

Risk Factors Comparison 2025-03-14 to 2024-03-14 Form: 10-K

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There are various factors that affect or might affect our business, results of operations and financial condition, many of which are beyond our control. The following is a description of some of the material factors that could materially and adversely affect our reputation, business, results of operations and financial condition. Risk factors related to our operations We rely on independent foreign sources of production and the availability of leather, rubber and other raw materials; a deterioration in our relationships, or other issues affecting such manufacturers and / or issues with the availability of raw materials could have unfavorable effects on our business. We purchase all our products from independent foreign manufacturers, primarily in China and India. Although we believe that we have good working relationships with our manufacturers, we do not have long- term contracts with them. Thus, we could experience increases in manufacturing costs, disruptions in the timely supply of products or unanticipated reductions in manufacturing capacity, any of which could negatively impact our business, results of operations and financial condition. We can move production to different suppliers; however, the transition may not occur smoothly or quickly, or at the same cost, which could result in us missing customer delivery date requirements and, consequently, we could lose future orders and our reputation may be harmed. Our use of foreign sources of production results in relatively long production and delivery lead times. Therefore, we typically forecast demand at least five months in advance. If our forecasts are wrong or there are significant changes in demand, it would result in a loss of sales if we do not have enough product on hand or in reduced margins if we have excess inventory that needs to be sold at discounted prices. Our ability to import products in a timely and cost- effective manner may be affected by disruptions at U. S. or foreign ports or other transportation facilities, such as those due to labor disputes and work stoppages, political unrest, trade protection measures or trade wars, severe weather (climate change may increase the frequency and severity of severe weather conditions or events), outbreaks of infectious diseases, or security requirements in the United States and other countries. These issues could delay importation of products or require us to locate alternate ports or warehousing providers to avoid disruption to our customers. These alternatives may not be available on short notice or could result in higher transportation costs, which could have a material adverse impact on our overall profitability. Our products depend on the availability of raw materials, especially leather and rubber. Any significant shortages of quantities or increases in the cost of leather or rubber would have an adverse effect on our business and results of operations, unless we were able to pass such costs along to our customers. **Government actions and regulations, such as export restrictions, tariffs and other trade protection measures could adversely affect our business.** Additional risks associated with foreign sourcing that could negatively impact our business include adverse changes in foreign economic conditions, import regulations, restrictions on the transfer of funds, duties, tariffs, quotas and political or labor interruptions, foreign currency fluctuations, expropriation, and nationalization. It is difficult to predict the effects of current or future tariffs and other trade barriers and disputes, and our efforts to reduce the effects of tariffs through pricing and other measures may not be effective. **As of the filing date of this Form 10- K, the current U. S. presidential administration has imposed tariffs on foreign imports into the United States, including, most relevant to us, an additional 20 % tariff on all imports from China. These tariffs will increase the cost of certain products and could negatively impact our results of operations. At this time, it remains unclear what additional actions, if any, will be taken by the U. S. or other governments with respect to international trade agreements, the imposition of additional tariffs on goods imported into the U. S., tax policy related to international commerce, increased export control, sanctions and investment restrictions, or other trade matters. Although the ultimate scope and timing of any such actions is currently indeterminable, if implemented, they could have a material impact on our financial condition and results of operations. Other effects of these changes, including impacts on the price of raw materials, could also have significant impacts on our results of operations. Furthermore, we may not be able to increase prices for our products enough to offset tariffs, which could impact our margins. If we raise prices in response to tariffs, the demand for our products may decrease, which could have a negative impact on our sales. We cannot predict what further action may be taken with respect to export restrictions, tariffs or trade relations between the U. S. and other governments, and any further changes in U. S. or international trade policy could have an adverse impact on our business, financial condition and results of operations.** A disruption in our supply chain could adversely affect our profitability. Most of our products for North American distribution are shipped to us via ocean freight carriers to ports primarily on the west coast of North America. Our reliance on ocean freight transportation for the delivery of our inventory exposes us to various inherent risks, including port congestion, severe weather conditions, labor issues, natural disasters, and terrorism, any of which could result in delivery delays and inefficiencies, increased costs and disruption of business. In **recent years 2021 and in the first half of 2022**, our supply chain was disrupted by congestion throughout the supply chain, domestic port and warehousing delays, and container shortages, resulting in us incurring premium freight charges on a portion of our imports. In addition to these factors, global inflation has contributed to already higher incremental freight costs. Severe disruptions of the supply chain may force us to use more expensive methods to ship our products, and we may not be able to meet our customers' delivery requirements, which may result in the loss of sales. -Any severe and prolonged disruption to ocean freight transportation could force us to rely on alternate and more expensive transportation systems. Efficient and timely inventory deliveries and proper inventory management are important factors in our operations. Extended delays and disruptions in shipments could result in changes in the availability of inventory, increased shipping costs, or missed sales that may materially adversely impact our business and results of operations. Loss of the services of our top executives and an inability to effectively manage leadership transitions, could adversely affect the business. Thomas W. Florsheim, Jr., our Chairman and

Chief Executive Officer, and John W. Florsheim, our President, Chief Operating Officer and Assistant Secretary, each have a strong heritage within our Company and the footwear industry. They possess knowledge, relationships and reputations based on their lifetime exposure to and experience at our Company and the industry. The unexpected loss of either one or both of our top executives could have an adverse impact on our performance. A loss of the skills, industry knowledge, contacts, and expertise of any of our senior executives could cause a setback to our operating plan and strategy. In addition, transitions of important responsibilities to new individuals include the possibility of disruptions, which could negatively impact our business and results of operations. If we fail to maintain effective internal control procedures over our financial reporting and disclosures, investor confidence may be adversely affected thereby affecting the value of our stock price. We are required to maintain proper internal control over our financial reporting and adequate controls related to our disclosures. **As defined in Rule 13a-15 (f) under Under applicable regulations** the Exchange Act, internal control over financial reporting is **defined as** a process designed by, or under the supervision of the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. If we fail to maintain adequate controls resulting in a material weakness in our internal control over financial reporting, and / or if we are unable to remediate a material weakness on a timely basis, our business, results of operations, financial condition and / or the value of our stock may be adversely impacted. ~~In 2023, we identified a material weakness in our internal control over financial reporting. Please see Item 9A of this Form 10-K for a full discussion of this item.~~ We may not be able to successfully integrate new brands and businesses. We continue to look for acquisition opportunities. Those search efforts could be unsuccessful and costs could be incurred in any failed efforts. Further, if and when an acquisition occurs, we cannot guarantee that we will be able to successfully integrate the brand into our current operations, or that any acquired brand would achieve results in line with our historical performance or our specific expectations for the brand. Risk factors related to our business and industry: Decreases in disposable income and general market volatility in the U. S. and global economy may adversely affect our Company. Spending patterns in the footwear market, particularly those in the moderate-priced market in which a majority of our products compete, have historically been correlated with consumers' disposable income. As a result, the success of our Company is affected by changes in general economic conditions, especially in the United States. Factors affecting discretionary income for our consumers include, among others, gas and energy costs, inflation rates, employment rates, interest rates and taxation. Additionally, changes in the economy and consumer behavior generally impact the financial strength and buying patterns of retailers, which also affects our results. Volatile, unstable, or weak economic conditions, or a worsening of conditions, could adversely affect our sales volume and overall performance. We are subject to risks related to operating in the retail environment that could adversely impact our business. We are subject to risks associated with doing business in the retail environment, primarily in the United States. The U. S. retail industry has experienced a growing trend toward consolidation of large retailers. The merger of additional major retailers could result in us losing sales volume or increasing our concentration of business with a few large accounts, resulting in reduced bargaining power, which could increase pricing pressures and lower our margins. We regularly assess our retail locations in the U. S. and overseas and have closed unprofitable retail locations and incurred costs related to such closures. Future closures could have a material adverse effect on our results. **4** As the popularity of online shopping for consumer goods continues to increase, our retail partners in the U. S. and abroad may experience decreased foot traffic, which could negatively impact their businesses. In addition, **significant health pandemics (such as the recent COVID- 19 pandemic caused a temporary) or outbreaks of infectious diseases could also lead to decrease decreases** in foot traffic **;** other significant health pandemic or outbreaks of infectious diseases could also lead to a similar decrease. **Decreases** in foot traffic **had** . Decreases in foot traffic **have** , and in the future may **have** . **a** in turn, **negatively** -- **negative** impact **on** our sales to those customers, and adversely affect our results of operations. ~~4~~ We operate in a highly competitive environment, which may result in lower prices and reduced profits. The footwear market is extremely competitive. We compete with numerous manufacturers, distributors and retailers of men' s, women' s and children' s shoes, some of which are larger and have substantially greater resources than we do. We compete with these companies primarily on the basis of brand recognition, price, quality, and service, all of which are important competitive factors in the shoe industry. Our ability to compete effectively depends upon these factors, as well as our ability to deliver new products at the best value for the consumer, maintain positive brand recognition, and obtain sufficient retail floor space and effective product presentation at retail. If we do not remain competitive, future prospects, results of operations and financial condition would decline. Changes in fashion trends and consumer preferences could negatively impact the Company. Our success is dependent upon our ability to accurately anticipate and respond to rapidly changing fashion trends and consumer preferences. For example, as a result of the COVID- 19 pandemic, purchases of dress and other dress- casual footwear were negatively affected in 2020 through early 2022 as many consumers worked from home due to stay- at- home orders or otherwise, and social as well as other occasion- related events were cancelled. **Furthermore, consumers are increasingly gravitating toward casual shoes in lieu of traditional dress footwear.** Failure to predict or effectively respond to trends or preferences could have an adverse impact on our sales volume and overall performance, as well as have a negative impact on our reputation. We conduct business globally, which exposes us to the impact of foreign currency fluctuations as well as political, economic and social risks. A portion of our revenues and expenses are denominated in currencies other than the U. S. dollar, with our primary exposures being to the Australian dollar and the Canadian dollar. We are therefore subject to foreign currency risks and foreign exchange exposure. Exchange rates can be volatile and could adversely impact our financial results. We are exposed to other risks of doing business in foreign jurisdictions, including political, economic, or social instability, armed conflicts, acts of terrorism, civil unrest, changes in government policies and regulations, outbreaks of infectious diseases, severe weather events, natural disasters, and exposure to liabilities under anti- corruption laws (such as the U. S. Foreign Corrupt Practices Act). We are also exposed to risks relating to U. S. policy with respect to companies doing business in foreign jurisdictions. Additional legislation or other changes in the U. S. tax laws or interpretations could increase our U. S. income tax liability and adversely affect our after- tax

profitability. Changes in tax policy or trade regulations, such as the disallowance of tax deductions on imported merchandise or the imposition of new tariffs on imported products, could have a material adverse effect on our business and results of operations. In response to the ongoing **Ongoing military conflict conflicts, such as the war** between Russia and Ukraine, ~~the U. S. and certain other~~ **the Gaza war in the Middle East** countries imposed significant sanctions and export controls against ~~Russia, Belarus~~ **have adversely affected the global economy** and **contributed** certain individuals and entities connected to ~~Russian or Belarusian political~~ **geopolitical instability**, business, and financial organizations. ~~The~~ **These situation situations** ~~remains~~ **remain** uncertain, and it is difficult to predict the impact that the ~~conflict conflicts~~ and actions taken in response to ~~it~~ **them** will have on our business. Our business may be impacted as a result of various factors, including inflation and actions taken to combat inflation, increased energy prices, a slowing U. S. economy, more ocean freight disruptions, increased cyber-attacks, and reduced consumer confidence. Risk factors related to cybersecurity We are dependent on information and communication systems to support our business and e-commerce sales. Significant interruptions could disrupt our business and damage our reputation. We accept and fill the majority of our larger customers' orders through the use of Electronic Data Interchange (EDI), and we rely on our warehouse management system to efficiently process orders. Our corporate office relies on computer systems to efficiently process and record transactions. Significant interruptions in EDI, information and communication systems from power loss, telecommunications failure, malicious attacks, or computer system failure could significantly disrupt our business and operations, as well as damage our reputation. In addition, we sell footwear on our websites, and failures of our or other retailers' websites could adversely affect our sales, results, and reputation. We are subject to the risk of data loss and security breaches, particularly in our retail segment and our e-commerce businesses. We sell footwear in our retail stores and on our websites, and therefore we and / or our third-party credit card processors must process, store, and transmit large amounts of data, including personal information of our customers. Failure to prevent or mitigate data loss or other security breaches, including breaches of our technology and systems, could expose us or our customers to a risk of loss or misuse of such information, which could adversely affect our operating results, result in litigation or potential liability, and / or otherwise harm our business and / or reputation. Our technology and systems, as well as those of our partners have, and in the future may, become the target of cyberattacks. To our knowledge, we have not experienced a material breach; however, in order to address these risks, we have **5** secured cyber insurance and use third party technology and systems to aid in safeguarding our data and systems, including, without limitation, encryption and authentication technology, content delivery to customers, back-office support, and other functions. Although we have developed systems and processes that are designed to protect customer information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party vendor, such measures cannot provide absolute security. ~~5~~ Risk factors related to environmental, social, and corporate governance ("ESG") ~~We may~~ **The Company could** be ~~unable~~ **negatively impacted by stakeholder reactions** to ~~complete~~ **our** ESG initiatives, ~~in whole or in part, which could lead to less opportunity for us to have ESG investors and partners and could negatively impact ESG-focused investors when evaluating the Company.~~ **In recent years, There there** has been increased focus on ESG matters by **certain** consumers, investors, employees, and other stakeholders, as well as by governmental and non-governmental organizations. **Some organizations measure the performance of companies on ESG topics, and the results of these assessments may be widely publicized. In addition, some investment funds specialize in companies that perform well in such assessments.** We have undertaken, and plan to continue undertaking, ESG initiatives. Any failure by us to meet our commitments, or loss of confidence on the part of customers, investors, employees, brand partners and other stakeholders as it relates to our ESG initiatives, could negatively impact our brands, business, financial condition, and our operating results. These impacts could be difficult and costly to overcome, even if such concerns were based on inaccurate or misleading information. ~~In addition, achieving~~ **Achieving** our ESG initiatives may result in increased costs in our supply chain, fulfillment, or corporate business operations, and could deviate from our initial estimates and have a material adverse effect on our business and financial condition. In addition, standards and research regarding ESG initiatives could change and become more onerous both for the Company and our third-party suppliers and vendors to meet successfully. Evolving data and research could undermine or refute the Company's current claims and beliefs that it has made in reliance on current research, which could also result in costs, a decrease in revenue, changes to projections or plans, and negative market perception that could have a material adverse effect on our business and financial condition. **Further** A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments may be widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics considered in such assessments include, among others, the company's efforts and impacts on climate change and human rights, ethics and compliance with laws, and the role of the company's board of directors in supervising various sustainability issues. In light of investors' increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet investors' or society's ESG expectations, which could have a material adverse effect on our business, financial condition and operating results. Finally, while we may create and publish voluntary disclosures regarding ESG matters from time to time, many of the statements in those voluntary disclosures are based on hypothetical expectations and assumptions that may or may not be representative of current or actual risks or events or forecasts of expected risks or events, including the costs associated therewith. Such expectations and assumptions are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved in measuring and reporting on many ESG matters. **Furthermore, some stakeholders may disagree with our ESG initiatives and goals, as their views on these topics may change over time. These parties and regulators may also hold divergent opinions on these issues as well as conflicting expectations regarding our culture, values, goals and business, which may affect how we are regulated or perceived. Moreover, we may determine that it is in the best interest of the Company and our shareholders to prioritize other business investments over the achievement of our current ESG**

goals based on economic, technological developments, regulatory and social factors, business strategy or pressure from investors, activists, or other stakeholders. Risk factors related to public health emergenciesFuture COVID-19 and other infectious diseasesFuture public health emergencies could materially adversely affect our business, including a resurgence in financial condition and results of operations. Our business could be adversely impacted by the COVID-19 effects of public health epidemics, pandemic pandemics, or other major health crises (collectively referred to as "public health crises"). Actual or threatened public health crises may have a long duration and number of adverse impacts, including volatility in the global economy, impacts to our customers' operations, or significant disruptions in waterborne transportation of cargoes and impacts that could adversely affect our operations, supply chain activity, distribution caused by a variety of factors such as quarantines, supplier factory and demand office closures, for or our products other government-imposed restrictions, any of which could adversely impact our business, in turn financial condition, and results of operations. We are unable to predict the extent to which major health crises or other public health threats that may arise in the future may affect the United States and global economies. The degree to which any future disease outbreaks or public health threats may impact our revenues, results of operations and financial condition is uncertain, and would depend on future developments. The impact of major health crises may also exacerbate other risks discussed above, any of which could have a material adverse effect on our business and results. The COVID-19 pandemic had widespread, rapidly evolving, and unpredicted impacts on global financial markets and business practices. As conditions fluctuated, governments responded by adjusting their the Company restrictions and guidelines accordingly. The scope, nature, and duration of any future public health emergencies, including a resurgence in the COVID-19 pandemic, is uncertain. While the COVID-19 pandemic has subsided with the normalization of living with COVID-19 following the increase in accessibility to COVID-19 vaccines and antiviral treatments, the full impact of a future public health emergency or a resurgence of the COVID-19 pandemic on our business, financial condition, and results of operations is uncertain and will continue to depend on future developments, such as the ultimate duration and scope of the health emergency, its impact on our employees, customers and suppliers, the effectiveness and adoption of vaccines and therapeutics and the broader implications on the macro-economic environment. Such emergencies may cause or require us to take actions that alter our business operations as may be required by federal, state, or local authorities, or which we determine to be in the best interests of our employees, customers, suppliers, and shareholders. Public health emergency-related factors that have impacted us, or may negatively impact, sales, gross margin and other results of operations in the future include, but are not limited to: limitations on the ability of our suppliers to obtain necessary raw materials and parts to manufacture, or procure from manufacturers, the products we sell; transportation delays and other logistical challenges resulting in longer lead times; limitations on the ability of our employees to perform their work due to illness or other disruptions caused by the pandemic, including local, state, or federal orders requiring employees to remain at home; labor shortages or an increase in the cost of labor; limitations on the ability of carriers to deliver our products to customers; limitations on the ability of our customers to purchase our products; and limitations on the ability of our customers to pay us on a timely basis. The potential negative financial of a future public health emergency or a resurgence of the COVID-19 pandemic on our business and results of operations cannot be reasonably estimated but could be material and last for an extended period of time.

6 Risks related to financing, investment, and pension mattersVolatility and uncertainty in the U. S. and global credit markets could adversely affect our business. U. S. and global financial markets have at times been unstable and unpredictable, which has generally resulted in tightened credit markets with heightened lending standards and terms. The ultimate impact on Ongoing conflicts, such as the war between Russia U. S. and Ukraine and the Gaza war in the Middle East, have adversely affected the global economy financial markets of the Russian invasion of Ukraine cannot yet be predicted, and contributed to geopolitical instability will depend on the severity and duration of the conflict and the sanctions imposed by the U. S. and other countries. Volatility and instability in the credit markets pose various risks to us, including, among others, a negative impact on retailer and consumer confidence, limits to our customers' access to credit markets and interference with the normal commercial relationships between us and our customers. Increased credit risks associated with the financial condition of some customers in the retail industry affects their level of purchases from us and 6 the collectability of amounts owed to us, and in some cases, causes us to reduce or cease shipments to certain customers who no longer meet our credit requirements. In addition, weak economic conditions and unstable and volatile financial markets could lead to certain of our customers experiencing cash flow problems, which may force them into higher default rates or to file for bankruptcy protection which may increase our bad debt expense or further negatively impact our business. Furthermore, Interest interest rate volatility may increase the cost of financing. Our U. S. dollar variable rate debt currently uses the secured overnight financing rate ("SOFR") as a benchmark for us determining interest rates. In connection with our line of credit amendment in September 2022, SOFR became the new benchmark interest rate and all London Interbank Offered Rate ("LIBOR") provisions were replaced with SOFR provisions. Deterioration of the municipal bond market in general or our customers, of specific municipal bonds held by the Company or our or vendors pension plan may result in a material adverse effect on our financial condition, results of operations, and liquidity. We maintain an investment portfolio consisting primarily of investment-grade municipal bond investments. Our investment policy only permits the purchase of investment-grade securities. Our investment portfolio totaled \$ 6. 6 million as of December 31, 2023, or approximately 2 % of total assets. If the value of municipal bonds in general or any of our municipal bond holdings deteriorate, the performance of our investment portfolio, financial condition, results of operations, and liquidity may be materially and adversely affected. Risk factors related to our capital structureThe limited public float and trading volume for our Company's stock may have an adverse impact on the stock price or make it difficult to liquidate. The Company's common stock is held by a relatively small number of shareholders. The Florsheim family and company Company insiders own more than 50 % of the stock and one institutional shareholder holds a significant block. Other officers, directors, and members of management own stock or have the potential to own stock through previously granted stock options and restricted stock. Consequently, we have a relatively small public float and low

average daily trading volume, which could affect a shareholder's ability to sell stock or the price at which it can be sold. In addition, future sales of substantial amounts of our common stock in the public market by large shareholders, or the perception that these sales could occur, may adversely impact the market price of the stock and the stock could be difficult for the shareholder to liquidate. ITEM 1B UNRESOLVED STAFF COMMENTS None -ITEM 1C CYBERSECURITY Risk Management and Strategy We face various cybersecurity risks and threats that could have a material adverse effect on our business, operations, financial performance, liquidity, and reputation. We have implemented processes and systems to identify, assess, and manage these risks and threats, as well as to prevent, detect, and respond to any cybersecurity incidents that may occur, which is integrated into our overall risk management process. We also have a comprehensive cybersecurity strategy, policy, and program that aligns with our business objectives and risk appetite. We regularly review and update our cybersecurity strategy, policy, and program to address the evolving nature and scope of cybersecurity risks and threats. In addition, we consider the cybersecurity practices of our third-party service providers, through a general security assessment and contractual requirements, as appropriate, before engaging them in order to help identify and mitigate cybersecurity risks associated with those providers. **We comply with various laws, regulations, standards, and guidance related to cybersecurity, such as the Sarbanes-Oxley Act of 2002, the Payment Card Industry Data Security Standard, the National Institute of Standards and Technology ("NIST") Cybersecurity Framework and the SEC's guidance on cybersecurity disclosures. During the fiscal year ended December 31, 2024, we did not experience any cybersecurity incidents that materially impacted, or are reasonably likely to materially impact, our business strategy, results of operations or financial condition. Please refer to the risk factors described in this report under Item 1A, "Risk Factors," for a discussion of the potential impacts of future cybersecurity events. Our Information Technology ("IT") security department, led by our Chief Information Officer ("CIO") and overseen by our Vice President of Information Systems ("IS"), holds primary responsibility for assessing and managing cybersecurity threats. Our CIO has more than 35 years of experience in IT and holds a bachelor's degree in Management of IS; his in-depth knowledge and experience are instrumental in developing and executing our cybersecurity strategies. Our Vice President of IS has more than 20 years of experience in various IT and IS roles, and holds a bachelor's degree in Accounting and Finance. A team of IT Specialists (including a dedicated Senior Cybersecurity Analyst) at our Company monitors cybersecurity and operational risks associated with information security and system disruption. This team employs measures aimed at protecting against, detecting, and responding to cybersecurity threats, and has implemented processes and procedures in line with our information security management system to bolster and advance resilient programs. This encompasses: • Continuously developing and evaluating our program in accordance with the NIST Cybersecurity Framework. This Framework serves as a reference to aid in the identification, assessment, and mitigation of cybersecurity risks pertinent to our business operations.** 7