Risk Factors Comparison 2024-03-29 to 2023-02-24 Form: 10-K

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Our ability to satisfy our debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions in the markets that we serve and financial, business and other factors, many of which are beyond our control. If we are unable to generate sufficient cash to service our debt or if interest rates increase, our results of operations and financial condition could be adversely affected. Our Credit Agreement, which provides for a $ 105. 0 million senior secured revolving credit facility and a $ 15. 0 million senior secured term loan facility, also requires us to comply with certain covenants. Failure to comply with the covenants contained in the Credit Agreement could result in a default, which, if not waived by our lenders, could substantially increase our borrowing costs and result in acceleration of our debt. As of December 31, ~~2022~~ **2023**, we were in compliance with the applicable covenants in our Credit Agreement. Changes in tax rules and regulations, or interpretations thereof, may adversely affect our effective tax rates. We are a U. S. based company with customers and suppliers in foreign countries. We import various raw materials used in our production processes and we export goods to our foreign customers. The United States, the European Commission, countries in the European Union and other countries where we do business have implemented and may consider further changes in relevant tax, border tax, accounting and other laws, regulations and interpretations, that may unfavorably impact our effective tax rate or result in other costs to us. Our ability to recognize tax benefits on our existing net operating loss positions may be limited. We have ~~generated~~ meaningful net operating loss carryforwards, tax credit carryforwards and other tax attributes (collectively, the " Tax Benefits "), which potentially can be utilized in certain circumstances to reduce our future income tax obligations. As of December 31, ~~2022~~ **2023**, we had estimated U. S. federal net operating losses of approximately $ ~~25~~ **7**. ~~8~~ **1** million, state net operating losses of approximately $ ~~11~~ **10**. ~~0~~ **5** million, U. S. federal tax credit carryforwards of approximately $ 7. ~~0~~ **3** million and state tax credit carryforwards of approximately $ 0. ~~4~~ **3** million. Our ability to use our Tax Benefits would be substantially limited if we were to experience an " ownership change, " as defined under Section 382 of the Internal Revenue Code (the " Tax Code "). In general, a corporation would experience an ownership change if the percentage of the corporation' s stock owned by one or more " 5 % shareholders, " as defined under Section 382 of the Tax Code, increases by more than 50 percentage points over their lowest ownership percentage within a rolling three- year period. ~~On August 24, 2020, our Board of Directors adopted a Tax Benefits Preservation Plan (the " Rights Agreement ") designed to protect the availability of our Tax Benefits and the Rights Agreement was ratified by our shareholders on May 5, 2021. The Rights Agreement contains an ownership trigger threshold of 4. 95 % and reduces the likelihood that changes in our investor base would limit our future use of our Tax Benefits, which would significantly impair the value of such Tax Benefits. However, there is no guarantee that the Rights Agreement will be effective in protecting our Tax Benefits. Further, if we continue to be unable to generate sufficient taxable income, these Tax Benefits may expire unutilized, and we may not be able to recognize the benefits that could arise from such Tax Benefits. Human~~ **8Human** Capital Risks Our business depends largely on our ability to attract and retain key personnel. We depend on the continued service, availability and ability to attract skilled personnel, including members of our executive management team, other management positions, and metallurgists, along with maintenance and production positions at various levels. Our inability to attract and retain such people may adversely impact our ability to fill existing roles and support growth. Attraction and retention of qualified personnel remains challenging as the labor market remains tight. Further, the loss of key personnel could adversely affect our ability to perform until suitable replacements can be found. Our business may be harmed by strikes or work stoppages. At December 31, ~~2022~~ **2023**, we had ~~475~~ **520** employees, out of a total of ~~622~~ **678**, who were covered under collective bargaining agreements with the USW expiring at various dates in ~~2023~~ **2024** to ~~2025~~ **2028**. There can be no assurance that we will be successful in timely concluding collective bargaining agreements with the USW to succeed the agreements that expire, in which case ~~,~~ we may experience strikes or work stoppages that may have a material adverse impact on our results of operations. Costs related to our participation in a multi- employer pension plan could increase significantly. We participate in the Trust, a multi- employer defined- benefit pension plan. We make contributions to the Trust with respect to all hourly and salaried employees associated with our Bridgeville facility. The trustees of the Trust have provided us with the latest data available for the year ended December 31, ~~2021~~ **2022**. As of that date, the Trust is not fully funded. Our contribution rates could increase if the Trust is required to adopt a funding improvement plan or a rehabilitation plan as a result of funding deficiencies in excess of specified levels, which may be due to poor performance of Trust investments or other factors, or as a result of future wage and benefit agreements. In addition, if we choose to stop participating in the Trust, our contributions to the Trust decline or the Trust is terminated, we may be required to pay the Trust an amount based on the underfunded status of the Trust, referred to as a withdrawal liability. Changes to any of these factors could negatively impact our future results of operations and cash flows to a material extent. Operational Risks Our business is subject to stringent environmental, health and safety regulations which may result in significant liabilities and / or costs to maintain compliance. Our operations and properties are subject to extensive and varied federal, state, local and international laws and regulations relating to public health, the environment, pollution, and occupational safety and health. We have used, and currently use and manufacture, substances that are considered hazardous or toxic under worker safety and health laws and regulations. We take measures to control or eliminate the continuing risk associated with the environmental, health and safety issues, however we could incur substantial fines and civil or criminal sanctions, cleanup costs, compliance investments and third- party property or injury claims as a result of violations, or non- compliance related to these regulations affecting our facilities and operations. ~~We~~ **9We** are dependent on the availability and price of raw materials and operating supplies. We purchase carbon and stainless scrap metal and alloy additives, principally nickel, ~~chrome~~ **chromium** , vanadium, molybdenum, manganese and copper, for our melting operation. A portion of the alloy additives is available only from foreign sources, some of which are located in countries that may be subject to unstable political and economic conditions. Those conditions, or other conditions that impact the availability of our key raw materials and operating supplies, might disrupt supplies or affect the prices of the raw materials. We maintain sales price surcharges on our products to help offset the impact of raw material price fluctuations. We do not maintain long- term fixed- price supply agreements with any of our raw material suppliers. If our supply of raw materials were interrupted, we might not be able to obtain sufficient quantities of raw materials or obtain sufficient quantities of such materials at satisfactory prices, which, in either case, could adversely affect our results of operations. In addition, significant volatility in the price of our principal raw materials could adversely affect our financial results and there can be no assurance that the raw material surcharge mechanism employed by us will completely offset immediate changes in our raw material costs in a given period. Our production processes also require consumable operating supplies. Significant volatility in the price of our consumable operating supplies could adversely affect our financial results. Our business requires substantial amounts of energy. The manufacturing of specialty steel is an energy- intensive process and requires the ready availability of substantial amounts of electricity and natural gas, for which we negotiate competitive supply agreements. While we believe that our energy agreements allow us to compete effectively within the specialty steel industry, the potential for increased costs exists during periods of high demand or supply disruptions. We have a sales price surcharge to help offset the cost fluctuations. Our business may be harmed by failures on critical manufacturing equipment. Our manufacturing processes are dependent upon certain critical pieces of specialty steel making equipment, including **but not limited to** our 50- ton electric- arc furnace and AOD vessel, our **VIM, VAR and** ESR ~~, VIM and VAR~~ furnaces, our radial hydraulic forge and our universal rolling mill. In the event ~~a~~ **any** critical piece of equipment should become inoperative as a result of unexpected equipment failure, there can be no assurance that our operations would not be substantially curtailed, which may have a negative effect on our financial results. Our business subjects us to risk of litigation claims, as a routine matter, and this risk increases the potential for a loss that might not be covered by insurance. Litigation claims may relate to the conduct of our business, including claims relating to product liability, commercial disputes, employment actions, employee benefits, compliance with domestic and federal laws and personal injury. Due to the uncertainties of litigation, we might not prevail on claims made against us in the lawsuits that we currently face, and additional claims may be made against us in the future. The outcome of litigation cannot be predicted with certainty, and some of these lawsuits, claims or proceedings may be determined adversely to us. The resolution in any reporting period of one or more of these matters could have a material adverse effect on our business. If we are unable to protect our information technology infrastructure against service interruptions, data corruption, cyber- based attacks or network security breaches, our operations could be disrupted. We rely on information technology networks and systems to manage and support a variety of business activities, including procurement and supply chain, engineering support, and manufacturing. Our information technology systems, some of which are managed by third- parties, may be susceptible to the inability to continue to receive software updates and contractual vendor support, damage, disruptions or shutdown due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunications failures, user errors or catastrophic events. In addition, security breaches could result in unauthorized disclosures of confidential information. If our information technology systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our manufacturing process could be disrupted resulting in late deliveries or even no deliveries if there is a total shutdown. **10ITEM 1B. UNRESOLVED STAFF COMMENTS**