Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

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Investing in our Class A common stock involves risks. You should carefully consider the information in this Annual Report, including the matters addressed under " Cautionary Statement Regarding Forward - Looking Statements, " and the following risks before making an investment decision. Our business, results of operations and financial condition could be materially and adversely affected by any of these risks. Additional risks or uncertainties not currently known to us, or that we deem immaterial, may also have an effect on our business, results of operations and financial condition. The trading price of our Class A common stock could decline due to any of these risks, and you may lose all or part of your investment. Risks Related to the Oilfield Services Industry and Our Business Demand for our products and services depends on oil and gas industry activity and customer expenditure levels, which are directly affected by trends in the demand for and price of crude oil and natural gas and availability of capital. Demand for our products and services depends primarily upon the general level of activity in the oil and gas industry, including the number of drilling rigs in operation, the number of oil and gas wells being drilled, the depth, lateral length and drilling conditions of these wells, the volume of production, the number of well completions and the level of well remediation activity, the number of wells put into production and the corresponding capital spending by oil and gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, current and anticipated oil and natural gas prices locally and worldwide, which have historically been volatile. Declines, as well as anticipated declines, in oil and gas prices could negatively affect the level of these activities and capital spending, which could adversely affect demand for our products and services and, in certain instances, result in the cancellation, modification or rescheduling of existing and expected orders and the ability of our customers to pay us for our products and services. These factors could have an adverse effect on our results of operations, financial condition and cash flows. The oil and gas industry is cyclical and has historically experienced periodic downturns, which have been characterized by diminished demand for our products and services and downward pressure on the prices we charge. These downturns cause many E & P companies to reduce their capital budgets and drilling activity. Any future downturn or expected downturn could result in a significant decline in demand for oilfield services and adversely affect our business, results of operations and cash flows. ~~Growth in~~ U. S. drilling and completion activity ~~, and our ability to benefit from such growth,~~ could be adversely affected by any significant constraints in equipment, labor or takeaway capacity in the regions in which we operate. ~~Growth in~~ U. S. drilling and completion activity may be impacted by, among other things, the availability and cost of **ancillary equipment and services** ~~oil country tubular goods (" OCTG ")~~ , pipeline capacity, and material and labor shortages. Should significant ~~growth~~ **changes** in activity ~~continue~~ **occur** , there could be concerns over availability of the equipment, materials and labor required to drill and complete a well, together with the ability to move the produced oil and natural gas to market. Should significant constraints develop that materially impact the efficiency and economics of oil and gas producers, ~~growth in~~ U. S. drilling and completion activity could be adversely affected. This would have an adverse impact on the demand for the products we sell and rent, which could have a material adverse effect on our business, results of operations and cash flows. We may be unable to employ a sufficient number of skilled and qualified workers to sustain or expand our current operations. The delivery of our products and services requires personnel with specialized skills and experience. Our ability to be productive and profitable will depend upon our ability to attract and retain skilled workers. In addition, our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers is high and the cost to attract and retain qualified personnel has ~~increased~~ **remained elevated** . During industry downturns, skilled workers may leave the industry, reducing the availability of qualified workers when conditions improve. In addition, a significant increase in the wages paid by competing employers both within and outside of our industry could result in increases in the wage rates that we must pay. If we are not able to employ and retain skilled workers, our ability to respond quickly to customer demands or strong market conditions may inhibit our growth, which could have a material adverse effect on our business, results of operations and cash flows. Our business is dependent on the continuing services of certain of our key managers and employees. We depend on key personnel. The loss of key personnel could adversely impact our business. The loss of qualified employees or an inability to retain and motivate additional highly - skilled employees required for the operation and expansion of our business could hinder our ability to successfully maintain and expand our market share. **During the fourth quarter of 2023, our Chief Financial Officer (" CFO ") assumed responsibility for the Chief Executive Officer position in our Spoolable Technologies operating segment (the FlexSteel business) and was replaced with an interim CFO. While the Company intends to appoint a new CFO during 2024, the changes in executive leadership could cause disruption to our business operations.** Political, regulatory, economic and social disruptions in the countries in which we conduct business **and globally** could adversely affect our business or results of operations. In addition to our facilities in the United States, we operate ~~one~~ **a** production facility in China and have facilities in Australia **and Canada** that sell and rent equipment as well as provide parts, repair services and field services associated with installation. Additionally, we provide rental and field service operations in the **Middle East** ~~Kingdom of Saudi Arabia~~ . Instability and unforeseen changes in any of the markets in which we conduct business could have an adverse effect on the demand for, or supply of, our business, results of operations and cash flows. We are dependent on a relatively small number of customers in a single industry. The loss of an important customer could adversely affect our results of operations and financial condition. Our customers are engaged in the oil and natural gas E & P business primarily in the United States, but also in Australia, **Canada, the Middle East and** ~~the~~ **other** ~~Kingdom of Saudi Arabia and~~ select international markets. Historically, we have been dependent on a relatively small number of customers for our revenues. Our business, results of operations and financial position could be materially adversely affected if an important customer ceases to engage us for our services on favorable terms, or at all, or fails to pay or delays paying us significant amounts of our outstanding receivables. Additionally, the E & P industry **has seen** ~~is characterized by frequent~~ consolidation activity **, which may continue** . Changes in ownership of our customers may result in the loss of, or reduction in, business from those customers which could materially and adversely affect our business, results of operations and cash flows. Delays in obtaining, or inability to obtain or renew, permits or authorizations by our customers for their operations could impair our business. Our customers are required to obtain permits or authorizations from one or more governmental agencies or other third parties to perform drilling and completion activities, including hydraulic fracturing. Such permits or approvals are typically required by state agencies but can also be required by federal and local governmental agencies or other third parties. ~~The requirements for such permits or authorizations vary depending on the location where such drilling and completion activities will be conducted.~~ As with most permitting and authorization processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit or approval to be issued and the conditions which may be imposed in connection with the granting of the permit. In some jurisdictions, certain regulatory authorities have delayed or suspended the issuance of permits or authorizations while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated. In Texas, rural water districts have begun to impose restrictions on water use and may require permits for water used in drilling and completion activities. **Oil** ~~In addition, in January 2021, President Biden indefinitely suspended new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. While the United States Department of the Interior announced in April 2022 that it would resume oil and gas leasing on public lands, the topic of oil~~ and gas leasing on public land remains politically fraught **and** ~~, as the announcement indicated that~~ federal land available for oil and gas leasing ~~will~~ **could** be significantly reduced due to environmental and climate concerns. The effects of these developments or other initiatives to reform the federal leasing process could result in additional restrictions or limitations on the issuance of federal leases and permits for drilling on public lands **. In addition, the Biden administration has indicated it is delaying consideration of new natural gas export terminals in the United States** . Permitting, authorization or renewal delays, the inability to obtain new permits or the revocation of current permits could impact our customers' operations and cause a loss of revenue and potentially have a material adverse effect on our business, results of operations and cash flows. Competition within the oilfield services industry may adversely affect our ability to market our services. The oilfield services industry is highly competitive and fragmented and includes numerous companies capable of competing effectively in our markets, including several large companies that possess substantially greater financial and other resources than we do. The amount of equipment available may exceed demand, which could result in active price competition. Many contracts are awarded on a bid basis, which may further increase competition based primarily on price. In addition, adverse market conditions lower demand for well servicing equipment, which results in excess equipment and lower utilization rates. If market conditions ~~in our operating areas~~ deteriorate ~~from current levels~~ or if adverse market conditions persist, the prices we are able to charge and utilization rates may decline. Any significant future increase in overall market capacity for the products, rental equipment or services that we offer could adversely affect our business, results of operations and cash flows. New technology may cause us to become less competitive. The oilfield services industry is subject to the introduction of new drilling and completions techniques and services using new technologies, some of which may be subject to patent or other intellectual property protections. Although we believe our equipment and processes currently give us a competitive advantage, as competitors and others use or develop new or comparable technologies in the future, we may lose market share or be placed at a competitive disadvantage. Further, we may face competitive pressure to develop, implement **, license** or acquire certain new technologies at a substantial cost. Some of our competitors have greater financial, technical and personnel resources that may allow them to enjoy various competitive advantages in the development and implementation of new technologies. We cannot be certain that we will be able to continue to develop and implement new technologies or products. Limits on our ability to develop, bring to market, effectively use and implement new and emerging technologies may have a material adverse effect on our business, results of operations and cash flows, including a reduction in the value of assets replaced by new technologies. Increased costs, or lack of availability, of raw materials and other components may result in increased operating expenses and adversely affect our results of operations and cash flows. Our ability to source **and transport** low cost raw materials and components, such as **steel,** tube and bar stock, forgings and machined components is critical to our ability to successfully compete. **Among** ~~Due to a shortage of steel caused primarily by production disruptions during the~~ **other** ~~pandemic and~~ **things,** the ~~conflict~~ **conflicts** in Ukraine ~~as well as increased demand while economies rebounded, steel~~ and **the Middle East** ~~assembled component prices have been elevated. Our results of operations~~ may **result in longer transit times,** ~~be adversely affected by our inability to manage~~ higher costs and ~~the~~ **reduced** availability of raw materials and components used in our wide variety of products and systems. **There is no** ~~Additionally, freight costs, specifically ocean freight costs, rose significantly during and following the pandemic. We cannot assure~~ **assurance** that we will be able to continue to purchase and move these materials on a timely basis or at commercially viable prices, nor can we be certain of the impact of changes to tariffs and future legislation that may impact trade with China or other countries. Further, unexpected changes in the size of regional and / or product markets, particularly for short lead - time products, could affect our results of operations and cash flows. Should our current suppliers be unable to provide the necessary raw materials or components or otherwise fail to deliver such materials and components timely and in the quantities required, resulting delays in the provision of products or services to our customers could have a material adverse effect on our business, results of operations and cash flows. In ~~2022~~ **addition** , ~~the United States experienced the highest inflation in decades primarily due to supply- chain issues, a shortage of labor and a build- up of demand for goods and services. Our business was impacted by increased freight, materials and vehicle- related costs as well as higher salaries and wages. While we believe that the rate of inflation is abating, we expect we will continue to experience inflationary pressures on portions of~~ our ~~cost structure. Our~~ results of operations may be adversely affected by further rising costs to the extent we are unable to recoup them from our customers. We design, manufacture, sell, rent and install equipment that is used in oil and gas E & P activities, which may subject us to liability, including claims for personal injury, property damage and environmental contamination should such equipment fail to perform to specifications. We provide products and systems to customers involved in oil and gas exploration, development and production. Some of our equipment is designed to operate in high - temperature and / or high - pressure environments, and some equipment is designed for use in hydraulic fracturing operations. We also provide parts, repair services and field services associated with installation at all of our facilities and service centers in the United States and Australia, as well as at customer sites, including sites in the **Middle East** ~~Kingdom of Saudi Arabia~~. Because of applications to which our products and services are exposed, particularly those involving high pressure environments, a failure of such equipment, or a failure of our customers to maintain or operate the equipment properly, could cause damage to the equipment, damage to the property of customers and others, personal injury and environmental contamination and could lead to a variety of claims against us that could have an adverse effect on our business, results of operations and cash flows. We indemnify our customers against certain claims and liabilities resulting or arising from our provision of goods or services to them. In addition, we rely on customer indemnifications, generally, and third - party insurance as part of our risk mitigation strategy. However, **courts may limit indemnity claims and** our insurance may not be adequate to cover our liabilities. In addition, our customers may be unable to satisfy indemnification claims against them. Further, insurance companies may refuse to honor their policies, or insurance may not generally be available in the future, or if available, premiums may not be commercially justifiable. We could incur substantial liabilities and damages that are either not covered by customer indemnities or insurance or that are in excess of policy limits, or incur liability at a time when we are not able to obtain liability insurance. Such potential liabilities could have a material adverse effect on our business, results of operations and cash flows. Our operations are subject to hazards inherent in the oil and natural gas industry, which could expose us to substantial liability and cause us to lose customers and substantial revenue. Risks inherent in our industry include the risks of equipment defects, installation errors, the presence of multiple contractors at the wellsite over which we have no control, vehicle accidents, fires, explosions, blowouts, surface cratering, uncontrollable flows of gas or well fluids, pipe or pipeline failures, abnormally pressured formations and various environmental hazards such as oil spills and releases of, and exposure to, hazardous substances. For example, our operations are subject to risks associated with hydraulic fracturing, including any mishandling, surface spillage or potential underground migration of fracturing fluids, including chemical additives. The occurrence of any of these events could result in substantial losses to us due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean - up responsibilities, regulatory investigations and penalties, suspension of operations and repairs required to resume operations. The cost of managing such risks may be significant. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators. In particular, our customers may elect not to purchase our products or services if they view our environmental or safety record as unacceptable, which could cause us to lose customers and substantial revenues ~~. Our customer indemnities or insurance may not be adequate to cover all losses or liabilities we may suffer. Also, insurance may no longer be available to us or its availability may be at premium levels that do not justify its purchase. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by us or a claim at a time when we are not able to obtain liability insurance could have a material adverse effect on our ability to conduct normal business operations and on our results of operations, financial condition and cash flows. In addition, we may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations, which might severely impact our business, results of operations and cash flows~~. Oilfield anti- indemnity provisions enacted by many states may restrict or prohibit a party' s indemnification of us. We typically enter into agreements with our customers governing the provision of our services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party; however, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas, and Wyoming, have enacted statutes generally referred to as " oilfield anti- indemnity acts " expressly prohibiting certain indemnity agreements contained in or related to oilfield services agreements. Such oilfield anti- indemnity acts may restrict or void a party' s indemnification of us, which could have a material adverse effect on our business, results of operations and cash flows. Our operations require us to comply with various domestic and international regulations, violations of which could have a material adverse effect on our results of operations, financial condition and cash flows. We are exposed to a variety of federal, state, local and international laws and regulations relating to matters such as environmental, workplace, health and safety, labor and employment, customs and tariffs, export and re- export controls, economic sanctions, currency exchange, bribery and corruption and taxation. These laws and regulations are complex, frequently change and have tended to become more stringent over time. They may be adopted, enacted, amended, enforced or interpreted in such a manner that the incremental cost of compliance could adversely impact our business, results of operations and cash flows. In addition to our U. S. operations, we have operations in **, among** ~~the~~ **other countries,** ~~People' s Republic of~~ China, Australia **, Canada** and the **Middle East** ~~Kingdom of Saudi Arabia~~. Our operations outside of the United States require us to comply with numerous anti - bribery and anti - corruption regulations. The U. S. Foreign Corrupt Practices Act, among others, applies to us and our operations. Our policies, procedures and programs may not always protect us from reckless or criminal acts committed by our employees or agents, and severe criminal or civil sanctions may be imposed as a result of violations of these laws. We are also subject to the risks that our employees and agents outside of the United States may fail to comply with applicable laws. In addition, we import raw materials, semi - finished goods, and finished products into **, among other countries,** the United States, China, Australia **, Canada** and the **Middle East** ~~Kingdom of Saudi Arabia~~ for use in such countries or for manufacturing and / or finishing for re - export and import into another country for use or further integration into equipment or systems. Most movement of raw materials, semi - finished or finished products involves imports and exports.

As a result, compliance with multiple trade sanctions, embargoes and import / export laws and regulations pose a constant challenge and risk to us since a portion of our business is conducted outside of the United States through our subsidiaries. Our failure to comply with these laws and regulations could materially affect our business, results of operations and cash flows. Compliance with environmental laws and regulations may adversely affect our business and results of operations. Environmental laws and regulations in the United States and foreign countries affect the equipment, systems and services we design, market and sell, as well as the facilities where we manufacture and produce our equipment and systems ~~in the United States and China, and opportunities our customers pursue that create demand for our products~~ . For example, we or our products may be affected by such laws as the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Clean Air Act and the Occupational Safety and Health Act of 1970. Further, our customers may be subject to a range of laws and regulations governing hydraulic fracturing, drilling and greenhouse gas emissions. We are required to invest financial and managerial resources to comply with environmental laws and regulations ~~and believe that we will continue to be required to do so in the future~~ . Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, or the issuance of orders enjoining operations. These laws and regulations, as well as the adoption of other new laws and regulations affecting our operations or the exploration and production and transportation of crude oil and natural gas by our customers, could adversely affect our business and operating results by increasing our costs of compliance, increasing the costs of compliance and costs of doing business for our customers, limiting the demand for our products and services or restricting our operations. Increased regulation or a move away from the use of fossil fuels caused by additional regulation could also reduce demand for our products and services. Existing or future laws and regulations related to greenhouse gases and climate change and related public and governmental initiatives and additional compliance obligations could have a material adverse effect on our business, results of operations, prospects, and financial condition. Changes in environmental requirements related to greenhouse gas emissions may negatively impact demand for our products and services. Oil and natural gas E & P may decline as a result of environmental requirements, including land use policies and other actions to restrict oil and gas leasing and permitting in response to environmental and climate change concerns. Federal, state, and local agencies continue to evaluate climate- related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases in areas in which we conduct business. Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws and regulations related to greenhouse gases could have a negative impact on our business if such laws or regulations reduce demand for oil and natural gas. Likewise, such laws or regulations may result in additional compliance obligations with respect to the release, capture, sequestration, and use of greenhouse gases. These additional obligations could increase our costs and have a material adverse effect on our business, results of operations, prospects, and financial condition. Additional compliance obligations could also increase costs of compliance and costs of doing business for our customers, thereby reducing demand for our products and services. Finally, increasing concentrations of greenhouse gases in the Earth’ s atmosphere may produce climate changes that could have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events; if such effects were to occur, they could have an adverse impact on our operations. Many of our customers utilize hydraulic fracturing in their operations. Environmental concerns have been raised regarding the potential impact of hydraulic fracturing on underground water supplies and seismic activity. These concerns have led to several regulatory and governmental initiatives in the United States to restrict the hydraulic fracturing process, which could have an adverse impact on our customers’ completions or production activities. Although we do not conduct hydraulic fracturing, our products are used in hydraulic fracturing. Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques. **Since** ~~In December~~ 2021, the Texas Railroad Commission, which regulates the state’ s oil and gas industry, **has** suspended the use of deep wastewater disposal wells in **certain areas of** four oil- producing counties in West Texas. The ~~suspension~~ **suspensions** ~~is~~ **are** intended to mitigate earthquakes thought to be caused by the injection of waste fluids, including saltwater, that are a byproduct of hydraulic fracturing into disposal wells. The ~~ban~~ **bans** ~~will~~ require oil and gas production companies to find other options to handle the wastewater, which may include piping or trucking it longer distances to other locations not under the ban. In addition, the Texas Railroad Commission has overseen the development of well- operator- led response plans to reduce injection volumes in other portions of West Texas in order to reduce seismicity in these areas. The adoption of new laws or regulations at the federal, state, local or foreign level imposing reporting obligations on, or otherwise limiting, delaying or banning, the hydraulic fracturing process or other processes on which hydraulic fracturing and subsequent hydrocarbon production relies, such as water disposal, could make it more difficult to complete oil and natural gas wells. Further, it could increase our customers’ costs of compliance and doing business, and otherwise adversely affect the hydraulic fracturing services they perform, which could negatively impact demand for our products. Increasing attention by the public and government agencies to climate change and environmental, social and governance (“ ESG ”) matters could also negatively impact demand for our products and services. Increasing attention is being given to corporate activities related to ESG in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change and energy rebalancing matters, such as promoting the use of substitutes to fossil fuel products and encouraging the divestment of fossil fuel equities, as well as pressuring lenders and other financial services companies to limit or curtail activities with fossil fuel companies. If this were to continue, it could have a material adverse effect on the valuation of our Class A common stock and our ability to access equity capital markets. In addition, our business could be impacted by initiatives to address greenhouse gases and climate change and public pressure to conserve energy or use alternative energy sources. State or federal initiatives to incentivize a shift away from fossil fuels could also reduce demand for hydrocarbons. For example, ~~in August 2022,~~ the ~~Inflation Reduction Act was signed into law. The~~ Inflation Reduction Act appropriates significant federal funding for the development of renewable energy, clean hydrogen, clean fuels, electric vehicles and supporting infrastructure and carbon capture and sequestration, amongst other provisions. In addition, the Inflation Reduction Act imposes the first ever federal fee on the emission of GHG through a methane emissions charge. The Inflation Reduction Act amends the federal Clean Air Act to impose a fee on the emission of methane from sources required to report their GHG emissions to the EPA, including those sources in the onshore petroleum and natural gas production categories. These developments could further accelerate the transition of the U. S. economy away from the use of fossil fuels towards lower- or zero- carbon emissions alternatives, which would reduce demand for our products and services and negatively impact our business. The global outbreak of COVID- 19 ~~has~~ had, and **similar pandemics** ~~it or other outbreaks~~ in the future may have, an adverse impact on our business and operations. The ~~ongoing~~ COVID- 19 pandemic ~~has~~ negatively affected ~~, and could continue to negatively affect,~~ our revenues and operations. We ~~have~~ experienced, and **if another pandemic was to occur, we** may experience in the future, slowdowns or temporary idling of certain of our manufacturing and service facilities due to a number of factors, including implementing additional safety measures, testing of our team members, team member absenteeism and governmental orders. A prolonged closure could have a material adverse impact on our ability to operate our business and on our results of operations. We have also experienced, and **if another pandemic was to occur, we** could ~~continue to~~ experience, disruption and volatility in our supply chain, which has resulted, and may continue to result, in increased costs for certain goods. ~~The spread of COVID- 19 has also disrupted and may continue to disrupt logistics necessary to import, export and deliver products to us and our customers. Further, we might experience temporary shortages of labor, making it difficult to provide field service technicians to install or service our equipment. The extent of the adverse impact of COVID- 19 on general economic conditions and on our business, operations and results of operations remains uncertain. In addition, outbreaks~~ **Outbreaks** of other pandemics or contagious diseases may in the future disrupt our operations, suppliers or facilities, result in increased costs for certain goods or otherwise impact us in a manner similar to the COVID- 19 pandemic. The ongoing ~~conflict~~ **conflicts** in ~~Ukraine~~ **various parts of the world** may adversely affect our business and results of operations. The ongoing ~~conflict~~ **conflicts** in Ukraine **and the Middle East** could have adverse effects on global macroeconomic conditions which could negatively impact our business and results of operations. The ~~conflict~~ **conflicts** ~~is~~ **are** highly unpredictable and ~~has~~ **have** already resulted in ~~significant~~ volatility with oil and natural gas prices worldwide. Elevated energy prices could result in higher inflation worldwide, causing economic uncertainty in the oil and natural gas markets as well as the stock market, resulting in stock price volatility, foreign currency fluctuations and supply chain disruptions. These conditions could ultimately dampen demand for our goods and services by increasing the possibility of a recession. In addition, the ~~conflict~~ **conflicts** could lead to increased cyberattacks or could aggravate other risk factors that we identify in our public filings. **Additional conflicts in other parts of the world could have similar negative impacts on our business.** Risks Related to Our Class A Common Stock We are a holding company whose only material asset is our equity interest in Cactus Companies, and accordingly, we are dependent upon distributions from Cactus Companies to pay taxes, make payments under the TRA and cover our corporate and other overhead expenses and pay dividends to holders of our Class A Common Stock. We are a holding company and have no material assets other than our equity interest in Cactus Companies. We have no independent means of generating revenue. To the extent Cactus Companies has available cash and subject to the terms of any current or future credit agreements or debt instruments, we intend to cause Cactus Companies to make (i) pro rata distributions to its unit holders, including us, in an amount at least sufficient to allow us to pay our taxes and to make payments under the TRA and (ii) non - pro rata payments to us to reimburse us for our corporate and other overhead expenses. To the extent that we need funds and Cactus Companies or its subsidiaries are restricted from making such distributions or payments under applicable law or regulation or under the terms of any future financing arrangements, or are otherwise unable to provide such funds, our financial condition and liquidity could be materially adversely affected. In addition, our ability to pay dividends to holders of our Class A common stock depends on receipt of distributions from Cactus Companies. Moreover, because we have no independent means of generating revenue, our ability to make payments under the TRA is dependent on the ability of Cactus Companies to make distributions to us in an amount sufficient to cover our obligations under the TRA. This ability, in turn, may depend on the ability of Cactus Companies' subsidiaries to make distributions to it. The ability of Cactus Companies and its subsidiaries to make such distributions will be subject to, among other things, (i) the applicable provisions of Delaware law (or other applicable U. S. and foreign jurisdictions) that may limit the amount of funds available for distribution and (ii) restrictions in relevant debt instruments issued by Cactus Companies or its subsidiaries. To the extent that we are unable to make payments under the TRA for any reason, such payments will be deferred and will accrue interest until paid. Cactus WH Enterprises LLC has the ability to direct the voting of a significant percentage of the voting power of our common stock, and its interests may conflict with those of our other shareholders. Holders of Class A common stock and Class B common stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law or our amended and restated certificate of incorporation. Cactus WH Enterprises owned approximately ~~18~~ **16** % of our voting power as of December 31, ~~2022~~ **2023** . This concentration of ownership may limit ~~a stockholder~~ **stockholders** ' ~~s~~ ability to affect the way we are managed or the direction of our business. The interests of Cactus WH Enterprises with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may conflict with the interests of our other stockholders. ~~Furthermore, in connection with our IPO, we entered into a stockholders' agreement with Cactus WH Enterprises. Among other things, the stockholders' agreement, as amended, provides Cactus WH Enterprises with the right to designate a certain number of nominees to our board of directors so long as they and their respective affiliates collectively beneficially own at least 5 % of the outstanding shares of our common stock.~~ The existence of significant stockholders ~~and the stockholders' agreement~~ may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management or limiting the ability of our other stockholders to approve transactions that they may deem to be in our best interests. Cactus WH Enterprises' concentration of stock ownership may also adversely affect the trading price of our Class A common stock to the extent investors perceive a disadvantage in owning stock of a company with significant stockholders. Our amended and restated certificate of incorporation and amended and restated bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock. Our amended and restated certificate of incorporation authorizes our board of directors to issue preferred stock without shareholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our shareholders, including: • limitations on the removal of directors, including a classified board whereby only one- third of the directors are elected each year; • limitations on the ability of our shareholders to call special meetings; • establishing advance notice provisions for shareholder proposals and nominations for elections to the board of directors to be acted upon at meetings of shareholders; • providing that the board of directors is expressly authorized to adopt, or to alter or repeal our bylaws; and • establishing advance notice and certain information requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings. In addition, certain change of control events have the effect of accelerating the payment due under the TRA, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. Future sales of our Class A common stock in the public market, or the perception that such sales may occur, could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us. Subject to certain limitations and exceptions, the CC Unit Holders may cause Cactus Companies to redeem their CC Units for shares of Class A common stock (on a one - for - one basis, subject to conversion rate adjustments for stock splits, stock dividends and reclassification and other similar transactions) and then sell those shares of Class A common stock. Additionally, we may issue additional shares of Class A common stock or convertible securities in subsequent public offerings. We had ~~64~~ **65** , ~~127~~ **322** , ~~114~~ **730** outstanding shares of Class A common stock and 14, ~~978~~ **033** , ~~225~~ **979** outstanding shares of Class B common stock as of February 27, ~~2023~~ **2024** . The CC Unit Holders own all outstanding shares of our Class B common stock, representing approximately ~~19~~ **18** % of our total outstanding common stock. As required pursuant to the terms of the registration rights agreement that we entered into at the time of our IPO, we have filed a registration statement on Form S- 3 under the Securities Act of 1933, as amended, to permit the public resale of shares of Class A common stock owned by Cactus WH Enterprises, Lee Boquet and certain members of our board of directors. ~~See " Item 13. Certain Relationships and Related Party Transactions, and Director Independence — Stockholders' Agreement " for more information.~~ We cannot predict the size of future issuances of our Class A common stock or securities convertible into Class A common stock or the effect, if any, that future issuances and sales of shares of our Class A common stock will have on the market price of our Class A common stock. Sales of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition) **or secondary offerings** , or the perception that such sales could occur, may adversely affect prevailing market prices of our Class A common stock. Cactus Inc. will be required to make payments under the TRA for certain tax benefits that we may claim, and the amounts of such payments could be significant. In connection with our IPO, we entered into the TRA with certain direct and indirect owners of Cactus LLC (the " TRA Holders "). Following completion of the CC Reorganization, the TRA Holders are certain direct and indirect owners of Cactus Companies and prior direct and indirect owners of Cactus LLC. This agreement generally provides for the payment by Cactus Inc. to each TRA Holder of 85 % of the net cash savings, if any, in U. S. federal, state and local income tax and franchise tax that Cactus Inc. actually realizes or is deemed to realize in certain circumstances as a result of certain increases in tax basis and certain benefits attributable to imputed interest. Cactus Inc. will retain the benefit of the remaining 15 % of these net cash savings. The term of the TRA will continue until all tax benefits that are subject to the TRA have been utilized or expired, unless we exercise our right to terminate the TRA (or the TRA is terminated due to other circumstances, including our breach of a material obligation thereunder or certain mergers or other changes of control relating to Cactus Companies), and we make the termination payment specified in the TRA. In addition, payments we make under the TRA will be increased by any interest accrued from the due date (without extensions) of the corresponding tax return. Payments under the TRA commenced in 2019, and in the event that the TRA is not terminated, the payments under the TRA are anticipated to continue for approximately 20 years after the date of the last redemption of CC Units. The payment obligations under the TRA are our obligations and not obligations of Cactus Companies, and we expect that the payments we will be required to make under the TRA will be substantial. Estimating the amount and timing of payments that may become due under the TRA Agreement is by its nature imprecise. For purposes of the TRA, cash savings in tax generally are calculated by comparing our actual tax liability (determined by using the actual applicable U. S. federal income tax rate and an assumed combined state and local income tax rate) to the amount we would have been required to pay had we not been able to utilize any of the tax benefits subject to the TRA. The amounts payable, as well as the timing of any payments under the TRA, are dependent upon significant future events and assumptions, including the timing of the redemption of CC Units, the price of our Class A common stock at the time of each redemption, the extent to which such redemptions are taxable transactions, the amount of the redeeming unit holder' s tax basis in its CC Units at the time of the relevant redemption, the depreciation and amortization periods that apply to the increase in tax basis, the amount and timing of taxable income we generate in the future and the U. S. federal income tax rates then applicable, and the portion of our payments under the TRA that constitute imputed interest or give rise to depreciable or amortizable tax basis. The payments under the TRA are not conditioned upon a holder of rights under the TRA having a continued ownership interest in us. In certain cases, payments under the TRA may be accelerated and / or significantly exceed the actual benefits, if any, we realize in respect of the tax attributes subject to the TRA. If we elect to terminate the TRA early or it is terminated early due to Cactus Inc.' s failure to honor a material obligation thereunder or due to certain mergers or other changes of control, our obligations under the TRA would accelerate and we would be required to make an immediate payment equal to the present value of the anticipated future payments to be made by us under the TRA (determined by applying a discount rate ~~of~~ **equivalent to the former** one ~~-~~ **-** year LIBOR ~~plus 150 basis points~~) and such payment is expected to be substantial. The calculation of anticipated future payments will be based upon certain assumptions and deemed events set forth in the TRA, including (i) the assumption that we have sufficient taxable income to fully utilize the tax benefits covered by the TRA and (ii) the assumption that any CC Units (other than those held by Cactus Inc.) outstanding on the termination date are deemed to be redeemed on the termination date. Any early termination payment may be made significantly in advance of the actual realization, if any, of the future tax benefits to which the termination payment relates. As a result of either an early termination or a change of control, we could be required to make payments under the TRA that exceed our actual cash tax savings under the TRA. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, or other forms of business combinations or changes of control. If the TRA were terminated as of December 31, ~~2022~~ **2023** , the estimated termination payments, based on the assumptions discussed above, would have been approximately $ ~~291~~ **256** . ~~2~~ **8** million (calculated using a discount rate ~~equal~~ **equivalent** to **the former** one- year LIBOR ~~plus 150 basis points~~ , applied against an undiscounted liability of approximately $ ~~456~~ **397** . ~~6~~ **0** million). The foregoing number is merely an estimate and the actual payment could differ materially. There can be no assurance that we will be able to finance our obligations under the TRA. Payments under the TRA are based on the tax reporting positions that we will determine. The TRA Holders will not reimburse us for any payments previously made under the TRA if any tax benefits that have given rise to payments under the TRA are subsequently disallowed, except that excess payments made to any TRA Holder will be netted against payments that would otherwise be made to such TRA Holder, if any, after our determination of such excess. As a result, in some circumstances, we could make payments that are greater than our actual cash tax savings, if any, and may not be able to recoup those payments, which could adversely affect our liquidity. If Cactus Companies were to become a publicly traded partnership taxable as a corporation for U. S. federal income tax purposes, we and Cactus Companies might be subject to potentially significant tax inefficiencies, and we would not be able to recover payments previously made by us under the TRA even if the corresponding tax benefits were subsequently determined to have been unavailable due to such status. We intend to operate such that Cactus Companies does not become a publicly traded partnership taxable as a corporation for U. S. federal income tax purposes. A " publicly traded partnership " is a partnership the interests of which are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Under certain circumstances, redemptions of CC Units pursuant to the Redemption Right or our Call Right (each as defined in Note ~~10~~ **12** in the notes to the Consolidated Financial Statements) or other transfers of CC Units could cause Cactus Companies to be treated as a publicly traded partnership. Applicable U. S. Treasury regulations provide for certain safe harbors from treatment as a publicly traded partnership, and we intend to operate such that one or more such safe harbors shall apply. For example, we intend to limit the number of unit holders of Cactus Companies, and the Cactus ~~Wellhead~~ **Companies** LLC Agreement, which was entered into **with Cactus LLC** in connection with the closing of our IPO **and amended as part of the CC Reorganization** , provides for limitations on the ability of CC Unit Holders to transfer their CC Units and provides us, as managing member of Cactus Companies, with the right to impose restrictions (in addition to those already in place) on the ability of unit holders of Cactus Companies to redeem their CC Units pursuant to the Redemption Right to the extent we believe it is necessary to ensure that Cactus Companies will continue to be treated as a partnership for U. S. federal income tax purposes. If Cactus Companies were to become a publicly traded partnership, significant tax inefficiencies might result for us and for Cactus Companies, including **inefficiencies** as a result of our inability to file a consolidated U. S. federal income tax return with Cactus Companies. In addition, we would no longer have the benefit of certain increases in tax basis covered under the TRA, and we would not be able to recover any payments previously made by us under the TRA, even if the corresponding tax benefits (including any claimed increase in the tax basis of Cactus Companies' assets) were subsequently determined to have been unavailable. Risks Related to the ~~Merger~~ **FlexSteel acquisition** We may not realize the anticipated benefits from the ~~Merger~~ **FlexSteel acquisition,** and **it** ~~the Merger~~ could adversely impact our business and our operating results. We may not be able to achieve the full potential strategic and financial benefits that we expect to achieve from the ~~Merger~~ **acquisition of the FlexSteel business** , or such benefits may be delayed or not occur at all. ~~We may not achieve the anticipated benefits from the Merger for a variety of reasons, including, among others, unanticipated costs, charges and expenses. For example, the capital needs of the FlexSteel business may exceed our current expectations.~~ If we fail to achieve some or all of the benefits expected to result from the ~~Merger~~ **acquisition** , or if such benefits are delayed, our business could be harmed. FlexSteel' s operations are subject to many of the same risks as our historical operations. The failure of FlexSteel to ~~obtain~~ **achieve** financial results after the ~~Merger~~ **closing date of the acquisition** similar to those obtained in the past could adversely impact our business and our consolidated operating results ~~. The unaudited pro forma condensed combined financial information filed as Exhibit 99. 3 to our Form 8- K filed with the SEC on January 10, 2023 was based on a number of preliminary estimates and assumptions and our actual results of operations, cash flows and financial position after the Merger may differ materially. The unaudited pro forma condensed combined financial information filed as Exhibit 99. 3 to our Form 8- K filed with the SEC on January 10, 2023 was for illustrative purposes only and is not necessarily indicative of what our actual results of operations, cash flows and financial position would have been had the Merger and the offering been completed on the dates indicated. The unaudited pro forma condensed combined financial information reflected adjustments, which were based upon preliminary estimates, to record the FlexSteel identifiable assets to be acquired and liabilities to be assumed at fair value, and the resulting goodwill to be recognized. The purchase price allocation reflected was preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets acquired and liabilities assumed in the Merger. The unaudited pro forma condensed combined financial information was also based on a number of other estimates and assumptions, including estimates and assumptions of the type and terms of a portion of the debt to be incurred to finance a portion of the purchase price payable under the Merger Agreement and pay fees and expenses related to the Merger and the related transactions. To the extent the type or terms of the new debt actually incurred~~

~~differ materially from the estimates and assumptions set out in the unaudited pro forma condensed combined financial information, our actual results and financial condition after the completion of the Merger would differ materially from the results and financial condition contemplated by the unaudited pro forma condensed combined financial information. Further, the historical financial data for FlexSteel filed as Exhibits 99. 1 and 99. 2 to our Form 8- K filed with the SEC on January 10, 2023 may not be indicative of the financial position or results of operations that the combined company will achieve in the future. FlexSteel' s operations are subject to many of the same risks as our historical operations, any of which may also adversely affect the combined company' s business, operating results, financial condition and prospects~~. We may experience difficulties in integrating the operations of FlexSteel into our business and in realizing the expected benefits of the Merger. The success of the Merger will depend in part on our ability to realize the anticipated business opportunities from combining the operations of FlexSteel with our business in an efficient and effective manner. The integration process could take longer than anticipated and could result in the distraction of management, the loss of key employees from either company, the disruption of each company' s ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the ~~Merger~~ **FlexSteel acquisition**, and could harm our financial performance **. In addition, the recent transition to new leadership in the FlexSteel business could delay or hinder our ability to achieve the anticipated benefits of the acquisition**. If we are unable to successfully or timely integrate the operations of FlexSteel with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth and other anticipated benefits resulting from the ~~Merger~~ **acquisition**, and our business, results of operations and financial condition could be materially and adversely affected. FlexSteel may have liabilities that are not known to us and the indemnities negotiated in the Merger Agreement may not offer adequate protection. As part of the Merger, we have assumed certain liabilities of FlexSteel. There may be liabilities that we failed or were unable to discover in the course of performing due diligence investigations into FlexSteel. We may also have not correctly assessed the significance of certain FlexSteel liabilities identified in the course of our due diligence. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations. As we integrate FlexSteel into our operations, we may learn additional information about FlexSteel, such as unknown or contingent liabilities and issues relating to compliance with applicable laws, that could potentially have an adverse effect on our business, financial condition and results of operations. We will not be able to enforce claims with respect to the representations and warranties that the sellers of FlexSteel provided under the Merger Agreement. In connection with the Merger, the sellers of FlexSteel gave customary representations and warranties related to FlexSteel under the Merger Agreement. We will not be able to enforce any claims against the sellers including any claims relating to breaches of such representations and warranties. The sellers' liability with respect to breaches of their representations and warranties under the Merger Agreement is limited. To provide for coverage against certain breaches by the sellers of ~~its~~ **their** representations and warranties and certain pre- closing taxes of FlexSteel, we have obtained a representation and warranty insurance policy. The policy is subject to a retention amount, exclusions, policy limits and certain other customary terms and conditions ~~. The Amended ABL Credit Facility is required to fund a portion of the purchase price payable under the Merger Agreement, which will result in increased interest expenses, financial covenants, security interest in the assets of the Company' s subsidiaries and use of cash flows to repay the debt. In connection with the Merger, we obtained debt financing under the Amended ABL Credit Facility to pay a portion of the purchase price payable under the Merger Agreement. In addition to paying interest on the loans, we are required to repay the term loan on an accelerated basis and to comply with various covenants and restrictive provisions that limit Cactus Companies' and each of its subsidiaries' ability to, among other things, incur additional indebtedness and create liens, make investments or loans, merge or consolidate with other companies, sell assets, make certain restricted payments and distributions, and engage in transactions with affiliates. The obligations under the Amended ABL Credit Facility are guaranteed by certain subsidiaries of Cactus Companies and secured by a security interest in accounts receivable, inventory, equipment and certain other real and personal property assets of Cactus Companies and its subsidiaries. If Cactus Companies fails to perform its obligations under the Amended ABL Credit Facility, (i) the revolving commitments under the Amended ABL Credit Facility could be terminated, (ii) any outstanding borrowings under the Amended ABL Credit Facility may be declared immediately due and payable and (iii) the lenders may commence foreclosure or other actions against the collateral. The repayment and other obligations under the Amended ABL Credit Facility may also limit free cash flow available for other corporate purposes, including capital expenditures or paying dividends~~. General Risks A failure of our information technology infrastructure and cyberattacks could adversely impact us. We depend on our information technology (" IT ") systems for the efficient operation of our business. Accordingly, we rely upon the capacity, reliability and security of our IT hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. Despite our implementation of security measures, our systems are vulnerable to damage from computer viruses, natural disasters, incursions by intruders or hackers, failures in hardware or software, power fluctuations, cyber terrorists and other similar disruptions. Additionally, we rely on third parties to support the operation of our IT hardware and software infrastructure, and in certain instances, utilize web - based applications. The failure of our IT systems or those of our vendors to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential and proprietary information, reputational harm, increased overhead costs and loss of important information, which could have a material adverse effect on our business and results of operations. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future **. We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could disrupt our business and adversely affect our results of operations. We rely on information technology systems and networks in our operations, and those of our third- party vendors, suppliers and other business partners. Despite our implementation of security**

measures, our systems are vulnerable to damage from computer viruses, natural disasters, incursions by intruders or hackers, failures in hardware or software, power fluctuations, cyber terrorists and other similar disruptions. A successful cyber- attack could materially disrupt our operations or lead to unauthorized access, release or alteration of information on our systems or the systems of our service providers, vendors or customers. Any such attack or other breach of our information technology systems — or those of our third- party service providers, suppliers or other business partners — could have a material adverse effect on our business, operating results, financial condition, our reputation or cash flows. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated, including any failure in disaster recovery plans or data backups, for us or our third- party technical managers for any reason could disrupt our business. We may be required to incur significant additional costs to remediate, modify or enhance our information technology systems or to try to prevent any such attacks. Finally, certain cyber incidents, such as surveillance or reconnaissance, may remain undetected for an extended period. Our systems for protecting against cybersecurity risks may not be sufficient. As cyberattacks continue to evolve, including those leveraging artificial intelligence, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerabilities to cyberattacks. In addition, new laws and regulations governing data privacy, cybersecurity, and the unauthorized disclosure of confidential information pose increasingly complex compliance challenges and potentially elevate costs, and any failure to comply with these laws and regulations could result in significant penalties and legal liability. Our business is subject to complex and evolving laws and regulations regarding privacy and data protection (" data protection laws "). The regulatory environment relating to data privacy and protection is constantly evolving and can be subject to significant change. Laws and regulations governing data privacy and the unauthorized collection, processing or disclosure of personal information, including a growing number of U. S. state laws and regulations, such as the California Consumer Privacy Act, pose increasingly complex compliance challenges and potentially elevate our costs. Any failure, or perceived failure, by us to comply with applicable data protection laws could result in proceedings or actions against us by governmental entities or others, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. As noted above, we are also subject to the possibility of cyber- attacks, which themselves may result in a violation of these laws. Finally, if we acquire a company that has violated or is not in compliance with applicable data protection laws, we may incur significant liabilities and penalties as a result . Holders of our Class A common stock may not receive dividends on their Class A common stock. Holders of our Class A common stock are entitled to receive only such dividends as our board of directors may declare out of funds legally available for such payments. We are incorporated in Delaware and are governed by the Delaware General Corporation Law (" DGCL "). The DGCL allows a corporation to pay dividends only out of a surplus, as determined under Delaware law or, if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. Under the DGCL, however, we cannot pay dividends out of net profits if, after we pay the dividend, our capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. We are not required to pay a dividend, and any determination to pay dividends and other distributions in cash, stock or property by us in the future (including determinations as to the amount of any such dividend or distribution) will be at the discretion of our board of directors and will be dependent on then- existing conditions, including business conditions, our financial condition, results of operations, liquidity, capital requirements, contractual restrictions, including restrictive covenants contained in debt agreements, and other factors. If we are unable to fully protect our intellectual property rights or trade secrets or a third party attempts to enforce their intellectual property rights against us, we may suffer a loss in revenue or any competitive advantage or market share we hold, or we may incur costs in litigation defending intellectual property rights. While we have ~~some~~ **several** patents and others **are** pending, we do not have patents relating to ~~many~~ **all** of our key processes and technology. If we are not able to maintain the confidentiality of our trade secrets, or if our competitors are able to replicate our technology or services, our competitive advantage could be diminished. We also cannot provide any assurance that any patents we may obtain in the future would provide us with any significant commercial benefit or would allow us to prevent our competitors from employing comparable technologies or processes. We may initiate litigation from time to time to protect and enforce our intellectual property rights. In any such litigation, a defendant may assert that our intellectual property rights are invalid or unenforceable. Third parties from time to time may also initiate litigation against us by asserting that our businesses infringe, impair, misappropriate, dilute or otherwise violate another party' s intellectual property rights. We may not prevail in any such litigation, and our intellectual property rights may be found invalid or unenforceable or our products and services may be found to infringe, impair, misappropriate, dilute or otherwise violate the intellectual property rights of others. The results or costs of any such litigation may have an adverse effect on our business, results of operations and financial condition. Any litigation concerning intellectual property could be protracted and costly, is inherently unpredictable and could have an adverse effect on our business, regardless of its outcome.