

operations for the next twelve months from the issuance date of this report. However, if the Company is unable to generate sufficient cash from operations, it may be required to find additional funding sources. If adequate financing is unavailable or is unavailable on acceptable terms, the Company may be unable to maintain, develop or enhance its operations, products, and services, take advantage of future opportunities or adequately respond to competitive pressures.

Changes in interest rates could adversely affect us.

We have exposure to increases in interest rates under our revolving credit loan agreement with HSBC Bank, N.A. which presently bears interest at SOFR + 1.60%. The economy has been experiencing inflation since 2021. In response to significant and prolonged increases in inflation, the U.S. Federal Reserve has raised interest rates multiple times since the beginning of 2022, which has significantly increased our interest expense. Interest rates may remain at the current high levels or continue to increase. Increases in interest rates have increased our interest costs on our variable-rate debt as well as any future fixed rate debt. Any additional increase in the interest which we pay would reduce our cash available for working capital, acquisitions, and other uses.

In the event that we experience future pandemics, the economic effects of such pandemics and measures taken to arrest their spread by governmental and regulatory authorities, by the Company's business partners or by the Company itself could adversely impact our business, including our operating results, financial condition and liquidity.

The Company's business, operations and financial results, may be adversely affected by those risks and uncertainties resulting from any future pandemics. The extent of the impact of any such pandemic on our business, operating results, cash flows, liquidity and financial conditions will be primarily driven by the ultimate duration and severity of the pandemic and its impact on the U.S. and global economies.

The military conflicts in Ukraine and the Middle East have resulted in geopolitical instability. Our business, financial position, results of operations and cash flows could be adversely affected by the negative impacts on the global economy resulting from these conflicts.

In February 2022, Russian military forces invaded Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Although the length, impact and outcome of the war is highly unpredictable, this war has contributed to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as an increase in cyberattacks and espionage.

Separately, on October 7, 2023, Hamas, a U.S.-designated terrorist organization, launched a series of coordinated attacks from the Gaza Strip onto Israel. On October 8, 2023, Israel formally declared war on Hamas, and the armed conflict is ongoing as of the date of this filing. Hostilities between Israel and Hamas could escalate and involve surrounding countries in the Middle East. Furthermore, following Hamas' attack on Israel, the Houthis movement, which controls parts of Yemen, launched a number of attacks on marine vessels in the Red Sea. The Red Sea is an important maritime route for international trade. As a result of such disruptions, we may experience in the future extended lead times, delays in supplier deliveries, and increased freight costs. The risk of ongoing supply disruptions may further result in delayed deliveries of our products.

While the length and total impact of the military conflicts are unpredictable, it has led to market disruptions, including volatility in raw material prices and credit and capital markets, and supply chain challenges. In response to the military conflict, governments in the U.S. and abroad have imposed sanctions against Russia and proposed or threatened additional potential sanctions. These sanctions could adversely affect the global economy and financial markets in which we operate.

We do not have manufacturing operations in Ukraine or Russia nor any significant business relationships with Ukraine or Russian-based customers or suppliers. To date, we have not experienced any material impacts of the ongoing military conflict. We are monitoring the situation and its impact on the global markets, which may, in turn, impact our business. For example, it is possible that the conflict could result in lower sales if supply parts and raw materials for become less available or if there are continued significant increases in energy and fuel prices.

Based on the continued, and more recently increased market volatility and geopolitical unrest pertaining to the military conflict between Russia and Ukraine and the Middle East, European energy crisis and highly inflationary environment, and corresponding macro-economic uncertainty, we cannot reasonably estimate the full impact the conflict will have on our long-term financial condition, results of operations, liquidity and cash flows. It is not possible to predict the extent and duration of the military conflict, sanctions, and any associated market disruptions, which could have a material adverse effect on our business, financial position, results of operations and cash flows.