Our future business acquisition efforts may not be successful, which may limit our growth or adversely affect our results of operations, and financing ~~of any~~ future acquisitions could result in shareholder dilution and / or increase our leverage. Business acquisitions are an important part of our growth strategy. If we identify an appropriate acquisition candidate, we may not be able to successfully negotiate terms or finance the acquisition. If economic downturns or other matters of national or global concern continue for an extensive period of time or recur, our ability to pursue and consummate potential acquisitions could be materially adversely affected. In addition, to successfully complete targeted acquisitions, we may issue additional equity securities that could dilute our ~~stockholders~~ **shareholders** ' ownership, or we may incur additional debt, which ~~could~~ **would** increase our leverage and our risk of default under our existing credit facility. If we fail to successfully acquire businesses, our growth and results of operations could be materially and adversely affected **. The indemnification provisions of acquisition agreements by which we have acquired companies or may, in the future, acquire companies may not fully protect us and as a result we may face unexpected liabilities. Certain of the acquisition agreements by which we have acquired companies or may, in the future, acquire companies generally require the former owners to indemnify us against certain liabilities related to the operation of the company before we acquired it. In most of these agreements, however, the liability of the former owners is limited, and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure you that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial results** . Operational Risks Cybersecurity incidents could adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information and / or damage to our business relationships, all of which could negatively impact our business, results of operations or financial condition. We rely extensively on information technology (" IT ") systems, some of which are provided by third parties, to support our business activities, including for orders and the storage, processing and transmission of our electronic, business- related, information assets used in or necessary to conduct business. The data we store and process may include customer payment information, personal information concerning our employees, confidential financial information and other types of sensitive business- related information. Numerous and evolving cybersecurity threats pose potential risks to the security of our IT systems, networks and services, as well as the confidentiality, availability and integrity of our data. Some of our office personnel work in remote environments which may exacerbate various cybersecurity risks to our business, including an increased risk of phishing and other social engineering attacks, and an increased risk of unauthorized dissemination of sensitive personal, proprietary or other confidential information. Global cybersecurity threats can range from uncoordinated individual attempts to gain unauthorized access to our IT systems to sophisticated and targeted measures known as advanced persistent threats. The techniques used in these attacks change frequently and may be difficult to detect for periods of time and we may face difficulties in anticipating and implementing adequate preventative measures. While we employ comprehensive measures to prevent, detect, address and mitigate these threats (including access controls, data encryption, vulnerability assessments, management training, continuous monitoring of our IT networks and systems and maintenance of backup and protective systems), cybersecurity incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data or proprietary information and the disruption of business operations. The potential consequences of a material cybersecurity incident include reputational damage, compromised employee, customer, or third- party information, litigation with third parties, regulatory actions, and increased cybersecurity protection and remediation costs, which in turn could adversely affect our business and results of operations. We maintain insurance intended to cover certain cybersecurity events, but such insurance may not cover all risks and losses that we experience. In addition, the laws and regulations governing security of data on IT systems and otherwise held by companies is evolving and adding layers of complexity in the form of new requirements and increasing costs of attempting to protect IT systems and data and complying with new cybersecurity regulations. If we experience a significant disruption in, or breach in security of, our IT systems, or if we fail to implement new systems and software successfully, our business could be adversely affected. Our IT systems may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, telecommunication failures, user errors, catastrophes or other unforeseen events. Our IT systems also may experience interruptions, delays or cessations of service or produce errors in connection with system integration, software upgrades or system migration work that takes place from time to time. In addition, technology resources may be strained due to our remote users. If we were to experience a prolonged system disruption in the IT systems that involve our interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business. Our revenue and ability to achieve our stated corporate objectives depends on our senior management and our ability to retain recruit, train and retain quality employees. Our success is dependent on our senior management and our ability to attract, retain and motivate qualified personnel, especially skilled service technicians. Competition for senior management is intense, and we may not be successful in attracting and retaining key personnel. Qualified skilled service technicians are in high demand and are subject to competing offers. The ability to meet our labor needs while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment levels and prevailing wage rates. The loss of services of any member of our senior management team or key employees, and the inability to attract and retain other qualified personnel, especially skilled service technicians, could affect our ability to achieve our stated corporate objectives and could adversely impact our business and results of operations. We expect that our quarterly results of......, our stock price may decline. The profitability of our subsidiary, NEXA, depends to a large extent on our ability to achieve or maintain adequate utilization and pricing rates for our technical service providers. In our Service segment our subsidiary, NEXA, provides all of its services in the technical, consulting and staffing solutions market by providing services to improve asset management programs for **our** customers ~~in the life science, pharmaceutical and other FDA- regulated or industrial manufacturing industries~~ . The profitability of NEXA depends in part on ensuring that our technical service providers maintain adequate utilization rates (i. e., the percentage of our provider' s working hours devoted to billable activities). Our utilization rates are affected by a number of factors, including: ● The number, scope and timing of ongoing ~~client~~ **customer** engagements; ● The timing of the commencement, completion and termination of engagements, which in many cases is unpredictable; ● Our ability to continually secure new business engagements; ● Our ability to transition technical service providers promptly from completed projects to new assignments, and to engage newly- hired technical service providers quickly in revenue- generating activities; ● Our ability to forecast demand for our services and thereby maintain appropriate headcount in each of our geographies and workforces; ● Unanticipated changes in the scope of ~~client~~ **customer** engagements; ● Our need to devote time and resources to sales, training, professional development and other non- billable activities; ● Our ability to retain key colleagues and consulting professionals; ● Conditions affecting the ~~life sciences industry~~ **industries in which our customers operate** ; and ● General financial and economic conditions. If the utilization rate for our technical service providers declines, our revenues, profit margin and profitability could decline, and our results of operations could be materially adversely affected. The profitability of our Service segment, including the NEXA business, depends in part on the prices we are able to charge for our services. The prices we charge for our services, including the NEXA business, are affected by a number of factors, including: ● ~~Clients~~ **Customers** ' perception of our ability to add value through our services; ● The market demand for the services we provide; ● Our ability to develop new services and the introduction of new services by competitors; ● The pricing policies of our competitors; ● The extent to which our ~~clients~~ **customers** develop in- house or other capabilities to perform the services that they might otherwise purchase from us; and ● General financial and economic conditions. If we are unable to achieve and maintain adequate rates for our services, our profit margin and profitability could decline, and our results of operations could be materially adversely affected. If we do not effectively compete in the rental test and measurement equipment market, our operating results may be adversely affected. We compete in the rental market on the basis of a number of factors, including equipment availability, price, service and reliability. Some of our competitors may offer similar equipment for rent at lower prices and may offer more extensive servicing, or financing options. In addition, if the supply of rental equipment available on the market significantly increases, demand for and pricing of our rental products could be adversely impacted **,** lowering our gross margins on rentals. Further, customers confronting competing budget priorities and more limited resources could lead to less demand for rental equipment and increased pressure on pricing. Failure to adequately forecast the adoption of and demand for equipment may cause us not to meet our customers' rental equipment requirements and may adversely affect our operating results. If we fail to adapt our technology to meet customer needs and preferences, the demand for our products and services may diminish. Our future success will depend on our ability to develop services and solutions that keep pace with technological change, evolving industry standards and changing customer preferences in the markets we serve. For example, we sell our products and services to customers in several industries that may experience rapid technological changes, new product introductions, and evolving industry standards, including **highly** ~~the life science, pharmaceutical and other FDA-~~ regulated ~~or industrial manufacturing~~ industries. We cannot be sure that we will be successful in adapting existing or developing new technology or services in a timely or cost- effective manner or that the solutions we do develop will be successful in the marketplace. Our failure to keep pace with changes in technology, industry standards and customer preferences in the markets we serve could diminish our ability to retain and attract customers and retain our competitive position, which could adversely impact our business and results of operations. We rely on our CalTrak ®, Application Plus (our enterprise resource planning system) and other...... business and results of operations. Our enterprise resource planning system (" ERP ") ~~enterprise resource planning system~~) and other management information systems for inventory management,distribution,workflow,accounting and other functions.If our CalTrak ®,Application Plus or other management information systems fail to adequately perform these functions,experience an interruption in their operation or a security breach,our business and results of operations could be adversely affected.The efficient operation of our business depends on our management information systems.We rely on our CalTrak ®,Application Plus and other management information systems to effectively manage accounting and financial functions,customer service,warehouse management,order entry,order fulfillment,inventory replenishment,documentation,asset management,and workflow.Our management information systems are vulnerable to damage or interruption from computer viruses or hackers,natural or man- made disasters,vandalism,terrorist attacks,power loss,or other computer systems,internet,telecommunications or data network failures.Any such interruptions to our management information systems could disrupt our business and could result in decreased revenues,increased overhead costs,excess inventory ~~and~~ **or** product shortages,causing our business and results of operations to suffer.In addition,our management information systems are vulnerable to security breaches.Our security measures or those of our third- party service providers may fail to detect or prevent such security breaches.Security breaches could result in the unauthorized publication of our confidential business or proprietary information,the unauthorized release of customer,vendor,or employee data and payment information,the violation of privacy or other laws,and the exposure to litigation,any of which could harm our business and results of **operations.Our ERP** is aging and may not be capable of integrating management information systems that we use or are used by companies we acquire, and we may experience issues from any implementation of a new ERP or be required to operate some management information systems separately from our ERP. We have an ERP to assist with the collection, storage, management and interpretation of data from our business activities to support future growth and to integrate significant processes. Although we use current versions of software and have support agreements in place, due to the age of our ERP it may not be capable of integrating management information systems that we use or are used by companies we acquire. We anticipate that a new ERP will be required to be implemented sometime in the future. ERP implementations are complex and time- consuming and involve substantial expenditures on system software and implementation activities, as well as changes in business processes. Our ERP system is critical to our ability to accurately maintain books and records, record transactions, provide important information to our management and prepare our consolidated financial statements. ERP implementations also require the transformation of business and financial processes in order to reap the benefits of the ERP system; any such transformation involves risks inherent in the conversion to a new computer system, including loss of information and potential disruption to our normal operations. Any disruptions, delays or deficiencies in the design and implementation of a new ERP system could adversely affect our ability to process orders, provide services and customer support, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. Additionally, if the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess ~~it~~ **our internal controls** adequately could be delayed. We depend on manufacturers to supply inventory to our Distribution segment and if our vendors fail to provide desired products to us, increase prices, or fail to timely deliver products, or if supply chain delays, interruptions, or product shortages occur, our revenue and gross profit could suffer. Similar to other distributors in our industry, we occasionally experience supplier shortages and are unable to purchase our desired volume of products. Our ability to offer a wide variety of products to our customers is dependent upon our ability to obtain adequate product supply from manufacturers and other suppliers. Any disruption in our sources of supply, particularly of the most commonly sold items, could result in a loss of revenues, reduced margins, and damage to our relationships with customers. Supply shortages may occur as a result of unanticipated increases in demand or difficulties in production or delivery. In addition, we may be adversely impacted by disruptions within our supply chain network. Such disruptions may result from weather- related events, natural disasters, international trade disputes or trade policy changes or restrictions, tariffs or import- related taxes, third- party strikes, lock- outs, work stoppages or slowdowns, shortages of supply chain labor and truck drivers, shipping capacity constraints, military conflicts, acts of terrorism, public health issues (including pandemics or quarantines), civil unrest or other factors beyond our control. ~~For example, in fiscal year 2023, our supply chains have been and may continue to be negatively impacted by the COVID- 19 pandemic and general economic factors such as rising inflation.~~ When shortages occur, our suppliers often allocate products among distributors. The loss of, or a substantial decrease in the availability of, products from our suppliers or the loss of key supplier arrangements could adversely impact our financial condition, operating results, and cash flows, as well as our ability to benefit from ongoing supply chain initiatives. ~~Due to current global supply chain disruptions, we may experience increased difficulties in obtaining products at stable pricing levels. As a result, we may need to restructure or change some of our product lines in the future. We cannot provide any assurance that particular products, or product lines, will be available to us, or available in quantities sufficient to meet customer demand. If we are unable to enter into and maintain satisfactory distribution arrangements with leading manufacturers, if we are unable to maintain an adequate supply of products, or if manufacturers do not regularly invest in, introduce to us, and / or make new products available to us for distribution, our Distribution segment sales could suffer materially. This is of particular significance to our Distribution segment business because the products we sell are often only available from one source. Any limits to product access could materially and adversely affect our Distribution segment business.~~ Our future success may be affected by our current and future indebtedness. Under our credit agreement, as of March ~~25~~ **30**, ~~2023~~ **2024**, we owed $ ~~49~~ **4**. ~~1~~ **2** million to our secured creditor, a commercial bank, ~~including $ 6. 4 million borrowed~~ under a $ 15. 0 million term loan to fund acquisitions and provide additional working capital. We may borrow additional funds in the future to support our growth and working capital needs. We are required to meet financial tests on a quarterly basis and comply with other covenants customary in secured financings. Although we believe that we will continue to comply with such covenants, if we do not remain in compliance with such covenants, our lender may demand immediate repayment of amounts outstanding. Furthermore, we are dependent on credit from manufacturers of our products to fund our inventory purchases. If our debt burden increases to high levels, such manufacturers may restrict our credit. Our cash requirements will depend on numerous factors, including the rate of growth of our revenues, the timing and levels of products purchased, payment terms, and credit limits from manufacturers, the timing and level of our accounts receivable collections and our ability to manage our business profitably. Our ability to satisfy our existing obligations, whether or not under our secured credit facility, will depend upon our future operating performance, which may be impacted by prevailing economic conditions and financial, business, and other factors described in this report, many of which are beyond our control. We face risks associated with foreign currency rate fluctuations. We currently transact a portion of our business in foreign currencies, namely the Canadian dollar and the Euro. During fiscal years **2024 and** 2023 ~~and 2022~~, approximately 10 % of our total revenues were denominated in Canadian dollars and Euros. Conducting business in currencies other than U. S. dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the U. S. dollar relative to the Canadian dollar and the Euro impact our revenues, cost of revenues and operating margins and result in foreign currency transaction gains and losses. During fiscal year ~~2023~~ **2024**, the value of the U. S. dollar relative to one Canadian dollar and to one Euro ranged from 1. ~~25~~ **31** to 1. 39 and from 0. ~~90~~ **89** to ~~1~~ **0**. ~~04~~ **96**, respectively. We continually utilize short- term foreign exchange forward contracts to reduce the risk that future earnings denominated in Canadian dollars would be adversely affected by changes in currency exchange rates. However, this strategy does not eliminate our exposure. If there is a significant or prolonged downturn in the Canadian dollar or the Euro, it could have an adverse impact on our business and financial condition. Our inability to adequately enforce and protect our intellectual property or defend against assertions of infringement could prevent or restrict our ability to compete. We rely on intellectual property in order to maintain a competitive advantage. Our inability to defend against the unauthorized use of these assets could have an adverse effect on our results of operations and financial condition. Litigation may be necessary to protect our intellectual property rights or defend against claims of infringement. This litigation could result in significant costs and divert our management' s focus away from operations. Hurricanes, other adverse weather events, national or regional catastrophes or natural disasters could negatively affect the local economies we serve or disrupt our operations, which could have an adverse effect on our business or results of operations. Our market areas include the Gulf Coast and Mid- Atlantic regions of the United States, and Puerto Rico, which are susceptible to hurricanes. Such weather events can disrupt our operations, result in damage to our properties and negatively affect the local economies in which we operate. Future hurricanes **or other extreme weather events** could result in damage to certain of our facilities and the equipment located at such facilities, or equipment on rent with customers in those areas. Even if our properties suffer no direct damage from such events, the operations of our customers could be disrupted, and our supply chain impacted. In addition, climate change could lead to an increase in intensity or occurrence of hurricanes or other adverse weather events, including severe winter storms. Future occurrences of these events, as well as regional or national catastrophes or natural disasters, and their effects may adversely impact our business or results of operations. **We may be involved in legal proceedings from time to time arising from the operation of our business and, as such, we could incur substantial judgments, fines, legal fees, or other costs. From time to time, we may be the subject of complaints or litigation from customers, employees, vendors, or other third parties for various actions. We also may be involved in litigation involving claims related to breach of contract, tortious conduct, employment and labor law matters, and others. The damages sought against us in these matters could be substantial. Although we maintain liability insurance for certain legal claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, our expenses could increase significantly and management' s focus could be diverted away from our operations, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.** Risks Related to our Stock We expect that our quarterly results of operations will fluctuate.Such fluctuations could cause our stock price to decline.A large portion of our expenses for our Service segment,including expenses for facilities,equipment and personnel are relatively fixed.Accordingly,if revenues decline or do not grow as we anticipate,we may not be able to correspondingly reduce our expenses in any particular quarter.Our quarterly revenues and operating results have fluctuated in the past and are likely to do so in the future.Historically,our fiscal third and fourth quarters have been stronger than our fiscal first and second quarters due to industrial operating cycles.Fluctuations in industrial demand for products we sell and services we provide could cause our revenues and operating results to fluctuate.If our operating results in some quarters fail to meet the expectations of stock market analysts and investors,our stock price may decline. Our stock price may be volatile. The stock market ~~, from time to time, has experienced~~ **experiences** significant price and volume fluctuations that are both related and unrelated to the operating performance of companies. Our stock may be affected by market volatility and by our own performance. The following factors, among others, may have a significant effect on the market price of our common stock: ● Developments in our relationships with current or future manufacturers of products we distribute; ● Announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments; ● Litigation or governmental proceedings or announcements involving us or our industry; ● Economic and other external factors, such as inflation, **changes in interest rates, a** recession, disasters or other national or global crises; ● Public health issues including pandemics and epidemics, such as the COVID- 19 pandemic; ● Sales of our common stock or other securities in the open market; ● Repurchases of our common stock on the open market or in privately- negotiated transactions; ● Period- to- period fluctuations in our operating results; and ● Our ability to satisfy our debt obligations. **In the past, following periods of volatility in the market price of a company' s securities, securities class action litigation has often been instituted. Securities class action litigation against us could result in significant costs and divert our management' s focus away from our operations, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.** The relatively low trading volume of our common stock may limit your ability to sell your shares. Although our shares of common stock are listed on the Nasdaq Global Market, we have historically experienced a relatively low trading volume of approximately ~~44~~ **43** , ~~700~~ **000** shares a day. If our low trading volume continues in the future, holders of our shares may have difficulty selling shares of our common stock in the manner or at a price that they desire. If significant existing shareholders sell large numbers of shares of our common stock, our stock price could decline. The market price of our common stock could decline if a large number of our shares are sold in the public market by our existing shareholders or as a result of the perception that such sales could occur. Due to the relatively low trading volume of our common stock, the sale of a large number of shares of our common stock may significantly depress the price of our common stock. **Because we do not intend to declare or pay dividends on our shares of common stock for the foreseeable future, any return to our shareholders will be limited to the increase, if any, of the price of our common stock. We have not declared any cash dividends since our inception and have no current plans to pay any dividends in the foreseeable future. Our shareholders have no contractual or other legal right to dividends that have not been declared. Any return to our shareholders will therefore be limited to the increase, if any, in the price of our common stock.** Regulatory Risks Tax rates applicable to us may change. Tax legislation initiatives could adversely affect our net earnings and tax liabilities. We are subject to the tax laws and regulations of the United States federal, state and local governments, as well as foreign jurisdictions. From time to time, various legislative initiatives may be enacted that could adversely affect our tax positions. Tax laws and regulations are extremely complex and subject to varying interpretations. The Tax Cuts and Jobs Act of 2017 ~~(the " Tax Act ")~~ made broad and complex changes to the U. S. tax code, **such as** ~~including, but not limited to~~ reducing the Federal corporate income tax rate from 35 % to

21 %. Any additional modifications to key aspects of the tax code could materially affect our tax obligations and negatively impact our effective tax rate. Although we believe that our tax positions are sound and consistent with applicable laws, regulations and existing precedent, there can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge. Changes in accounting standards, legal requirements and the Nasdaq Global Market listing standards, or our ability to comply with any existing requirements or standards, could adversely affect our operating results. Extensive reforms relating to public company financial reporting, corporate governance and ethics, the Nasdaq Global Market listing standards and oversight of the accounting profession have been implemented over the past several years and continue to evolve. Compliance with these rules, regulations and standards that have resulted from such reforms has increased our accounting and legal costs and has required significant management time and attention. In the event that additional rules, regulations or standards are implemented or any of the existing rules, regulations or standards to which we are subject undergoes additional material modification, we could be forced to spend significant financial and management resources to ensure our continued compliance, which could have an adverse effect on our results of operations. ~~In~~ **For example, the** ~~addition~~ **additional reporting requirements relating to tracking greenhouse gas emissions and other climate- related disclosure from the SEC** , **U. S. state** ~~although we believe we are in full compliance with all such existing rules, regulations~~ **regulators** ~~and standards~~ , **and foreign jurisdictions could significantly increase our accounting, consulting and legal expenses.** ~~should~~ **Should** we be or become unable to comply with any of such rules, regulations and standards, as they presently exist or as they may exist in the future, our results of operations could be adversely affected and the market price of our common stock could decline. Our international operations expose us to legal and regulatory risks, which could have a material effect on our business. Our international operations are governed by various **United States** ~~U. S.~~ laws and regulations, including the Foreign Corrupt Practices Act (“ FCPA ”), and other foreign anti- bribery laws. The FCPA generally prohibits companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Any alleged or actual violations of these or other relevant regulations may subject us to government scrutiny, severe criminal or civil sanctions and other liabilities and could negatively affect our business, reputation, operating results and financial condition.