Risk Factors Comparison 2024-02-29 to 2023-03-16 Form: 10-K

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

New technologies could result in the development of new products by our competitors and a decrease in demand for our products, which could materially adversely affect our business, financial condition and results of operations. Our failure to develop new technologies, or anticipate or react to changes in existing technologies, could result in a decrease in our sales and a loss of market share to our competitors. Our financial performance depends on our ability to design, develop, and manufacture new products and product enhancements on a timely and cost- effective basis. We may not be able to successfully identify new product opportunities or develop and bring new products to market in a timely and cost- effective manner. Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive. Our failure to identify or capitalize on any fundamental shifts in technologies, relative to our competitors, could have a material adverse effect on our competitive position within our industry and harm our relationships with our customers. If we fail to comply with specific provisions ~~in~~ **of** our customer contracts or Food and Drug Administration (FDA) regulations, our business could be materially adversely affected. Our customer contracts, particularly with respect to contracts for which the government is a direct or indirect customer, may include unique and specialized requirements. This may also include contracts with customers that manufacture goods subject to FDA regulations. Failure to comply with the specific provisions in our customer contracts, or any violation of government or FDA contracting regulations, could result in termination of the contracts, increased costs to us, suspension of payments, imposition of fines, and suspension from future government contracting. Further, any negative publicity related to our failure to comply with the provisions in our customer contracts could have a material adverse effect on our business, financial condition, or results of operations. **Increased focus on our environmental, social, and governance (" ESG") responsibilities have and will likely continue to result in additional costs and risks, and may adversely impact our reputation, employee retention, and willingness of customers and partners to do business with us. Institutional, individual, and other investors, proxy advisory services, regulatory authorities, consumers and other stakeholders are increasingly focused on ESG practices of companies. Some investors may use these non- financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies and actions relating to ESG are inadequate. Our disclosures on these matters, or a failure to meet evolving stakeholder expectations for ESG practices and reporting, may potentially harm our reputation and customer relationships. As ESG best practices and reporting standards continue to develop, we may incur increasing costs relating to ESG monitoring and reporting and complying with ESG initiatives. The standards for tracking and reporting on ESG matters and disclosure frameworks are relatively new, have not been harmonized, and continue to evolve. Ensuring there are systems and processes in place to comply with the various ESG tracking and reporting obligations may require management time and expense. As we look to respond to evolving standards for identifying, measuring, and reporting ESG metrics, our efforts may result in a significant increase in costs and may nonetheless not meet investor or other stakeholder expectations and evolving standards or regulatory requirements, which may negatively impact our financial results, our reputation, our ability to attract or retain employees, our attractiveness as a supplier, investment, or business partner, or expose us to government enforcement actions, private litigation, and actions by stockholders or stakeholders. In addition, if our competitors' ESG performance is perceived to be better than ours, potential or current investors may elect to invest with our competitors. Increased focus and evolving views of lawmakers on climate change and other ESG issues could have a long- term impact on our business and result of operations. Increased public awareness and concern regarding global climate change and other ESG matters may result in more international, regional, and / or federal regulatory or other stakeholder requirements or expectations that could mandate more restrictive or expansive standards, such as more prescriptive reporting of ESG metrics, practices, and targets, or require such changes on a more accelerated time frame. There continues to be a lack of consistent climate and other ESG legislation, which creates economic and regulatory uncertainty; however, there has been an increasing amount of legislative and regulatory activity, particularly in the European Union, United Kingdom, and U. S. In addition, there is also an increasing number of state- level anti- ESG initiatives in the U. S. that may conflict with other regulatory requirements, resulting in regulatory uncertainty. New or revised legal and regulatory requirements could impose significant operational restrictions and compliance requirements upon the Company or its products, and could negatively impact the Company' s business, capital expenditures, results of operations, financial condition, and competitive position. Global climate change and related regulations and changes in customer demand could negatively affect our operations and our business. The effects of climate change could create financial risks to our business. For example, the effects of physical impacts of climate change could disrupt our operations by impacting the availability and cost of materials needed for manufacturing, exacerbate existing risks to our supply chain, disrupt our operations, and increase insurance and other operating costs. These factors may impact our decisions to construct new facilities or maintain existing facilities in areas more prone to physical climate risks. We could also face indirect financial risks passed through the supply chain and disruptions that could result in increased prices for our products and the resources needed to produce them. The growing focus on addressing global climate change has resulted in more regulations designed to reduce greenhouse gas emissions and more customer demand for products and services that have a lower carbon footprint or that help businesses and consumers reduce carbon emissions throughout their value chains. We may be required to further increase research and development and other capital expenditures in order to develop offerings that meet these new regulations, standards, and customer demands. There can be no**

assurance that our new product development efforts will be successful, that our products will be accepted by the market, or that economic returns will reflect our investments in new product development. We may pursue acquisitions or other strategic relationships that involve inherent risks, any of which may cause us to not realize anticipated benefits. Our business strategy includes the ~~potential~~ acquisition of businesses and other business combinations that we expect will complement and expand our business. In addition, we may also pursue other strategic relationships or opportunities. We may not be able to success - fully identify suitable acquisition or other strategic opportunities or complete any particular acquisition, combina - tion, or other transaction on acceptable terms. Our identification of suitable acquisition candidates and strategic opportunities involves risks inherent in assessing the values, strengths, weaknesses, risks, and profitability of these opportunities including their effects on our business, diversion of our management' s attention and risks associated with unanticipated problems or unforeseen liabilities. Our failure to identify suitable acquisition or other strategic opportunities may restrict our ability to grow our business. If we are successful in pursuing future acquisitions or strategic opportunities, we may be required to expend significant funds, incur additional debt, or issue additional securities, which may materially and adversely affect our results of operations and be dilutive to our stockholders. If we spend significant funds or incur additional debt, our ability to obtain financing for working capital or other purposes could decline and we may be more vulnerable to economic downturns and competitive pressures. In addition, we cannot guarantee that we will be able to finance additional acquisi - tions or that we will realize any anticipated benefits from acquisitions or other strategic opportunities that we complete. When and if we successfully acquire another business, the process of successfully integrating the acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial re - sources that would otherwise be available for the ongoing development or expansion of our existing business. Decreases in customer loyalty or product orders, failure to retain and develop the acquired workforce, failure to integrate financial reporting systems, failure to establish and maintain appropriate controls or unknown or contingent liabilities could adversely affect our ability to realize the anticipated benefits of an acquisition. The integration of an acquired business whether or not successful, requires significant efforts which may result in additional expenses and divert the attention of our management and technical personnel from other projects. These transactions are inherently risky, and there can be no assurance that any past or future transaction will be successful. Failure to retain key personnel could impair our ability to execute our business strategy. The continuing service of our executive officers and essential sales, engineering, technical and management personnel, together with our ability to attract and retain such personnel, is an important factor in our continuing ability to execute our strategy. There is substantial competition to attract such employees, and the loss of any such key employees could have a material adverse effect on our business and operating results. The same could be true if we were to experience a high turnover rate among sales, engineering and technical personnel and we were unable to replace them. ~~10~~ We operate in highly competitive industries **,** and we may be unable to compete successfully, which could materially adversely affect our business, financial condition and results of operations. We face intense competition in all markets and in each area of our business, in some cases from our own customers bringing programs in- house. Our ~~primary competition for our products is from smaller, independent, regional manufacturing companies. Our~~ current competitors may increase their participation in, or new competitors may enter into, the markets in which we compete. In addition, our suppliers may acquire or develop the capability and desire to compete with us. If our suppliers choose to expand their own operations, through acquisitions or otherwise, and begin manufacturing and selling products directly to our customers, it could reduce our pricing or sales volume and overall profitability. If we are unable to compete successfully with new or existing competitors, it could have a material adverse effect on our business, financial condition, and results of operations. Further, technological innovation by any of our existing competitors, or new competitors entering any of the markets in which we do business, could put us at a competitive disadvantage and could cause us to lose market share. Increased competition for the sales of our products could result in price reductions, reduced margins, and loss of market share, which could materially adversely affect our prospects, business, financial condition and results of operations. ~~The cost of the raw materials we use to manufacture our products, particularly petroleum and petroleum- based raw materials, are subject to escalation and could increase, which may materially adversely affect our business, financial condition, and results of operations. The cost of raw materials, including petroleum and petroleum- based raw materials such as resins, used in the production of our products, represents a significant portion of our direct manufacturing costs. Any fluctuations in the price of petroleum, or any other material used in the production of our products, may have a material adverse effect on our business, financial condition, and results of operations. Such price increases could reduce demand for our products. If we are not able to buy raw materials at fixed prices, or pass on price increases to our customers, we may lose orders or enter into orders with less favorable terms, either of which could have a material adverse effect on our business, financial condition, and results of operations. Changes in domestic and global economic conditions, supply chain disruptions, labor shortages, the lingering effects of the COVID- 19 pandemic, have led to higher inflation, which, in turn, has led to, and will likely continue to, increase the costs of the raw material we purchase. " Risk Factors — Risks Related to our Business — Our business, operating results, and cash flows have been affected and may continue to be adversely affected by the rising rate of inflation. " Further, the global economy has been, and may continue to be, negatively impacted by the ongoing conflict resulting from Russia' s invasion of Ukraine in 2022. The negative impacts arising from the conflict and sanctions and export restrictions imposed by various countries, including those imposed by Russia, may include reduced consumer demand, supply chain disruptions, increased cybersecurity risks, and increased costs for transportation, energy, and raw materials. Although our operations do not take place in Russia or Ukraine further escalation of geopolitical tensions could have a broader impact that expands into other markets where we do business, which may adversely affect our business, financial condition and results of operations. Please see " Risk Factors — Risks Related to our Business — The ongoing conflict between Russia and Ukraine and the related implications could have a material adverse effect on our business and results of operations. "~~ Security breaches, including cybersecurity incidents and other disruptions could compromise our information, expose us to liability and harm our reputation and business. In the ordinary course of our business **,** we collect and store sensitive data, including intellectual property, personal information, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees in our data centers and on our networks. The secure maintenance and transmission of this information is critical to our operations and business strategy. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission, and storage of confidential information. Computer hackers may attempt to penetrate our computer systems and, if successful, misappropriate personal or confidential business information. In addition, an employee, contractor, or other third-party with whom we do business may attempt to circumvent our security measures in order to obtain such information and may purposefully or inadvertently cause a breach involving such information. Despite the security measures we have in place and any additional measures we may implement in the future to safeguard our systems and to mitigate potential security risks, our facilities and systems, and those of our third- party service providers, could be vulnerable to security breaches. Any such compromise of our data security and access, public disclosure, or loss of personal or confidential business information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of our operations, damage to our reputation, loss of our customers' willingness to transact business with us, and subject us to additional costs and liabilities which could materially adversely affect our business. ~~11 We~~ **While we maintain insurance for cyber events, our insurance** may **not** be ~~unable~~ **sufficient** to ~~protect our proprietary technology~~ **cover us against all losses that could potentially result** from ~~infringement. We rely on~~ a ~~combination~~ **breach** of ~~patents, trademarks, and unpatented proprietary know- how and trade secrets to establish and protect our intellectual property rights. We enter into confidentiality agreements with suppliers, customers, employees, consultants, and potential acquisition candidates as necessary to protect our know- how, trade secrets and other proprietary information. However, these measures and our patents and trademarks may not afford complete protection of our intellectual property, and it is possible that third parties may copy or~~ **our systems** ~~otherwise obtain and use our~~ **or** ~~proprietary information and technology without authorization or otherwise infringe on our intellectual property rights. We cannot assure that our competitors will not independently develop equivalent or superior know- how, trade secrets or production methods. Significant impairment of our intellectual property rights could harm our business or our ability to compete. For example, if we are unable to maintain the proprietary nature of our technologies, our profit margins could be reduced as competitors could more easily imitate our products, possibly resulting in lower prices or lost~~ **loss** ~~sales for certain products. In such a case, our business, financial condition, and results~~ of **sensitive data** ~~operations may be materially adversely affected~~ . ~~Fluctuations~~ **Disruptions** in the supply of components and raw materials we use in manufacturing our products could cause production delays or reductions in the number of products we manufacture, which could materially adversely affect our business, financial condition, and results of operations. Our business is subject to the risk of periodic shortages of raw materials. We purchase raw materials pursuant to purchase orders placed from time to time in the ordinary course of business. Failure or delay by such suppliers in supplying us necessary raw materials could adversely affect our ability to manufacture and deliver products on a timely and competitive basis. While we believe that we may, in certain circumstances, secure alternative sources of these materials, we may incur substantial delays and significant expense in doing so, the quality and reliability of alternative sources may not be the same and our operating results may be materially adversely affected. Alternative suppliers might charge significantly higher prices for materials than we currently pay. Under such circumstances, the disruption to our business could have a material adverse impact on our customer relationships, business, financial condition, and results of operations. In addition, we are dependent on a relatively small number of suppliers for cross- linked foam, thermoformed plastic urethane and technical polyurethane foams. While we believe that we have developed strong relationships with these suppliers, any failure or delay by such suppliers in supplying us these necessary products could adversely affect our ability to manufacture and deliver products on a timely and competitive basis. **We may be unable to protect our proprietary technology from infringement. We rely on a combination of patents, trademarks, and unpatented proprietary know-how and trade secrets to establish and protect our intellectual property rights. We enter into confidentiality agreements with suppliers, customers, employees, consultants, and potential acquisition candidates as necessary to protect our know-how, trade secrets and other proprietary information. However, these measures and our patents and trademarks may not afford complete protection of our intellectual property, and it is possible that third parties may copy or otherwise obtain and use our proprietary information and technology without authorization or otherwise infringe on our intellectual property rights. We cannot assure that our competitors will not independently develop equivalent or superior know- how, trade secrets or production methods. Significant impairment of our intellectual property rights could harm our business or our ability to compete. For example, if we are unable to maintain the proprietary nature of our technologies, our profit margins could be reduced as competitors could more easily imitate our products, possibly resulting in lower prices or lost sales for certain products. In such a case, our business, financial condition, and results of operations may be materially adversely affected.** Our products could infringe the intellectual property rights of others, which may lead to litigation that could itself be costly, result in the payment of substantial damages or royalties, and prevent us from using technology that is essential to our products. We cannot guarantee that our products, manufacturing processes or other methods do not infringe the patents or other intellectual property rights of third parties. Infringement and other intellectual property claims and proceedings brought against us, whether successful or not, could result in substantial costs and harm our reputation. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. In addition, intellectual property litigation or claims could force us to do one or more of the following: ~~12~~ ● Cease selling or using any of our products that incorporate the asserted intellectual property, which would adversely affect our revenues; ● Pay substantial damages for past use of the asserted intellectual property; ● Obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable terms, if at all; and / or ● Redesign or rename, in the case of trademark claims, our products to avoid infringing the intellectual property rights of third parties, which may be costly and time- consuming, even if possible. In the event of an adverse determination in an intellectual property suit or proceeding, or our failure to license essential technology, our sales could be harmed, and our costs could increase, which could materially adversely affect our business, financial condition, and results of operations. Reductions in the availability of energy supplies or an increase in energy costs may increase our operating costs. We **primarily** use electricity and natural gas at our manufacturing facilities to operate our equipment. Over the past several years, prices for electricity and natural gas have fluctuated significantly. An outbreak or escalation of hostilities between the United States and any foreign power, or between foreign powers, or a natural disaster, could result in a real or perceived shortage of petroleum and / or natural gas, which could result in an increase in the cost of electricity or energy generally as well as an increase in the cost of our raw materials, of which many are petroleum- based. In addition, increased energy costs negatively impact our freight costs due to higher fuel prices. Future limitations on the availability or consumption of petroleum products and / or an increase in energy costs, particularly electricity for plant operations, could have a material adverse effect upon our business, financial condition, and results of operations **. Consolidation in the healthcare industry could result in greater competition and reduce our revenues and harm our business. Many healthcare industry companies are consolidating to create new companies with greater market power. As the healthcare industry consolidates, competition to provide products and services to industry participants will become more intense. These industry participants may try to use their market power to negotiate price reductions for our products or may undertake additional vertical integration or supplier diversification initiatives. If we are forced to reduce our prices, our revenues would decrease and our operating results would suffer** . Expansion of our operations into markets outside of the U. S. subjects us to political, economic, legal, operational, and other risks that could have a material adverse effect on our business, results of operations, financial condition, cash flows and reputation. We have recently added manufacturing facilities in the Dominican Republic, Ireland, Costa Rica, and Mexico. We may continue to expand our operations by offering our services and entering new lines of business in other markets outside of the U. S. This expansion increases our exposure to the inherent risks of doing business in international markets. Depending on the market, these risks include those relating to: ● Changes in the local economic environment including, among other things, labor cost increases and other general inflationary pressures; ● Political instability, armed conflicts, or terrorism; ● Public health crises, such as pandemics or epidemics ~~, including the Covid- 19 pandemic~~ ; ● Social changes; ● Intellectual property legal protections and remedies; ● Trade regulations; ● Procedures and actions affecting approval, production, pricing, reimbursement and marketing of products and services; ● Foreign currency; ● Additional U. S. and foreign taxes; ● Export controls; ● Antitrust and competition laws and regulations; ● Lack of reliable legal systems which may affect our ability to enforce contractual rights; ● Changes in local laws or regulations, or interpretation or enforcement thereof; ● Potentially longer ramp- up times for starting up new operations, and for payment and collection cycles; ● Financial, operational and information technology systems integration; ● Failure to comply with U. S. laws, such as the foreign corrupt practices act, or local laws that prohibit us, our partners, or our partners' or our agents or intermediaries from making improper payments to foreign officials or any third party for the purpose of obtaining or retaining business; and ● Data and privacy restrictions. ~~13 Issues~~ **● Foreign currency fluctuationsIssues** relating to the failure to comply with applicable non- U. S. laws, requirements or restrictions may also impact our domestic business and increase scrutiny of our domestic practices. Additionally, some factors that will be critical to the success of our international business and operations will be different than those affecting our domestic business and operations. For example, conducting international operations requires us to devote significant management resources to implement our controls and systems in new markets, to comply with local laws and regulations, including fulfilling financial reporting and records retention requirements, and overcoming the numerous new challenges inherent in managing international operations, such as challenges based on differing languages and cultures, as well as differing regulatory and compliance environments, and challenges related to the timely hiring, integration and retention of a sufficient number of skilled personnel to carry out operations in an environment with which we are not familiar. Any additional expansion of our international operations through acquisitions or through organic growth could increase these risks. Additionally, while we may invest material amounts of capital and incur significant costs in connection with the growth and development of our international operations, including the costs of starting up or acquiring new operations, we may not be able to operate them profitably on the anticipated timeline, or at all. These risks could have a material adverse effect on our business, results of operations, financial condition, and cash flows, and could materially harm our reputation. Risks Related to our Share Ownership and our Capital Structure Restrictions in our credit facilities may limit our business and financial activities, including our ability to obtain additional capital in the future. In December 2021, we entered into a secured $ 130 million Second Amended and Restated Credit Agreement with Bank of America, N. A., which provided for a $ 90 million revolving credit facility and a $ 40 million term loan facility. This Credit Agreement contains covenants imposing various restrictions on our business and financial activities. These restrictions may affect our ability to operate our business and undertake certain financial activities and may limit our ability to take advantage of potential business or financial opportunities as they arise. The restrictions these covenants place on us include limitations on our ability to incur liens, incur indebtedness, make investments, dissolve or merge or consolidate with or into another entity, dispose of certain property, and make restricted payments. The Credit Agreement also requires us to meet certain financial ratios, including a minimum fixed- charge coverage ratio and a maximum total funded debt to EBITDA ratio. The breach of any of these covenants or restrictions could result in a default under the Credit Agreement, which could have a material adverse impact to our business, financial condition, and results of operation. We are also exposed to the risk of increasing interest rates as our revolving credit and term loan facilities are both at a variable interest rate. Any material changes in interest rates could result in higher interest expense and related payments for us. Provisions of our corporate charter documents and Delaware law, may dissuade potential acquirers, prevent the replacement or removal of our current management, and may thereby affect the price of our common stock. The board of directors has the authority to issue up to 1, 000, 000 shares of preferred stock and to determine the price, rights, preferences, privileges, and restrictions, including voting rights of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock, while providing flexibility in connection with possible financings, acquisitions, and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. We **currently** have no ~~present~~ plans to issue shares of preferred stock. Further, certain provisions of our certificate of incorporation, bylaws, and Delaware law could delay or make a merger, tender offer or proxy contest involving us or, for a third party to acquire a majority of our outstanding voting common stock more difficult. These include provisions that ~~classify our board of directors,~~ limit the ability of stockholders to take action by written consent, call special meetings, remove a director for cause, amend the bylaws, or approve a merger with another company. In addition, our bylaws set forth advance notice procedures for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders. ~~14~~ We are subject to the provisions of Section 203 of the Delaware General Corporation Law which prohibits a publicly- held Delaware corporation from engaging in a " business combination " with an " interested stockholder " for a period of three years after the date of the transaction in which the person became an interested stock - holder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a " business combination " includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an " interested stockholder " is a person who, either alone or together with affiliates and associates, owns (or within the past three years did own) 15 % or more of the corporation' s voting stock. **Financial Risks Our operating results may fluctuate, which may make it difficult to forecast our future performance and may result in volatility in our stock price. Our operating results could fluctuate from quarter to quarter, making forecasting future performance difficult and resulting in volatility in our stock price. These fluctuations are due to a variety of factors, including the following: ● timing of orders placed by our customers; ● our customers' approach to inventory management; ● changes in the mix of our revenue represented by our various products and customers could result in reductions in our profits if the mix of our revenue represented by lower margin products increases; ● a portion of our costs are fixed in nature, which results in our operations being particularly sensitive to fluctuations in production volumes; ● increased costs and decreased availability of raw materials or supplies; and ● our ability to effectively execute on operational initiatives to drive manufacturing efficiencies. Our international sales and operations are subject to a variety of market and financial risks and costs that could affect our profitability and operating results. Our sales outside the U. S., which accounted for approximately 20. 8 % of sales for 2023, and our operations in Europe, Mexico, South America and the Caribbean are and could be subject to a number of risks and potential costs, including: ● changes in foreign economic conditions or regulatory requirements; ● changes in foreign currency exchange rates; ● local product preferences and product requirements; ● difficulties in enforcing agreements through foreign legal systems; ● less protection of intellectual property in some countries outside of the U. S.; ● trade protection measures and import and export licensing requirements; ● work force instability; ● political and economic instability; ● transportation delays or interruptions; and ● complex tax and cash management issues. These risks are also present in connection with our entry into new geographic markets. Additionally, as a result of our international operations, we are subject to exposure from currency exchange rate fluctuations. Historically, foreign currency exchange rate fluctuations have not had a material effect on our net financial results. However, fluctuations in foreign currency exchange rates could have a significant impact on our financial results in the future. We have a complex tax profile due to the global nature of our operations and may experience increases and variability in our quarterly and annual effective tax rate due to several factors, including changes in the mix of pre- tax income and the jurisdictions to which it relates, business acquisitions, settlements with taxing authorities, and changes in tax rates. Our global operations encompass multiple taxing jurisdictions. Variability in the mix and profitability of domestic and international activities, identification and resolution of various tax uncertainties, changes in tax laws and rates, and the extent to which we are able to realize deferred tax assets and avoid potential adverse outcomes included in deferred tax liabilities, among other matters, may significantly affect our effective income tax rate in the future. Our effective income tax rate is the result of the income tax rates in the various countries in which we do business. Our mix of income and losses in these jurisdictions affects our effective tax rate. For example, relatively more income in higher tax rate jurisdictions would increase our effective tax rate and thus lower our net income. Similarly, if we generate losses in tax jurisdictions for which no benefits are available, our effective income tax rate will increase. Our effective income tax rate may also be impacted by the recognition of discrete income tax items, such as required adjustments to our liabilities for uncertain tax positions or our deferred tax asset valuation allowance. We have recorded deferred tax assets based on our assessment that we will be able to realize the benefits of our net operating losses and other favorable tax attributes. Realization of deferred tax assets involve significant judgments and estimates which are subject to change and ultimately depends on generating sufficient taxable income of the appropriate character during the appropriate periods. Changes in circumstances may affect the likelihood of such realization, which in turn may trigger a write- down of our deferred tax assets, the amount of which would depend on a number of factors. A write- down would reduce our reported net income, which may adversely impact our financial condition or results of operations or cash flows. In addition, we are potentially subject to ongoing and periodic tax examinations and audits in various jurisdictions. An adjustment from a taxing authority, could result in higher tax costs, penalties and interest, thereby adversely impacting our financial condition, results of operations or cash flows. We may never realize the full value of our intangible assets, which represent a significant portion of our total assets. At December 31, 2023, we had $ 177. 4 million of goodwill and other intangible assets, representing approximately 44 % of our total assets. These intangible assets consist primarily of goodwill, trade names, customer lists and non- compete agreements arising from our acquisitions. Goodwill and other intangible assets with indefinite lives are not amortized but are tested annually or upon the occurrence of certain events that indicate that the assets may be impaired. Definite lived intangible assets are amortized over their estimated useful lives and are tested for impairment upon the**

occurrence of certain events that indicate that the assets may not be recoverable. We may not receive the recorded value for our intangible assets if we sell or liquidate our business or assets. In addition, our significant amount of intangible assets increases the risk of a large charge to earnings in the event that the recoverability of these intangible assets is impaired. In the event of a significant charge to earnings, the market price of our common stock could be adversely affected. In addition, intangible assets with definite lives, which represent $ 64. 1 million of our net intangible assets at December 31, 2023, will continue to be amortized. These expenses will continue to reduce our future earnings or increase our future losses. The accounting for intangible assets requires reliance on forward- looking estimates of sales and / or earnings. Estimating the future performance of our business is extremely challenging and the range of deviation from internal estimates could be more significant in this environment. General ~~Risk~~ **Risks** ~~Factors~~ We are subject to a variety of federal, state and local laws and regulations, including health and safety laws and regulations, and the cost of complying, or our failure to comply, with such requirements could materially adversely affect our business, financial condition and results of operations. We are subject to a variety of federal, state and local laws and regulations, including health and safety laws and regulations. The risks of substantial costs and liabilities related to compliance with these laws and regulations are an inherent part of our business. Despite our intention to comply with these laws and regulations, we cannot guarantee that we will at all times comply with all such requirements. Compliance with health and safety legislation and other regulatory requirements may prove to be more limiting and costly than we anticipate and may also increase substantially in future years. If we violate, or fail to comply with these requirements, we could be fined or otherwise sanctioned by regulators. In addition, these requirements are complex, change frequently and may become more stringent over time, which could materially adversely affect our business, financial condition and results of operations. Our operations could be disrupted by natural or human causes beyond our control. Our operations are subject to the risk of disruption by hurricanes, severe storms, floods and other forms of severe weather, earthquakes and other natural disasters, accidents, fire, power shortages, geopolitical unrest, war and other military action, terrorist attacks and other hostile acts, public health issues, epidemics or pandemics, and other events, such as raw material or supply scarcity, that are beyond our control and the control of the third parties on which we depend. Any of these catastrophic events, whether in the United States or abroad, may have a strong negative impact on the global economy, our employees, facilities, suppliers, or customers, and could decrease demand for our products or our customers' products, create delays and inefficiencies in our supply chain and make it difficult or impossible for us to deliver products to our customers in a timely manner. If there is a natural disaster or other serious disruption at any of our facilities, we may experience plant shutdowns or periods of reduced production as a result of equipment failures, loss of power, delays in delivery of raw materials or supplies, personnel absences, or extensive damage to any of our facilities, any of which could materially adversely affect our business, financial condition, or results of operations. In addition, our insurance coverage may not adequately compensate us for losses incurred as a direct or indirect result of natural or other disasters. **ITEM 1B. UNRESOLVED STAFF COMMENTS**