Risk Factors Comparison 2024-05-14 to 2023-05-15 Form: 10-K

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

Major public health emergencies, including pandemic, epidemic, or outbreak of any other infectious disease ~~, such as the spread of COVID- 19~~ , could have an adverse impact on our financial condition and results of operations and other aspects of our business. **Major public health issues have** ~~The COVID- 19 pandemic has~~ had, and ~~another pandemic~~ in the future could have, repercussions across many sectors and areas of the global economy and financial markets, leading to significant adverse impacts on financial activity and volatility in financial markets **, which could negatively impact our financial results** . ~~The global~~ **For instance, the** spread of COVID- 19, which began during our 2020 fiscal year, created significant macroeconomic uncertainty, volatility, and disruption **to the global economy** . In response, many governments implemented policies intended to stop or slow the further spread of the disease and its variants, such as lockdowns, shelter- in- place, or restricted movement guidelines, and these measures remained in place for an extended period of time. These policies resulted in lower consumer and commercial activity across many markets in many geographic areas. ~~Although most of these measures have been lifted, they may be reinstated in the future in response to COVID- 19 or future pandemics, endemics, or health emergencies.~~ The ~~COVID- 19~~ pandemic also adversely impacted the global supply chain, resulting in a global chip shortage, as well as other restrictions and limitations on related activities that caused significant disruption and ~~delay. These disruptions and~~ delays ~~have strained both domestic and international supply chains~~ , ~~which have~~ **and adversely** affected ~~and could continue to adversely affect~~ the flow ~~or~~ **and** availability of certain products. ~~As a result~~ **Any public health emergency** , **including** the ~~Company has experienced and could continue to experience disruptions and higher costs in supply chain, logistical operations, and manufacturing, as well as shortages of certain products in our distribution channels. The spread of~~ COVID- 19 ~~also~~ **pandemic, or any future outbreak of other existing or new epidemic diseases, or the threat thereof, could** ~~caused~~ - **cause** us to modify our business practices (including limiting employee travel, ~~and~~ **or** cancellation of physical participation in meetings and events), **or** ~~and we may~~ take similar actions ~~in the future~~ as may be required by government authorities, or that we determine are in the best interests of our employees, customers, and business partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by **any future** ~~the COVID- 19 virus or other~~ public health emergencies, or otherwise be satisfactory to government authorities. The extent to which **any** ~~the COVID- 19 outbreak or other~~ public health emergencies in the future ~~impacts~~ - **impact** our business, financial condition, results of operation or cash flows will depend on continuously evolving factors and future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the ultimate duration and scope of the ~~pandemic~~ **health emergency** ; the severity of the **disease** ~~virus, including the emergence of new variants, some of which may be more transmissible than the initial strain, the impact of vaccines, including their effectiveness against the virus and evolving strains~~ ; the actions taken by governments to contain the ~~virus~~ **emergency** or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume ~~. Even as the initial COVID- 19 outbreak has subsided, we have continued to experience materially adverse impacts to our business as a result of its global economic impact, including supply chain disruptions and uncertain economic conditions~~ . One or more of our customers, distribution partners, service providers or suppliers may experience financial distress, file for bankruptcy protection, go out of business, or suffer disruptions in their business due to ~~lasting~~ impacts from ~~the pandemic~~ **a future public health emergency** , and as a result, our operating revenues may be impacted. The Company could also experience other material impacts, including, but not limited to, charges from potential adjustments to the carrying value of inventory, asset impairment charges, and deferred tax valuation charges. Our businesses are highly competitive and face significant competition from Original Equipment Manufacturers (OEMs) and direct imports by our retail and commercial customers. The markets for automotive electronics, consumer electronics, and biometric products are highly competitive across all product lines. We compete against many well- established companies, some of whom have substantially greater financial and engineering resources than we do. We compete directly with OEMs, including divisions of well- known automobile manufacturers, and in the auto security, mobile video, and accessories markets. We believe that OEMs have diversified and improved their product offerings and placed increased sales pressure on new car dealers with whom they have close business relationships to purchase OEM- supplied equipment and accessories. To the extent that OEMs succeed in their efforts, this success would have a material adverse effect on our sales of automotive entertainment and security products to new car dealers. In addition, we compete with major retailers and commercial distributors within the consumer electronic and biometric industries who may at any time choose to direct import products that we may currently supply. A severe or prolonged economic downturn could adversely affect our customers' financial conditions, their levels of business activity, and their ability to pay trade obligations. The Company sells its products primarily to OEM' s, retailers, and to domestic and foreign distributors. The Company generally requires no collateral from its customers or cash payments in advance and credit is generally granted on a short- term basis. However, a severe or prolonged downturn in the general economy could adversely affect the retail market, which in turn would adversely impact the liquidity and cash flows of the Company' s customers, including the ability of such customers to obtain credit to finance purchases of the Company' s products and to pay their trade obligations. This could result in increased delinquent or uncollectible accounts for some of the Company' s customers. A failure by the Company' s customers to pay a significant portion of outstanding accounts receivable balances on a timely basis would adversely impact the Company' s business, sales, financial condition, and results of operations. We provide estimates for uncollectible accounts based primarily on our judgment using historical losses, current economic conditions, and individual evaluations of each customer as evidence supporting the collectability of the receivables' valuations stated on our financial statements. However, our receivables valuation estimates may not be accurate and receivables due from customers reflected in our financial statements may not be collectible. Inflation and rising commodity prices could adversely affect our business. Our financial performance could be adversely impacted by inflation, which is subject to market conditions. If the cost of goods changes as a result of inflation, we may be unable to adjust our prices accordingly, which could adversely impact our sales or earnings. During Fiscal 2022 ~~and~~ **through** ~~2023~~ **2024** , we **have** experienced levels of inflation that are higher than we have experienced in recent years, resulting in part from various supply disruptions, increased shipping and transportation costs, increased commodity costs, increased labor costs in the supply chain, monetary policy actions, and other disruptions caused by the **residual effects of the** COVID- 19 pandemic and the uncertain economic environment. While we have attempted to mitigate this impact to date through our pricing strategies, we are unable to predict how long the current inflationary environment will continue or the impact of inflationary trends on consumer behavior and our sales and profitability in the future. Additionally, commodities can be subject to availability constraints and price volatility caused by weather, supply conditions, political instability, government regulations, tariffs, energy prices and general economic conditions and other unpredictable factors. Changes in commodity prices could also negatively impact our sales and earnings if our competitors react more aggressively. Sales in our businesses are dependent on new products, product development and consumer acceptance. Our businesses depend, to a large extent, on the introduction and availability of innovative products and technologies. If we are not able to continually introduce new products that achieve consumer acceptance, our sales and profit margins may decline. The impact of technological advancements may cause price erosion and adversely impact our profitability and inventory value. Since we do not manufacture all of our products and do not conduct all of our own research and development, we cannot assure that we will be able to source technologically advanced products in order to remain competitive. Furthermore, the introduction or expected introduction of new products or technologies may depress sales of existing products and technologies. This may result in declining prices and inventory obsolescence. Since we maintain a substantial investment in product inventory, declining prices and inventory obsolescence could have a material adverse effect on our business and financial results. Our estimates of excess and obsolete inventory may prove to be inaccurate, in which case the provision required for excess and obsolete inventory may be understated or overstated. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and operating results. We purchase a significant amount of our products from suppliers in Pacific Rim countries and we are subject to the economic risks associated with inherent changes in the social, political, regulatory, and economic conditions not only in these countries, but also in other countries we do business in, including our own. We import most of our products from suppliers in the Pacific Rim. Countries in the Pacific Rim have, in the past, experienced significant social, political, geographic, and economic upheaval. Due to the large concentrations of our purchases in Pacific Rim countries, particularly China, Hong Kong, South Korea, Vietnam, Malaysia, and Taiwan, any adverse changes in the social, political, regulatory, or economic conditions in these countries may materially increase the cost of the products that we buy from our foreign suppliers or delay shipments of products, which could have a material adverse effect on our business. In addition, our dependence on foreign suppliers forces us to order products further in advance than we would if our products were manufactured domestically. This increases the risk that our products will become obsolete or face selling price reductions before we can sell our inventory. Our business, and that of our suppliers in these countries and elsewhere, are subject to the impact of natural catastrophic events such as earthquakes, floods or power outages, political crises such as terrorism or war, and public health crises, such as disease outbreaks, epidemics, or pandemics in the U. S. and global economies. ~~Recently~~ **For instance** , the spread of COVID- 19 globally **beginning during our 2020 fiscal year** resulted in the disruption and shutdown of businesses. Our business relies on raw materials, components, and finished goods provided by our suppliers. If ~~additional~~ **future** pandemic related restrictions cause delays along our supply chain, we will likely experience a slow- down in our business as a result. The ongoing ~~conflict~~ **conflicts** between Russia and Ukraine ~~has~~ **, and between Israel and Hamas, have** caused, and is expected to continue to cause, negative effects on geopolitical conditions and the global economy, including financial markets, inflation, and the global supply chain, which could have an adverse impact on our business, financial condition, and results of operations. In February 2022, Russian military forces launched a full- scale military invasion of Ukraine that has resulted in an ongoing military conflict between the two countries. The length, impact, and outcome of the ongoing military conflict in Ukraine is highly unpredictable, and the conflict has caused, and is ~~currently~~ expected to continue to cause, global political, economic, and social instability; disruptions to the global economy, financial systems, international trade, ~~the~~ **and** global supply chain ~~,~~ **;** as well as to the transportation and energy sectors, among others. Russia' s recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and the subsequent military action against Ukraine have led to an unprecedented expansion of sanction programs imposed by the United States, the European Union, ~~the United Kingdom, Canada, Switzerland,~~ Japan **,** and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so- called Donetsk People' s Republic, and the so- called Luhansk People' s Republic. The situation is rapidly evolving as a result of the conflict in Ukraine, and additional sanctions may be implemented, as well as export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. ~~Such sanctions~~ **On October 7, 2023, Hamas launched a series of attacks on civilian** and **military targets in** ~~other~~ **Southern** ~~measures~~ **and Central Israel** , **to which the Israel Defense Forces have responded. In addition, Hezbollah** ~~as~~ **has** ~~well~~ **attacked military and civilian targets in Northern Israel, to which Israel** ~~as~~ **has** ~~the existing and potential further responses~~ **responded** ~~from Russia~~ **. How long and how severe the current conflict becomes is unknown at this time and any continued clash among Israel, Hamas, or Hezbollah,** or other countries **or** ~~to such sanctions, tensions, and military~~ **militant** ~~actions,~~ **groups in the region may escalate in the future into a greater regional conflict. Any of the abovementioned factors** could ~~adversely affect the global economy and financial markets and could adversely~~ affect our business, financial condition, and **operating** results **. The extent and duration** of ~~operations~~ **the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this Form 10- K** . Changes in U. S. or foreign government administrative policies, including changes to existing trade agreements, could have a material adverse effect on us. There have been significant changes and proposed changes in recent years to U. S. trade policies, tariffs, and treaties affecting imports. For example, the United States has imposed supplemental tariffs of up to 25 % on certain imports from China, as well as increased tariffs and import restrictions on products imported from various other countries. In response, China and other countries have imposed or proposed additional tariffs on certain exports from the United States. The United States is also investigating certain trade- related practices by Vietnam that could affect U. S. imports from that country, and renegotiated the multilateral trading relationship between the United States, Canada, and Mexico, resulting in the replacement of the North American Free Trade Agreement (" NAFTA") with a new U. S.- Mexico- Canada Agreement (" USMCA ") that became effective on July 1, 2020. A significant portion of our products are manufactured in Pacific Rim countries. Accordingly, such U. S. policy changes have made it, and may continue to make it difficult or more expensive for us to obtain certain products manufactured outside the United States, which could affect our revenue and profitability. Further tariff increases could require us to increase our prices, which could decrease customer demand for our products. Retaliatory tariff and trade measures imposed by other countries could affect our ability to export products and therefore adversely affect our revenue. Any of these factors could depress economic activity and restrict our access to suppliers or customers and could have a material adverse effect on our business, financial condition, and results of operations. A commercial market for biometrics technology is still developing. There can be no assurance our iris- based identity authentication technology will be successful or achieve market acceptance. A component of our strategy to grow revenue includes expansion of our iris- based identity authentication solutions into commercial markets. To date, biometrics technology has received only limited acceptance in such markets. Although the recent appearance of biometric readers on popular consumer products, such as smartphones, has increased interest in biometrics as a means of authenticating and / or identifying individuals, commercial markets for biometrics technology are still developing and evolving. Biometrics- based solutions compete with more traditional security methods including keys, cards, personal identification numbers, fingerprints, facial recognition, and security personnel. Acceptance of biometrics as an alternative to such traditional methods depends upon a number of factors, including: • the cost, performance and reliability of our products and services and the products and services offered by our competitors; • the continued growth in demand for biometrics solutions within the government and law enforcement markets as well as the development and growth of demand for biometric solutions in markets outside of government and law enforcement; • customers' perceptions regarding the benefits of biometrics solutions; • public perceptions regarding the intrusiveness of these solutions and the manner in which organizations use the biometric information collected; • public perceptions regarding the confidentiality of private information; • proposed or enacted legislation related to privacy of information; • customers' satisfaction with biometrics solutions; and • marketing efforts and publicity regarding biometrics solutions. We face intense competition from other biometrics solutions providers. A considerable number of established companies have developed or are developing and marketing software and hardware for biometrics products and applications, including facial recognition, fingerprint biometrics, and other iris authentication competitors that currently compete with, or will compete directly with, our iris- based identity authentication solutions. We believe that additional competitors will enter the biometrics market and become significant long- term competitors, and that as a result, competition will increase. Companies competing with us may introduce solutions that are competitively priced, have increased performance or functionality or incorporate technological advances we have not yet developed or implemented. We depend on a small number of key customers for a large percentage of our sales. The electronics industry is characterized by a number of key customers. Specifically, **18 % of our sales were to five customers in Fiscal 2024,** 17 % ~~of our sales were to five customers~~ in Fiscal 2023, **and** 21 % in Fiscal 2022 ~~, and 30 % in Fiscal 2021~~ . The loss of one or more of these customers could have a material adverse impact on our business. The international marketing and distribution of our products subjects us to risks associated with international operations and conditions in the global economy, including exposure to foreign currency fluctuations. As part of our business strategy, we intend to continue to increase our sales, including our international sales, although we cannot assure you that we will be able to do so. Approximately ~~21~~ **22** . ~~1~~ **6** % of our net sales currently originate in markets outside the U. S. While geographic diversity helps to reduce the Company' s exposure to risk in any one country or part of the world, it also means that we are subject to the full range of risks associated with international operations, including exposure to foreign currency fluctuations. These risks could have a significant impact on our ability to sell our products on a competitive basis in international markets and may have a material adverse effect on our results of operations, cash flows and financial condition. Deterioration in the economic conditions in the Eurozone and globally, including instability in financial markets, may pose a risk to our business. In recent years, financial markets have been affected at times by a number of global macroeconomic and political events, including large sovereign debts and fiscal deficits of several countries in Europe and in emerging market jurisdictions, high levels of non- performing loans on the balance sheets of European banks, the effect of the United Kingdom exiting the European Union in 2020, the potential effect of any other European country leaving the Eurozone, market volatility and loss of investor confidence driven by political events, and the global spread of COVID- 19. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt, and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available, or if available, will be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding ~~any~~ **the** ~~economic~~ **economy** ~~recovery~~ in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition, and results of operations could be significantly and adversely affected. In an effort to reduce the impact on earnings of foreign currency rate movements, we engage in a combination of cost- containment measures and selective hedging of foreign currency transactions. However, these measures may not succeed in offsetting any negative impact of foreign currency rate movements on our business and results of operations. Substantial political and economic uncertainty in Venezuela puts our local assets at risk. We have a subsidiary in

Venezuela, whose operations have been suspended due to the economic and political climate in that country. We hold fixed assets at this subsidiary and have incurred impairments related to our long- lived assets in Venezuela in the past. These assets had no net book value as of February ~~28~~ **29** , ~~2023~~ **2024** , and February 28, ~~2022~~ **2023** . The Company intends to continue to hold these assets with the hope of recovering value from them in the future; however, if conditions continue to deteriorate, we may be at risk of government confiscation of these assets. Changes in the retail industry could have a material adverse effect on our business or financial condition. In recent years, the retail industry has experienced consolidation, store closures, bankruptcies, and other ownership changes. In the future, retailers in the United States and in foreign markets may further consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could decrease the number of stores that carry our products. Changing shopping patterns, including the rapid expansion of online retail shopping, have adversely affected customer traffic in mall and outlet centers. We expect competition in the e- commerce market will continue to intensify. As a greater portion of consumer expenditures with retailers occurs online and through mobile commerce applications, our brick- and- mortar wholesale customers who fail to successfully integrate their physical retail stores and digital retail may experience financial difficulties, including store closures, bankruptcies, or liquidations. **An** ~~We cannot control the success of individual malls, and an~~ increase in store closures by other retailers may lead to store vacancies and reduced foot traffic. A continuation or worsening of these trends could have a material adverse effect on our sales, results of operations, financial condition, and cash flows. We invest, from time to time, in marketable securities and other investments as part of our investing activities. These investments fluctuate in value based on economic, operational, competitive, political, and technological factors. These investments could be subject to loss or impairment based on their performance. The Company has incurred other- than- temporary impairments on its investments in the past, and continues to monitor investments in non- controlled corporations, as applicable, for potential future impairments. In addition, there is no guarantee that the fair values recorded for other investments will be sustained in the future. We must comply with restrictive covenants in our debt agreements. Our existing debt agreements contain certain covenants that limit our ability to, among other things, borrow additional money, pay dividends, dispose of assets, and acquire new businesses. These covenants also require us to maintain a specified fixed charge coverage ratio **under specified circumstances** . If the Company is unable to comply with these covenants, there would be a default under these debt agreements. Changes in economic or business conditions, results of operations, or other factors could cause the Company to default under its debt agreements. A default, if not waived by our lenders, could result in acceleration of our debt and possible bankruptcy, should we have debt outstanding. We have recorded, and may record in the future, goodwill, and other intangible assets as a result of acquisitions, and changes in future business conditions could cause these investments to become impaired, requiring substantial write- downs that would reduce our operating income. We evaluate the recoverability of recorded goodwill and other intangible asset amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. We have experienced significant impairment charges in the current year, as well as in past years (see Note 1 (k)). Additional future impairment may result from, among other things, deterioration in the performance of our business or product lines, adverse market conditions and changes in the competitive landscape, and a variety of other circumstances. The amount of any impairment is recorded as a charge to our statement of operations. We may never realize the full value of our goodwill and intangible assets, and any determination requiring the write- off of a significant portion of these assets may have an adverse effect on our financial condition and results of operations. If our sales during the holiday season fall below our expectations, our annual results could also fall below expectations. Seasonal consumer shopping patterns ~~significantly~~ affect our business. We generally make a substantial amount of our sales and net income during September, October, and November. We expect this trend to continue. December is also a key month for us, due largely to the increase in promotional activities by our customers during the holiday season. If the economy faltered in these periods, if our customers altered the timing or frequency of their promotional activities, or if the effectiveness of these promotional activities declined, particularly around the holiday season, it could have a material adverse effect on our annual financial results. Legal and Regulatory Risks There is no guarantee that patent / royalty rights will be renewed, or licensing agreements will be maintained. Certain product development and revenues are dependent on the ownership and or use of various patents, licenses, and license agreements. If the Company is not able to successfully renew or renegotiate these rights, we may suffer from a loss of product sales or royalty revenue associated with these rights or incur additional expense to pursue alternative arrangements. We are subject to governmental regulations. We always face the possibility of new governmental regulations which could have a substantial effect on our operations and profitability. The Dodd- Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as " conflict minerals, " originating from the Democratic Republic of Congo and adjoining countries. There are costs associated with complying with these disclosure requirements, including for due diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes, or sources of supply as a consequence of such verification activities. These rules could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering" conflict free" conflict minerals, we cannot be sure that we will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we implement. A data privacy breach could damage our reputation and customer relationships, expose us to litigation risk and potential fines, and adversely affect our business. We and our business partners maintain significant amounts of data electronically in locations around the world. This data relates to all aspects of our business, including current and future products and initiatives under development, and contains confidential, proprietary, non- public, and personal customer, consumer, supplier, partner, and employee data, which we collect, process, transmit, and, where appropriate, retain as part of our normal operations. We maintain systems, protocols, and processes designed to protect this data. Despite the security measures we and our partners have in place, our facilities and systems, and those of our third- party service providers and partners, are vulnerable to security breaches, cyber- attacks, acts of vandalism, computer viruses, misplaced or lost data, programming and / or human error, or other similar events. **In addition,** ~~Threat~~ **threat** actors attempt to breach our security systems to gain access to our data and infrastructure through various techniques, including phishing, ransomware, and other targeted attacks. The risk of such attacks includes attempted breaches not only of our systems, but also those of our business partners, customers, clients, and suppliers. The techniques used to obtain unauthorized access are constantly changing, are becoming increasingly more sophisticated, and often are not recognized until after an exploitation of information has occurred. Therefore, we may be unable to anticipate these techniques or implement sufficient preventative measures, which may have a material adverse effect on our Company. The Company has retained and, in the future, may retain third- party experts to assist with the containment of, and response to, security incidents and, in coordination with law enforcement, with the investigation of such incidents. The Company has incurred, and may continue to incur, costs to retain such third- party experts in connection with any such incidents. We may also find it necessary to make significant further investments to protect our information and our infrastructure. These investments, and the costs we incur in connection with security incidents, could be material. **Our computer systems are subject to penetration** ~~As we publicly announced on September 28, 2020, we had previously identified, immediately investigated,~~ and **our** ~~addressed a~~ security **and** ~~incident that occurred on July 7, 2020, that resulted in~~ data **protection measures may** ~~related to current and former employees (and their beneficiaries) and contractors stored on certain devices becoming encrypted by ransomware. The incident was promptly addressed and remediated. While we do~~ not **prevent** ~~believe this or any cybersecurity incident has resulted in any material impact on our business, operations, or financial results, or on our ability to service our customers or run our business, future incidents resulting in~~ unauthorized access **. Threats** to ~~our facilities or~~ **our** ~~information technology~~ systems **and** ~~, networks or~~ **our** ~~infrastructure~~ **associated third** parties' systems can result from human error,fraud,or malice on the part of employees or third parties,as well as from accidental technological failure.Despite security measures,computer viruses,malware,and other " hacking " programs and devices may cause significant damage,delays or interruptions to our systems and operations,or to certain of the products we sell,resulting in damage to our reputation and brand names. **The** ~~Although the Company has business continuity plans in place,if these plans do not provide effective alternative processes on a timely basis,the~~ Company may suffer interruptions in its ability to manage or conduct its operations,which may adversely affect its business.The Company may need to expend additional resources in the future to continue to protect against **,or to address problems caused by,any business interruptions or security breaches.Any business interruptions or data security breaches** (**including cybersecurity breaches resulting in private data disclosure** ~~or those of our customers, vendors, or other business partners~~) could result in **lawsuits** ~~, among other things, a total shutdown of our~~ - **or** ~~systems that would disrupt our ability to conduct business or pay vendors and employees. Further, if we or third parties with which we do business were to fall victim to a successful security breach involving the misappropriation, loss, or unauthorized disclosure of confidential, proprietary, or personal information, whether belonging to us or our vendors, customers, or other third- party business partners, such a breach could result in significant legal and remediation expenses, violate applicable laws and regulations~~ - **regulatory proceedings** , ~~severely~~ damage our reputation ~~and~~ **,** ~~our~~ - **or adversely impact** ~~customer relationships, harm sales, increase~~ our ~~cybersecurity and other insurance premiums, expose us to risks of litigation and liability, and result~~ **results of operations** ~~in a material adverse effect on our business~~ , **cash flows, and** financial condition ~~, and results of operations. In addition, cybersecurity incidents and data security breaches could lead to unfavorable publicity, governmental inquiry and oversight, litigation by affected parties, and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on our profitability and cash flow~~ . We may face regulatory data protection, data security, and privacy risks in connection with our operations under, or failure to comply with, applicable data privacy laws and regulations. Strict data privacy laws regulating the collection, transmission, storage, disclosure, and use of personal information are evolving in the United States, the European Union, the UK, Canada, and other jurisdictions in which we operate. Privacy laws, including the General Data Protection Regulations in the European Union and the UK and the California Consumer Privacy Act (" CCPA"), create new individual privacy rights and impose increased obligations on companies handling personal data. The CCPA, which became effective on January 1, 2020, grants individuals the right to access, request deletion of, and opt out of the sale of personal information and creates a private right of action for the unauthorized access and exfiltration, theft, or disclosure of certain types of personal information, including the right to seek statutory damages, among other things. In 2020, the Court of Justice for the European Union invalidated mechanisms for transferring personal information out of the European Union, leading to a wave of potential new barriers for data sharing between the European Union and other countries, including the United States. These changes in the legal and regulatory environments in the areas of customer and employee privacy, data security, and cross- border data flows could have a material adverse effect on our business, primarily through (i) the impairment of our transaction processing activities, (ii) the limitation on the types of information that we may collect, process and retain, (iii) the resulting costs of complying with such legal and regulatory requirements, and (iv) the potential monetary penalties for noncompliance. In addition, the federal privacy and security regulations issued under HIPAA require our facilities to comply with extensive requirements on the use and disclosure of protected health information, and implement and maintain administrative, physical, and technical safeguards to protect the security of such information. A change in applicable privacy or security laws or regulations could require us to devote significant management and operational resources, and expend significant additional financial resources, to upgrade the security measures that we employ to comply with such change. Consequently, we may incur significant costs related to ensuring compliance with applicable laws regarding the protection of personal information. The potential costs of non- compliance with these laws and regulations may include significant penalties. In addition, new and existing regulations and policies may affect the use of our products and services and could have a material adverse impact on our results of operations. Our products could infringe the intellectual property rights of others and we may be exposed to costly litigation. The products we sell are continually changing as a result of improved technology. Although we and our suppliers attempt to avoid infringing known proprietary rights of third parties in our products, we may be subject to legal proceedings and claims for alleged infringement by us, our suppliers, or our distributors, of a third party’ s patents, trade secrets, trademarks, or copyrights. Any claims relating to the infringement of third- party proprietary rights, even if not meritorious, could result in costly litigation, divert management’ s attention and resources, or require us to either enter into royalty or license agreements which are not advantageous to us or pay material amounts of damages. In addition, parties making these claims may be able to obtain an injunction, which could prevent us from selling our products. We may increasingly be subject to infringement claims as we expand our product offerings. Operational Risks A portion of our workforce is represented by labor unions. Collective bargaining agreements can increase our expenses. Labor disruptions could adversely affect our operations. As of February ~~28~~ **29** , ~~2023~~ **2024** , ~~38~~ **34** of our full- time employees were covered by collective bargaining agreements. We cannot predict whether labor unions may be successful in organizing other portions of our workforce or what additional costs we could incur as a result. We depend on our suppliers to provide us with adequate quantities of high- quality competitive products and / or component parts on a timely basis. We have few long- term contracts with our suppliers. Most of our products and component parts are imported from suppliers under short- term purchase orders. Accordingly, we can give no assurance that: • our supplier relationships will continue as presently in effect; • our suppliers will be able to obtain the components necessary to produce high- quality, technologically advanced products for us; • we will be able to obtain adequate alternatives to our supply sources, should they be interrupted; • if obtained, alternatively sourced products of satisfactory quality would be delivered on a timely basis, competitively priced, comparably featured, or acceptable to our customers; • our suppliers have sufficient financial resources to fulfill their obligations; • our suppliers will be able to obtain raw materials and labor necessary for production; • shipments from our suppliers will not be affected by labor disputes within the shipping and transportation industries; • our suppliers would not be impacted by natural disasters directly or via their supply chains; and • as it relates to products we do not manufacture, our suppliers will not become our competitors. On occasion, our suppliers have not been able to produce the quantities of products or component parts that we desire. Our inability to manufacture and / or supply sufficient quantities of products that are in demand could reduce our profitability and have a material adverse effect on our relationships with our customers. If any of our supplier relationships were terminated or interrupted, we could experience an immediate or long- term supply shortage, which could have a material adverse effect on our business. We have few long- term sales contracts with our customers that contain guaranteed customer purchase commitments. Sales of many of our products are made by purchase orders and are terminable at will by either party. We do have long- term sales contracts with certain customers; however, these contracts do not require the customers to guarantee specific levels of product purchases over the term of the contracts. The unexpected loss of all or a significant portion of sales to any one of our large customers could have a material adverse effect on our performance. We are increasingly dependent on the continuous...... could adversely affect our competitive position. Remote working arrangements could significantly increase the Company’ s digital and cybersecurity risks. The COVID- 19 pandemic initially caused us to modify our business practices, resulting in temporary closures and reduced operations in many of our locations, as well as the implementation of hybrid working arrangements. Although the pandemic has officially come to an end, the Company has chosen to keep hybrid working arrangements in place in certain of its locations. With this shift to remote working, and the use of virtual board and executive management meetings, cybersecurity risks are exponentially greater. Such hybrid work arrangements create an increased demand for information technology resources, and thus may increase the risk of phishing and other cybersecurity attacks as well as increase the risk of unauthorized dissemination of sensitive personal information or proprietary or confidential information about us or our customers, employees, or business partners. Despite our cybersecurity measures, we may be more susceptible to security breaches and other security incidents because we have less capability to implement, monitor, and enforce our information security and data protection policies. Techniques or software used to gain unauthorized access, and / or disable, degrade, or harm our systems may be difficult to detect for prolonged periods of time, and we may be unable to anticipate these techniques or put in place protective or preventive measures. The damage or disruption of our systems, or the theft or compromise of our technology, data, or intellectual property, may negatively impact our business, financial condition and results of operations, reputation, stock price and long- term value. Any such event may also expose us to costly remediation, litigation, and regulatory investigations or actions by state and federal authorities as well as non- US authorities, interference with the Company' s operations, and damage to the Company' s reputation, which could adversely affect the Company' s business. We are responsible for product warranties and defects. Whether we outsource manufacturing or manufacture products directly for our customers, we provide warranties for all of our products, for which we have provided an estimated liability. Therefore, we are highly dependent on the quality of our suppliers’ products. If we experience an increase in warranty claims, or if our costs associated with such warranty claims increase significantly, we will begin to incur liabilities for warranty claims after the sale of our products at levels that we have not previously incurred or anticipated. In addition, an increase in the frequency of our warranty claims or amount of warranty costs may harm our reputation and could have a material adverse effect on our financial condition and results of operations. We provide financial support to one of our subsidiaries through an intercompany loan agreement. Based on the performance of this entity, this loan may become partially or entirely uncollectible, or we may need to secure additional financing for our own operations, and we cannot be sure that additional financing will be available. We have an intercompany loan agreement with our majority owned subsidiary, EyeLock LLC, which **may** ~~is expected to~~ continue to require additional funding beyond one year. In funding the loan to EyeLock LLC, we have less cash flow available to support our domestic operations and other activities. Should EyeLock LLC default on the loan and should the collateral be insufficient to satisfy the total outstanding balance owed to Voxx, we may not be able to recover 100 % of the loan balance. In addition, if we are unable to generate sufficient cash flows in the future to support our operations and service our debt as a result of funding EyeLock LLC, we may be required to refinance all or a portion of our existing debt, as applicable, or to obtain additional financing. There can be no assurance that any refinancing will be possible or that any additional financing could be obtained on acceptable terms. The inability to service or refinance our existing debt or to obtain additional financing would have a material adverse effect on our financial position, liquidity, and results of operations. We had loans outstanding, including principal and interest of $ ~~80~~ **85** , ~~978~~ **902** , from our majority owned subsidiary, EyeLock LLC, at February ~~28~~ **29** , ~~2023~~ **2024** . Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non- performance by financial institutions or transactional counterparties, could adversely affect our business, financial condition, or results of operations. Our cash and cash equivalents consist of demand deposits and highly liquid money market funds with original maturities of three months or less at the time of purchase. We maintain the cash and cash equivalents with major financial institutions. Some deposits with these banks exceed the Federal Deposit Insurance Corporation (" FDIC") insurance limits or similar limits in foreign jurisdictions. While we monitor daily the cash balances in the operating accounts and adjust the balances as appropriate, should events, including limited liquidity, defaults, non- performance, or other adverse developments occur with respect to the banks or other financial institutions that hold our funds, or that affect financial institutions or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, our liquidity may be adversely affected. For example, on March 10, 2023, the FDIC announced that Silicon Valley Bank (" SVB") had been closed by the California Department of Financial Protection and Innovation. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership. Although a statement by the Department of the Treasury, the Federal Reserve and the FDIC indicated that all depositors of SVB would have access to all of their money after only one business day of closure, including funds held in uninsured deposit accounts, borrowers under credit agreements, letters of credit and certain other financial instruments with SVB, Signature Bank, or any other financial institution that is placed into receivership by the FDIC may be unable to access undrawn amounts thereunder. Although we are not a borrower or party to any such instruments with SVB, Signature Bank, or any other financial institution currently in receivership, if any of our lenders or counterparties to any such instruments were to be placed into receivership, we may be unable to access such funds. In addition, investor concerns regarding the U. S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on terms favorable to us in connection with a potential business combination, or at all, and could have material adverse impacts on our liquidity, our business, financial condition or results of operations, and our prospects. Our business may be adversely impacted by these developments in ways that we cannot predict at this time, there may be additional risks that we have not yet identified, and we cannot guarantee that we will be able to avoid negative consequences directly or indirectly from any failure of one or more banks or other financial institutions. Our capital resources may not be sufficient to meet our future capital and liquidity requirements. We believe our current funds and available credit lines would provide sufficient resources to fund our existing operations for the foreseeable future. However, we may need additional capital to operate our business if: • market conditions change, • our business plans or assumptions change, • we make significant acquisitions, • we need to make significant increases in capital expenditures or working capital, • our restrictive covenants do not provide sufficient credit, or • we need to continue to provide financial support to EyeLock LLC for an extended period of time. Acquisitions and strategic investments may divert our resources and management' s attention; results may fall short of expectations. We intend to continue pursuing selected acquisitions of, and investments in, businesses, technologies, and product lines as a component of our growth strategy. Any future acquisition or investment may result in the use of significant amounts of cash, potentially dilutive issuances of equity securities, or the incurrence of debt and amortization expenses related to intangible assets. Acquisitions involve numerous risks, including: • difficulties in the integration and assimilation of the operations, technologies, products, and personnel of an acquired business; • diversion of management' s attention from other business concerns; • increased expenses associated with the acquisition, and • potential loss of key employees or customers of any acquired business. We cannot assure you that our acquisitions will be successful and will not adversely affect our business, results of operations, or financial condition. We depend heavily on existing directors, management and key personnel and our ability to recruit and retain qualified personnel. Our success depends on the continued efforts of our directors, executives, and senior vice presidents, many of whom have worked with VOXX International Corporation for several decades, as well as our other executive officers and key employees. We have employment contracts with most of our executive officers. The loss or interruption of the continued full- time service of certain of our executive officers and key employees could have a material adverse effect on our business. In addition, to support our continued growth, we must effectively recruit, develop, and retain additional qualified personnel both domestically and internationally. Our inability to attract and retain necessary qualified personnel could have a material adverse effect on our business. Risks Related to the Ownership of our Common Stock Our stock price could fluctuate significantly. The market price of our common stock could fluctuate significantly in response to numerous factors and events, including: • operating results being below market expectations, • announcements of technological innovations or new products by us or our competitors, • loss of a major customer or supplier, • changes in, or our failure to meet, financial estimates by securities analysts, • industry developments, • economic and other external factors, • general downgrading of our industry sector by securities analysts, • acquisitions and dispositions, and • inventory write- downs. In addition, the securities markets have experienced significant price and volume fluctuations over the past several years that have often been unrelated to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our common stock. John J. Shalam, our Chairman, controls a significant portion of the voting power of our common stock and can exercise control over our affairs. Mr. Shalam beneficially owns approximately ~~56~~ **54** . ~~0~~ **5** % of the combined voting power of both classes of common stock. This will allow him to elect the majority of our Board of Directors and, in general, determine the outcome of any other matter submitted to the stockholders for approval. Mr. Shalam' s voting power may have the effect of delaying or preventing a change in control of the Company. We have two classes of common stock: Class A common stock, which is traded on the NASDAQ Stock Market under the symbol VOXX, and Class B common stock, which is not publicly traded and substantially all of which is beneficially owned by Mr. Shalam. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Class A shareholders vote separately for the election / removal of the Class A directors, while both classes vote together as a single class on all other matters and as otherwise may be required by Delaware law. Since our charter permits shareholder action by written consent, Mr. Shalam may be able to take significant corporate actions without prior notice and a shareholder meeting. We exercise our option for the" controlled company" exemption under NASDAQ rules. The Company has exercised its right to the" controlled company" exemption under NASDAQ rules which enables us to forego certain NASDAQ requirements which include: (i) maintaining a majority of independent directors; (ii) electing a nominating committee composed solely of independent directors; (iii) ensuring the compensation of our executive officers is determined by a majority of independent directors or a compensation committee composed solely of independent directors; and (iv) selecting, or recommending for the Board' s selection, director nominees, either by a majority of the independent directors or a nominating committee composed solely of independent directors. Although we do not maintain a nominating committee and do not have a majority of independent directors, the Company notes that at the present time we do maintain a compensation committee comprised solely of independent directors who approve executive compensation, and the recommendations for director nominees are governed by a majority of independent directors. However, election of the" controlled company" exemption under NASDAQ rules allows us to modify our position at any time. General Risks Our business could be affected by unseasonal or severe weather- related factors. Our results of operations may be adversely affected by weather- related factors. Adverse weather conditions and extreme seasonal fluctuations may deter or prevent patrons from reaching facilities where our products are sold, or negatively affect customer demand for certain products. Although our budget assumes certain seasonal fluctuations in our revenues to ensure adequate cash flow during expected periods of lower revenues, we cannot ensure that weather- related factors will not have a material adverse effect on our operations. Other Risks Other risks and uncertainties include: • additional changes in U. S. federal, state, and local law, • our ability to implement operating cost structures that align with revenue growth, • additional trade sanctions against or from foreign countries, • successful integration of business acquisitions and new brands in our distribution network, • compliance with the Sarbanes- Oxley Act, and • compliance with complex financial accounting and tax standards, both foreign and domestic.