

REFINITIV

## DELTA REPORT

### 10-Q

APT - ALPHA PRO TECH LTD

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS** 1284

CHANGES	256
DELETIONS	396
ADDITIONS	632

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023 March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 001-15725 No.001-15725

Alpha Pro Tech, Ltd.

(Exact Name of Registrant as Specified in Its Charter)

Delaware, U.S.A.

63-1009183

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

53 Wellington Street East

L4G 1H6

Aurora, Ontario, Canada

(Zip Code)

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (905) 479-0654

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	APT	NYSE American

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding <b>November 1,</b> <b>2023</b> <b>May 2, 2024</b>
Common Stock, \$0.01 par value	<b>11,647,096</b> 11,688,700 shares

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Alpha Pro Tech, Ltd.

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Alpha Pro Tech, Ltd.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets (Unaudited)

	September 30,	December 31,	March 31,	December
	2023	2022 (1)	2024	31, 2023 (1)
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 18,163,000	\$ 16,290,000	\$ 18,510,000	\$ 20,378,000
Accounts receivable, net of allowance for doubtful accounts of \$35,000 as of September 30, 2023 and \$45,000 as of December 31, 2022	7,448,000	5,382,000		
Accounts receivable, net			6,426,000	5,503,000
Accounts receivable, related party	992,000	1,591,000	1,057,000	1,042,000
Inventories	21,526,000	24,397,000		
Inventories, net			20,769,000	20,131,000
Prepaid expenses	4,558,000	4,902,000	5,627,000	6,010,000
Total current assets	52,687,000	52,562,000	52,389,000	53,064,000
Property and equipment, net	5,543,000	5,742,000	5,426,000	5,587,000
Goodwill	55,000	55,000	55,000	55,000
Definite-lived intangible assets, net	-	1,000		
Right-of-use assets	1,210,000	1,725,000	9,451,000	4,810,000
Equity investment in unconsolidated affiliate	5,116,000	4,718,000	5,391,000	5,247,000
Total assets	\$ 64,611,000	\$ 64,803,000	\$ 72,712,000	\$ 68,763,000
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	\$ 320,000	\$ 674,000	\$ 713,000	\$ 802,000
Accrued liabilities	885,000	833,000	449,000	1,103,000
Lease liabilities	777,000	899,000	903,000	661,000
Total current liabilities	1,982,000	2,406,000	2,065,000	2,566,000
Lease liabilities, net of current portion	474,000	875,000	8,562,000	4,187,000
Deferred income tax liabilities, net	764,000	764,000	442,000	442,000
Total liabilities	3,220,000	4,045,000	11,069,000	7,195,000
Commitments and contingencies				
Commitments and contingencies				
Shareholders' equity:				
Common stock, \$.01 par value: 50,000,000 shares authorized; 11,636,446 and 12,226,306 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	117,000	123,000		
Common stock, \$.01 par value: 50,000,000 shares authorized; 11,372,878 and 11,416,212 shares outstanding as of March 31, 2024 and December 31, 2023, respectively			114,000	114,000
Additional paid-in capital			16,861,000	16,339,000
Retained earnings	62,757,000	62,124,000	46,099,000	46,552,000
Accumulated other comprehensive loss	(1,483,000)	(1,489,000)	(1,431,000)	(1,437,000)
Total shareholders' equity	61,391,000	60,758,000	61,643,000	61,568,000
Total liabilities and shareholders' equity	\$ 64,611,000	\$ 64,803,000	\$ 72,712,000	\$ 68,763,000

(1) The condensed consolidated balance sheet as of **December 31, 2022** **December 31, 2023**, has been prepared using information from the audited consolidated balance sheet as of that date.

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

**Alpha Pro Tech, Ltd.**

Condensed Consolidated Statements of Income (Unaudited)

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Net sales	\$ 16,053,000	\$ 14,722,000	\$ 45,967,000	\$ 49,756,000	\$ 13,482,000	\$ 13,800,000
Cost of goods sold, excluding depreciation and amortization	10,018,000	9,904,000	28,844,000	32,884,000	8,065,000	8,818,000
Gross profit	6,035,000	4,818,000	17,123,000	16,872,000	5,417,000	4,982,000
Operating expenses:						
Selling, general and administrative	4,387,000	3,970,000	13,275,000	12,341,000	4,847,000	4,313,000
Depreciation and amortization	225,000	201,000	687,000	641,000	244,000	243,000
Total operating expenses	4,612,000	4,171,000	13,962,000	12,982,000	5,091,000	4,556,000
Income from operations	1,423,000	647,000	3,161,000	3,890,000	326,000	426,000
Other income (loss):						
Loss on fixed assets	-	-	-	-	(490,000)	
Equity in income (loss) of unconsolidated affiliate	180,000	(13,000)	392,000	87,000		
Other income:						
Equity in income of unconsolidated affiliate					138,000	109,000
Interest income, net	222,000	28,000	549,000	39,000	258,000	158,000
Total other income (loss)	402,000	15,000	941,000	(364,000)		
Total other income					396,000	267,000
Income before provision for income taxes	1,825,000	662,000	4,102,000	3,526,000	722,000	693,000
Provision for income taxes	395,000	159,000	974,000	808,000	146,000	141,000
Net income	\$ 1,430,000	\$ 503,000	\$ 3,128,000	\$ 2,718,000	\$ 576,000	\$ 552,000
Basic earnings per common share	\$ 0.12	\$ 0.04	\$ 0.26	\$ 0.21	\$ 0.05	\$ 0.05
Diluted earnings per common share	\$ 0.12	\$ 0.04	\$ 0.26	\$ 0.21	\$ 0.05	\$ 0.05
Basic weighted average common shares outstanding	11,781,071	12,615,187	11,974,336	12,834,505	11,285,296	12,150,067
Diluted weighted average common shares outstanding	11,781,071	12,688,381	11,974,336	12,909,870	11,389,394	12,193,602

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

**Alpha Pro Tech, Ltd.**

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Net income	\$ 1,430,000	\$ 503,000	\$ 3,128,000	\$ 2,718,000	\$ 576,000	\$ 552,000
Other comprehensive income (loss)- foreign currency translation gain (loss)	(152,000)	(137,000)	6,000	(554,000)		
Other comprehensive income - foreign currency translation gain					6,000	137,000
Comprehensive income	\$ 1,278,000	\$ 366,000	\$ 3,134,000	\$ 2,164,000	\$ 582,000	\$ 689,000

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

**Alpha Pro Tech, Ltd.**

Condensed Consolidated Statements of Shareholders' Equity (Unaudited)

For the Nine Months Ended September 30, 2023						
For the Three Months Ended March 31, 2024						
	Common Stock		Additional		Accumulated	
	Shares	Amount	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	Total
Balance as of December 31, 2023	11,416,212	\$ 114,000	\$ 16,339,000	\$ 46,552,000	\$ (1,437,000)	\$ 61,568,000
Net income	-	-	-	576,000	-	576,000
Common stock repurchased and retired	(270,000)	(2,000)	(386,000)	(1,029,000)	-	(1,417,000)
Treasury stock excise tax	-	-	(14,000)	-	-	(14,000)
Stock-based compensation expense	-	-	109,000	-	-	109,000
Options exercised	226,666	2,000	813,000	-	-	815,000
Total comprehensive income	-	-	-	-	6,000	6,000
Balance as of March 31, 2024	<u>11,372,878</u>	<u>\$ 114,000</u>	<u>\$ 16,861,000</u>	<u>\$ 46,099,000</u>	<u>\$ (1,431,000)</u>	<u>\$ 61,643,000</u>

Accumulated						
Other						
	Common Stock		Additional		Comprehensive	
	Shares	Amount	Paid-in Capital	Retained Earnings	Income (Loss)	Total
Balance as of December 31, 2022	12,226,306	\$ 123,000	\$ -	\$ 62,124,000	\$ (1,489,000)	\$ 60,758,000
Net income	-	-	-	552,000	-	552,000
Common stock repurchased and retired	(200,000)	(2,000)	(371,000)	(460,000)	-	(833,000)
Stock-based compensation expense	-	-	22,000	-	-	22,000
Options exercised	109,250	1,000	349,000	-	-	350,000
Total comprehensive income	-	-	-	-	137,000	137,000

Balance as of March 31, 2023	12,135,556	122,000	-	62,216,000	(1,352,000)	60,986,000
Net income	-	-	-	1,146,000	-	1,146,000
Common stock repurchased and retired	(275,000)	(3,000)	(65,000)	(1,029,000)	-	(1,097,000)
Treasury stock excise tax	-	-	(11,000)	-	-	(11,000)
Stock-based compensation expense	-	-	22,000	-	-	22,000
Options exercised	15,000	-	54,000	-	-	54,000
Total comprehensive income	-	-	-	-	21,000	21,000
Balance as of June 30, 2023	11,875,556	119,000	-	62,333,000	(1,331,000)	61,121,000
Net income	-	-	-	1,430,000	-	1,430,000
Common stock repurchased and retired	(249,110)	(2,000)	(41,000)	(1,006,000)	-	(1,049,000)
Treasury stock excise tax	-	-	(19,000)	-	-	(19,000)
Stock-based compensation expense	-	-	24,000	-	-	24,000
Options exercised	10,000	-	36,000	-	-	36,000
Total comprehensive loss	-	-	-	-	(152,000)	(152,000)
Balance as of September 30, 2023	11,636,446	\$ 117,000	\$ -	\$ 62,757,000	\$ (1,483,000)	\$ 61,391,000

For the Nine Months Ended September 30, 2022

		Accumulated						Additional		
		Common Stock		Paid-in Capital		Other				
		Shares	Amount	Capital	Earnings	Comprehensive Loss	Total	Shares	Amount	Capital
Balance as of										
December 31, 2021	13,115,341	\$ 132,000	\$ -	\$ 62,488,000	\$ (869,000)	\$ 61,751,000				
Net income	-	-	-	1,522,000	-	1,522,000				
Common stock repurchased and retired	(170,000)	(2,000)	(55,000)	(699,000)	-	(756,000)				
Stock-based compensation expense	-	-	55,000	-	-	55,000				
Total comprehensive loss	-	-	-	-	(153,000)	(153,000)				
Balance as of										
March 31, 2022	12,945,341	130,000	-	63,311,000	(1,022,000)	62,419,000				
Balance as of							Balance as of			
December 31, 2022							December 31, 2022	12,226,306	\$ 123,000	\$ 17,099,000
Net income	-	-	-	693,000	-	693,000	Net income	-	-	-
Common stock repurchased and retired	(225,500)	(2,000)	(62,000)	(896,000)	-	(960,000)	Common stock repurchased and retired	(200,000)	(2,000)	(280,000)
Stock-based compensation expense	-	-	32,000	-	-	32,000	Stock-based compensation expense	-	-	22,000
Options exercised	8,332	-	30,000	-	-	30,000	Options exercised	109,250	1,000	349,000

Total comprehensive loss	-	-	-	-	(265,000)	(265,000)	Total comprehensive loss	-	-	-	
Balance as of June 30, 2022	12,728,173	128,000	-	63,108,000	(1,287,000)	61,949,000					
Net income	-	-	-	503,000	-	503,000					
Common stock repurchased and retired	(259,200)	(2,000)	(62,000)	(1,052,000)	-	(1,116,000)					
Stock-based compensation expense	-	-	32,000	-	-	32,000					
Options exercised	8,332	-	30,000	-	-	30,000					
Total comprehensive loss	-	-	-	-	(137,000)	(137,000)					
Balance as of September 30, 2022	12,477,305	\$ 126,000	\$ -	\$ 62,559,000	\$ (1,424,000)	\$ 61,261,000					
Balance as of March 31, 2023							Balance as of March 31, 2023	12,135,556	\$ 122,000	\$ 17,190,000	\$ 45,026,000

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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#### Alpha Pro Tech, Ltd.

#### Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023		2024	
	2023	2022	2024	2023
<b>Cash Flows From Operating Activities:</b>				
Net income	\$ 3,128,000	\$ 2,718,000	\$ 576,000	\$ 552,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Adjustments to reconcile net income to net cash and cash equivalents used in operating activities:				
Stock-based compensation	68,000	119,000	109,000	22,000
Depreciation and amortization	687,000	641,000	244,000	243,000
Equity in income of unconsolidated affiliate	(392,000)	(87,000)	(138,000)	(109,000)
Operating lease expense, net of accretion	515,000	689,000		
Non-cash lease expense			162,000	237,000
Changes in operating assets and liabilities:				
Accounts receivable, net	(2,066,000)	(2,680,000)	(923,000)	(3,024,000)
Accounts receivable, related party	599,000	161,000	(15,000)	865,000
Inventories	2,871,000	(155,000)		
Inventories, net			(638,000)	303,000
Prepaid expenses	344,000	2,374,000	383,000	190,000
Accounts payable and accrued liabilities	(302,000)	(759,000)	(743,000)	(737,000)
Lease liabilities	(523,000)	(690,000)	(186,000)	(239,000)

Net cash provided by operating activities	4,929,000	2,331,000		
Net cash and cash equivalents used in operating activities			(1,169,000)	(1,697,000)
Cash Flows From Investing Activities:				
Purchases of property and equipment	(487,000)	(349,000)	(83,000)	(289,000)
Net cash used in investing activities	(487,000)	(349,000)		
Cash Flows From Financing Activities:				
Proceeds from exercise of stock options	440,000	60,000	815,000	350,000
Repurchase of common stock	(2,979,000)	(2,832,000)	(1,417,000)	(833,000)
Treasury stock excise tax	(30,000)	-	(14,000)	-
Net cash used in financing activities	(2,569,000)	(2,772,000)		
Net cash and cash equivalents used in financing activities			(616,000)	(483,000)
Increase (decrease) in cash and cash equivalents	1,873,000	(790,000)		
Decrease in cash and cash equivalents			(1,868,000)	(2,469,000)
Cash and cash equivalents, beginning of the period	16,290,000	16,307,000		
Cash and cash equivalents, beginning of the year			20,378,000	16,290,000
Cash and cash equivalents, end of the period	\$ 18,163,000	\$ 15,517,000		
Cash and cash equivalents, end of the year			\$ 18,510,000	\$ 13,821,000
Supplemental disclosure of non-cash transactions:				
Net non-cash changes to operating leases			\$ 4,803,000	\$ -

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

#### Alpha Pro Tech, Ltd.

#### Notes to Condensed Consolidated Financial Statements (Unaudited)

##### 1. The Company

Alpha Pro Tech, Ltd. ("Alpha Pro Tech," the "Company," "we", "us" or "our") is in the business of protecting people, products and environments. The Company accomplishes this by developing, manufacturing and marketing a line of building supply products for the new home and re-roofing markets and a line of disposable protective apparel for the cleanroom, industrial, pharmaceutical, medical and dental markets.

The Building Supply segment consists of construction weatherization products, such as housewrap, housewrap accessories, namely tape and flashing, synthetic roof underlayment and synthetic roof underlayment accessories, namely self-adhered underlayment, as well as other woven material.

The Disposable Protective Apparel segment consists of a complete line of disposable protective garments (shoecovers, bouffant caps, coveralls, gowns, frocks and lab coats), face masks and face shields. All of our disposable protective apparel products, including face masks and face shields, are sold through similar distribution channels, are single-use and disposable, have the purpose of protecting people, products and environments, and have to be produced in Food and Drug Administration ("FDA") approved facilities, regardless of the market served.

The Company's products are sold under the "Alpha Pro Tech" brand name as well as under private label and are predominantly sold in the United States of America ("U.S.").

##### 2. Basis of Presentation and Revenue Recognition Policy

The interim financial information included in this report is unaudited; however, the information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for the fair presentation of the consolidated financial position, results of operations and cash flows for the interim periods reflected herein. These interim condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, omit certain information and note disclosures that would be necessary to present the statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The interim condensed consolidated financial statements should be read in conjunction with the Company's current year SEC filings, as well as the Company's consolidated financial statements for the year ended **December 31, 2022** **December 31, 2023**, which are included in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** (the "2022" "2023 Form 10-K"), filed with the SEC on **March 16, 2023** **March 13, 2024**. The results of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024**, in this Quarterly Report on Form 10-Q are not necessarily indicative of the results to be expected for the full year. The condensed consolidated balance sheet as of **December 31, 2022** **December 31, 2023** was prepared using information from the audited consolidated balance sheet contained in the **2022** **2023** Form 10-K; however, it does not include all disclosures required by U.S. GAAP for annual consolidated financial statements.

Net sales **include** **includes** revenue from products and shipping and handling charges, net of estimates for product returns and any related sales incentives. Our customer contracts have a single performance obligation: transfer control of products to customers. Revenue is measured as the amount of consideration that we expect to receive in exchange for transferring control of products. All revenue is recognized when we satisfy our performance obligations under the applicable contract. We recognize revenue in connection with transferring control of the promised products to the customer, with revenue being recognized at the point in time when the customer obtains control of the products, which is generally when title passes to the customer upon delivery to a third party carrier for FOB shipping point arrangements and to the customer for FOB destination arrangements, at which time a receivable is created for the invoice sent to the customer. Shipping and handling activities are performed prior to the customer obtaining control of the goods and are accounted for as fulfillment activities and are not a promised good or service. Shipping and handling charges billed to customers are included in revenue. Shipping and handling costs, associated with the distribution of the Company's product to the customers, are recorded in cost of goods sold and are recognized when control of the product is transferred to the customer, which is generally when title passes to the customer upon delivery to a third party carrier for FOB shipping point arrangements and to the customer for FOB destination arrangements. We estimate product returns based on historical return rates and estimate rebates based on contractual agreements. Using probability assessments, we estimate sales incentives expected to be paid over the term of the contract. Sales taxes and value added taxes in foreign and domestic jurisdictions that are collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from net sales. The Company manufactures certain private label goods for customers and has determined that control does not pass to the customer at the time of manufacture, based upon the nature of the private labeling. The Company has determined as of **September 30, 2023** **March 31, 2024**, that it had no material contract assets, and concluded that its contract liabilities (primarily rebates) had the right of offset against customer receivables. See Note 10 and Note 11 of these Notes to Condensed Consolidated Financial Statements (Unaudited) for information on revenue disaggregated by type and by geographic region.

Alpha Pro Tech, Ltd.

#### Notes to Condensed Consolidated Financial Statements (Unaudited)

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### 3. Stock-Based Compensation **Shareholder's Equity**

#### Repurchase Program

During the three months ended March 31, 2024, the Company repurchased and retired 270,000 shares of its common stock for \$1,417,000. During the three months ended March 31, 2023, the Company repurchased and retired 200,000 shares of its common stock for \$833,000. As of March 31, 2024, the Company had \$777,000 available to repurchase common shares under the repurchase program. The excess of repurchase price over par value is allocated between additional paid-in capital and retained earnings. Option Activity

The Company previously granted stock options to employees and non-employee directors under a stock option plan the 2004 Stock Option Plan (the "2004 Option Plan"). Stock options have been granted with exercise prices at or above the fair market value of the underlying shares of common stock on the date of grant. Options vest and expire according to terms established at the grant date. The 2004 Option Plan provided for a total of 5,000,000 common shares eligible for issuance. Under the 2004 Option Plan, approximately 5,009,750 options (taking into account cancelled and expired options that were added back to the plan reserve) had been granted as of December 31, 2020.

At the Company's 2020 Annual Meeting of Shareholders held on June 9, 2020, the Company's shareholders approved the Alpha Pro Tech, Ltd. 2020 Omnibus Incentive Plan (the "2020 Incentive Plan"). The 2020 Incentive Plan provides for the grant of incentive and nonqualified stock options, stock appreciation rights, awards of restricted stock and restricted stock units, performance share awards, cash awards and other equity-based awards to employees (including officers), consultants and non-employee directors of the Company and its affiliates. A total of 1,800,000 shares of the Company's common stock are reserved for issuance under the 2020 Incentive Plan, plus the number of shares underlying any award granted under the 2004 Option Plan that expires, terminates or is cancelled or forfeited under the terms of the 2004 Option Plan. As a result of the approval of the 2020 Incentive Plan, no future equity awards will be made pursuant to the 2004 Option Plan. Although no new awards may be granted under the 2004 Option Plan, all previously granted awards under the 2004 Option Plan will continue to be governed by the terms of the 2004 Option Plan.

The Company records compensation expense for the fair value of stock-based awards determined as of the grant date, including employee stock options and restricted stock awards, over the determined requisite service period, which is generally ratably over the vesting term.

The following table summarizes restricted stock awards activity for the nine months ended September 30, 2023 and 2022, 46,400 and 19,600 stock options were granted under March 31, 2024:

	Shares	Weighted Average Grant Date Price	Restricted stock awards
Outstanding, December 31, 2023	235,172	\$ 4.21	
Granted to employees and non-employee directors	10,715	5.32	
Vested	(8,172)	4.02	
Outstanding, March 31, 2024	<u><u>237,715</u></u>	<u><u>4.12</u></u>	

#### Alpha Pro Tech, Ltd.

##### Notes to Condensed Consolidated Financial Statements (Unaudited)

During the 2020 Incentive Plan, respectively. The Company recognized \$10,000 and \$39,000 in stock-based compensation expense for the nine months ended September 30, 2023 March 31, 2024, and 2022, respectively, related to outstanding options previously granted under the 2004 Option Plan. For the nine months ended September 30, 2023 2023, 10,715 and 2022, 227,600 and 13,600 restricted stock awards were granted under the 2020 Incentive Plan, respectively. The Company recognized \$58,000 \$94,000 and \$80,000 \$18,000 in compensation expense associated with outstanding restricted stock awards for the nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. As of September 30, 2023 March 31, 2024, \$966,000 \$840,000 of total unrecognized compensation cost related to outstanding the restricted stock awards grants was expected to be recognized over a weighted-average weighted average remainder period of 2.86 2.39 years.

For the three months ended March 31, 2024 and 2023, no stock options were granted under the 2004 Option Plan or the 2020 Incentive Plan. The Company recognized \$15,000 and \$3,000 in stock-based compensation expense for the three months ended March 31, 2024 and 2023, respectively, related to outstanding options previously granted under the 2004 Option Plan.

The Company uses the Black-Scholes option-pricing model to value the options. The Company uses historical data to estimate the expected life of the options. The risk-free interest rate for periods within the contractual life of an award is based on the US Treasury yield curve in effect at the time of grant. The estimated volatility is based on historical volatility and management's expectations of future volatility. The Company uses an estimated dividend payout of zero, as the Company has not paid dividends in the past and, at this time, does not expect to do so in the future. The Company accounts for option forfeitures as they occur.

The following table summarizes stock option activity for the nine months ended September 30, 2023 March 31, 2024:

#### Alpha Pro Tech, Ltd.

##### Notes to Condensed Consolidated Financial Statements (Unaudited)

	Options	Weighted Average Exercise Price Per Option
Options outstanding, December 31, 2022	410,615	\$ 3.50
Granted to employees and non-employee directors	46,400	4.23
Exercised	134,250	3.27
Canceled/expired/forfeited	13,333	3.61
Options outstanding, September 30, 2023	<u><u>309,432</u></u>	<u><u>3.70</u></u>
Options exercisable, September 30, 2023	<u><u>253,231</u></u>	<u><u>3.59</u></u>

	Options	Weighted Average Exercise Price Per Option

Options outstanding, December 31, 2023	292,766	\$ 3.71
Exercised	(226,666)	3.59
Options outstanding, March 31, 2024	66,100	4.12
Options exercisable, March 31, 2024	9,899	3.70

As of September 30, 2023 March 31, 2024, \$161,000 \$132,000 of total unrecognized compensation cost related to the stock options option grants was expected to be recognized over a weighted average remainder period of 2.75 2.25 years.

#### 4. Recent Accounting Pronouncements

In August 2020, December 2023, the FASB issued ASU 2020-06 Debt --Debt with Conversion 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. These amendments address investor requests for enhanced transparency regarding income tax information. Specifically, they improve income tax disclosures related to rate reconciliation and Other Options (Subtopic 470 and Derivatives and Hedging -Contracts in Entity's Own Equity (Subtopic 815: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which is intended to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The guidance allows for either full retrospective adoption or modified retrospective adoption. The guidance income taxes paid. ASU 2023-09 is effective for the Company January 1, 2024 and early adoption is permitted. fiscal years beginning after December 31, 2024. The Company is evaluating the impact the adoption of this guidance will have on its condensed consolidated financial statements.

In June 2016, November 2023, the FASB issued ASU 2016-13, Financial Instruments --Credit Losses (Topic 326) 2023-07, Segment Reporting (Topic 280): Measurement of Credit Losses Improvements to Reportable Segment Disclosures. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses, and is effective for fiscal years beginning after December 31, 2023 and for interim periods within fiscal years beginning after December 15, 2024 on Financial Instruments, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Public business entities classified as smaller reporting companies are required to apply the provision of ASU 2016-13 with annual reporting periods after December 15, 2022, retrospective basis. The Company adopted Topic 326 effective January 1, 2023, which did not have a material is currently evaluating the impact of this standard on the Company's condensed consolidated financial statements.

Management periodically reviews new accounting standards that are issued. Management has not identified any other new standards that it believes merit further discussion at this time.

#### Alpha Pro Tech, Ltd.

##### Notes to Condensed Consolidated Financial Statements (Unaudited)

#### 5. Inventories

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, inventories net of reserves consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Raw materials	\$ 11,220,000	\$ 13,018,000	\$ 10,012,000	\$ 10,470,000
Work in process	2,594,000	2,225,000	2,425,000	2,236,000
Finished goods	7,712,000	9,154,000	8,332,000	7,425,000
	<b>\$ 21,526,000</b>	<b>\$ 24,397,000</b>	<b>\$ 20,769,000</b>	<b>\$ 20,131,000</b>

#### 6. Equity Investment in Unconsolidated Affiliate

In 2005, Alpha ProTech Engineered Products, Inc. (a subsidiary of Alpha Pro Tech, Ltd.) entered into a joint venture with a manufacturer in India, Maple Industries and associates, for the production of building products. Under the terms of the joint venture agreement, a private company, Harmony Plastics Private Limited ("Harmony"), was created with ownership interests of 41.66% owned by Alpha ProTech Engineered Products, Inc. and 58.34% owned by Maple Industries and associates.

This joint venture positions Alpha ProTech Engineered Products, Inc. to respond to current and expected increased product demand for housewrap and synthetic roof underlayment and provides future capacity for sales of specialty roofing component products and custom products for industrial applications requiring high quality extrusion coated fabrics. In addition, the joint venture now supplies products for the Company's Disposable Protective Apparel segment.

The capital from the initial funding and a bank loan, which is guaranteed exclusively by the individual shareholders of Maple Industries and associates and collateralized by the assets of Harmony, were utilized to purchase the original manufacturing facility in India. Harmony currently has four facilities in India (three owned and one rented), consisting of: (1) a 139,000 square foot building for manufacturing building products; (2) a 121,000 square foot building for manufacturing coated material and sewing proprietary disposable protective apparel; (3) a 23,000 square foot facility for sewing proprietary disposable protective apparel; and (4) a 159,000 square foot facility (rented) for manufacturing Building Supply segment products. All additions have been financed by Harmony with no guarantees from the Company.

#### **Alpha Pro Tech, Ltd.**

##### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

In accordance with ASC 810, Consolidation, the Company assesses whether or not related entities are variable interest entities ("VIEs"). For those related entities that qualify as VIEs, ASC 810 requires the Company to determine whether the Company is the primary beneficiary of the VIE, and, if so, to consolidate the VIE. The Company has determined that Harmony is not a VIE and is, therefore, considered to be an unconsolidated affiliate.

The Company records its investment in Harmony as "equity investment in unconsolidated affiliate" in the accompanying consolidated balance sheets. The Company records its equity interest in Harmony's results of operations as "equity in income of unconsolidated affiliate" in the accompanying consolidated statements of income. The Company periodically reviews its investment in Harmony for impairment. Management has determined that no impairment was required as of **September 30, 2023** **March 31, 2024**, or **December 31, 2022** **December 31, 2023**. Under the equity method, since the Company's reporting currency is different from Harmony's reporting currency, the Company is required to translate our proportionate share of equity for effects of translations in foreign currency and adjust the investment accordingly and accrue the adjustment as a component of Accumulated other comprehensive loss ("AOCL").

For the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company purchased **\$5,001,000** **\$5,329,000** and **\$7,786,000** **\$5,036,000** of inventories, respectively, from Harmony. For the nine both three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company purchased **\$14,871,000** and **\$19,645,000** of inventories, respectively, from Harmony. The Company sold **\$66,000** **\$0** of inventories, to Harmony for each of the three months ended September 30, 2023 and 2022. For the nine months ended September 30, 2023 and 2022, the Company sold **\$266,000** and **\$280,000** of inventories, respectively, to Harmony.

For the three months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, the Company recorded equity in income of unconsolidated affiliate of **\$180,000** **\$138,000** and loss in income from unconsolidated affiliate of **\$13,000**, respectively, related to Harmony. For the nine months ended September 30, 2023 and 2022, the Company recorded equity in income of unconsolidated affiliate of **\$392,000** and **\$87,000**, **\$109,000**, respectively, related to Harmony.

#### **Alpha Pro Tech, Ltd.**

##### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

As of **September 30, 2023** **March 31, 2024**, the Company's investment in Harmony was **\$5,116,000**, **\$5,391,000**, which consisted of its original \$1,450,000 investment and cumulative equity in income of unconsolidated affiliate of **\$6,168,000**, **\$6,391,000**, less \$942,000 in repayments of an advance, \$77,000 in payments of dividends, and **\$1,483,000** **\$1,431,000** in AOCL on foreign currency translations.

#### 7. Accrued Liabilities

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, accrued liabilities consisted of the following:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Payroll expenses and taxes payable	\$ 298,000	\$ 138,000

Commissions and bonuses payable and general accrued liabilities	587,000	695,000
Total accrued liabilities	\$ 885,000	\$ 833,000

**Alpha Pro Tech, Ltd.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

	March 31, 2024	December 31, 2023
Payroll expenses and taxes payable	\$ 291,000	\$ 157,000
Commissions and bonuses payable and general accrued liabilities	158,000	946,000
Total accrued liabilities	<u>\$ 449,000</u>	<u>\$ 1,103,000</u>

**8. Basic and Diluted Earnings Per Common Share**

The following table provides a reconciliation of both net income and the number of shares used in the computation of "basic" earnings per common share ("EPS"), which utilizes the weighted average number of common shares outstanding without regard to dilutive shares, and "diluted" EPS, which includes all such dilutive shares, for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	\$ 1,430,000	\$ 503,000	\$ 3,128,000	\$ 2,718,000	\$ 576,000	\$ 552,000
Net income (numerator)						
Shares (denominator):						
Basic weighted average common shares outstanding	11,781,071	12,615,187	11,974,336	12,834,505	11,285,296	12,150,067
Add: dilutive effect of common stock options	-	73,194	-	75,365	104,098	43,535
Diluted weighted average common shares outstanding	<u>11,781,071</u>	<u>12,688,381</u>	<u>11,974,336</u>	<u>12,909,870</u>	<u>11,389,394</u>	<u>12,193,602</u>
Earnings per common share:						
Basic	\$ 0.12	\$ 0.04	\$ 0.26	\$ 0.21	\$ 0.05	\$ 0.05
Diluted	<u>\$ 0.12</u>	<u>\$ 0.04</u>	<u>\$ 0.26</u>	<u>\$ 0.21</u>	<u>\$ 0.05</u>	<u>\$ 0.05</u>

**9. Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss ("AOCL"), a component of shareholders' equity, consists of foreign currency translation adjustments related to foreign currency gains or losses on our unconsolidated affiliate as its functional currency is other than the U.S. dollar. The resulting foreign currency translation gains or losses are deferred as AOCL and reclassified to earnings only upon sale or liquidation of that business. The accumulated other comprehensive loss **AOCL** on equity in unconsolidated affiliate was **\$1,483,000** **\$1,431,000** and **\$1,489,000** **\$1,437,000** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively.

**Alpha Pro Tech, Ltd.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**10. Activity of Business Segments**

The Company operates through two business segments:

(1) **Building Supply:** consisting of a line of construction supply weatherization products. The construction supply weatherization products, consist of such as housewrap, and housewrap accessories including window and door flashing, and seam tape, synthetic roof underlayment and synthetic roof underlayment accessories, as well as other woven material, materials. The majority of the Company's equity in income of unconsolidated affiliate (Harmony) is included in the total segment income for the Building Supply segment.

(2) **Disposable Protective Apparel:** consisting of a complete line of disposable protective garments, including shoecovers (including the Aqua Trak® and spunbond shoecovers), bouffant caps, coveralls, frocks, lab coats, gowns and hoods, as well as face masks and face shields for the pharmaceutical, cleanroom, industrial, medical and dental markets. A portion of the Company's equity in income of unconsolidated affiliate (Harmony) is included in the total segment income for the Disposable Protective Apparel segment.

Segment data excludes charges allocated to the principal executive office and other unallocated corporate overhead expenses and income tax. The Company evaluates the performance of its segments and allocates resources to them based primarily on net sales.

The accounting policies of the segments are the same as those described previously under Summary of Significant Accounting Policies (see Note 2)3 in the notes to our consolidated financial statements in Item 8 of the 2023 Form 10-K).

#### Alpha Pro Tech, Ltd.

#### Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents consolidated net sales for each segment for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Building Supply	\$ 11,449,000	\$ 9,604,000	\$ 30,616,000	\$ 30,657,000	\$ 8,240,000	\$ 8,631,000
Disposable Protective Apparel	4,604,000	5,118,000	15,351,000	19,099,000	5,242,000	5,169,000
Consolidated net sales	<u>\$ 16,053,000</u>	<u>\$ 14,722,000</u>	<u>\$ 45,967,000</u>	<u>\$ 49,756,000</u>	<u>\$ 13,482,000</u>	<u>\$ 13,800,000</u>

The following table presents the reconciliation of consolidated segment income to consolidated net income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Building Supply	\$ 1,973,000	\$ 1,386,000	\$ 4,456,000	\$ 4,968,000	\$ 963,000	\$ 956,000
Disposable Protective Apparel	982,000	489,000	3,090,000	2,412,000	1,032,000	784,000
Total segment income	2,955,000	1,875,000	7,546,000	7,380,000	1,995,000	1,740,000
Unallocated corporate overhead expenses	1,130,000	1,213,000	3,444,000	3,854,000	1,273,000	1,047,000
Provision for income taxes	395,000	159,000	974,000	808,000	146,000	141,000
Consolidated net income	<u>\$ 1,430,000</u>	<u>\$ 503,000</u>	<u>\$ 3,128,000</u>	<u>\$ 2,718,000</u>	<u>\$ 576,000</u>	<u>\$ 552,000</u>

#### Alpha Pro Tech, Ltd.

#### Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents the consolidated net property and equipment, goodwill and definite-lived intangible assets ("consolidated assets") by segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023	December 31, 2022
Building Supply	\$ 3,316,000	\$ 3,395,000
Disposable Protective Apparel	1,246,000	1,327,000
Total segment assets	4,562,000	4,722,000
Unallocated corporate assets	1,036,000	1,076,000
Total consolidated assets	<u><u>\$ 5,598,000</u></u>	<u><u>\$ 5,798,000</u></u>

**Alpha Pro Tech, Ltd.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

	March 31, 2024	December 31, 2023
Building Supply	\$ 3,273,000	\$ 3,389,000
Disposable Protective Apparel	1,184,000	1,213,000
Total segment assets	4,457,000	4,602,000
Unallocated corporate assets	1,024,000	1,040,000
Total consolidated assets	<u><u>\$ 5,481,000</u></u>	<u><u>\$ 5,642,000</u></u>

**11. Financial Information about Geographic Areas**

The following table summarizes the Company's net sales by geographic region for the three and nine months ended September 30, 2023 March 31, 2024 and 2022; 2023:

Net sales by geographic region	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
United States	\$ 15,928,000	\$ 14,569,000	\$ 45,682,000	\$ 48,385,000	\$ 13,298,000	\$ 13,694,000
International	125,000	153,000	285,000	1,371,000	184,000	106,000
Consolidated net sales	<u><u>\$ 16,053,000</u></u>	<u><u>\$ 14,722,000</u></u>	<u><u>\$ 45,967,000</u></u>	<u><u>\$ 49,756,000</u></u>	<u><u>\$ 13,482,000</u></u>	<u><u>\$ 13,800,000</u></u>

Net sales by geographic region are based on the countries in which our customers are located. For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company generated approximately \$42,000 and \$103,000, respectively, in did not generate sales from Canada. For the nine months ended September 30, 2023 and 2022, the Company generated approximately \$140,000 and \$1,119,000, respectively, in sales from Canada. No any single country, other than the United States, was that were significant to the Company's consolidated net sales.

The following table summarizes the locations of the Company's long-lived assets by geographic region as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

Long-lived assets by geographic region	September 30, 2023		December 31, 2022		March 31, 2024	December 31, 2023
	2023	2022	2022	2024	2023	
United States	\$ 4,283,000	\$ 4,380,000	\$ 4,214,000	\$ 4,340,000		

International	1,260,000	1,362,000	1,212,000	1,247,000
Consolidated total long-lived assets	\$ 5,543,000	\$ 5,742,000	\$ 5,426,000	\$ 5,587,000

## 12. Related Party Transactions

As of **September 30, 2023** **March 31, 2024**, the Company had no related party transactions, other than the Company's transactions with its unconsolidated affiliate, Harmony. See Note 6 of these Notes to Condensed Consolidated Financial Statements (Unaudited).

### Alpha Pro Tech, Ltd.

#### Notes to Condensed Consolidated Financial Statements (Unaudited)

## 13. Leases

The Company has operating leases for the Company's corporate office and manufacturing facilities, which expire at various dates through **2026** **2034**. The Company's primary operating lease commitments as of **September 30, 2023** **March 31, 2024**, related to the Company's **corporate office in Aurora, Canada** and its **manufacturing facilities in Valdosta, Georgia; Georgia, Nogales, Arizona; Arizona and Salt Lake City, Utah, Utah**, as well as the Company's **corporate headquarters in Aurora, Ontario, Canada**.

### Alpha Pro Tech, Ltd.

#### Notes to Condensed Consolidated Financial Statements (Unaudited)

As of **September 30, 2023** **March 31, 2024**, the Company had operating lease right-of-use assets of **\$1,210,000** **\$9,451,000** and operating lease liabilities of **\$1,251,000** **\$9,465,000**. As of **September 30, 2023** **March 31, 2024**, the Company **we** did not have any finance leases recorded on the Company's **condensed** **consolidated** balance sheet. Operating lease expense was approximately **\$922,000** **\$370,000** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**.

The aggregate future minimum lease payments and reconciliation to lease liabilities as of **September 30, 2023** **March 31, 2024** were as follows:

	September 30, 2023	March 31, 2024
Remaining three months of 2023	\$ 281,000	
2024	551,000	
Remaining nine months of 2024		\$ 1,162,000
2025	434,000	1,471,000
2026	47,000	1,477,000
2027		1,459,000
2028		1,489,000
2029		1,520,000
Thereafter		4,856,000
Total future minimum lease payments	1,313,000	13,434,000
Less imputed interest	(62,000)	(3,969,000)
<b>Total Lease liabilities</b>	<b>\$ 1,251,000</b>	
<b>Total lease liabilities</b>		<b>\$ 9,465,000</b>

As of **September 30, 2023** **March 31, 2024**, the weighted average remaining lease term of the Company's operating leases was **2.2** **10.46** years. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the weighted average discount rate with respect to these leases was **4.55%** **6.99%**.

## 14. Income taxes

The Company accounts for income taxes using the asset and liability method. A valuation allowance is recorded to reduce the carrying amounts of deferred income tax assets unless it is more likely than not that such assets will be realized. The Company's policy is to record any interest and penalties assessed by the Internal Revenue Service as a component of the provision for income taxes. The Company provides allowances for uncertain income tax positions when it is more likely than not that the position will not be sustained upon examination by the tax authority.

Alpha Pro Tech, Ltd. and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions.

An employer generally does not claim a corporate income tax deduction (which would be in an amount equal to the amount of income recognized by the employee) upon the exercise of its employee's incentive stock options ("ISOs") unless the employee does not meet the holding period requirements and sells early, making a disqualifying disposition, or if the options otherwise do not qualify as ISOs under applicable tax laws. With non-qualified stock options ("NQSOs"), on the other hand, the employer is typically eligible to claim a deduction upon its employee's exercise of the NQSOs.

#### **Alpha Pro Tech, Ltd.**

#### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

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##### **15. Contingencies**

On June 7, 2022, the Company filed a lawsuit (the "Lawsuit") in Utah naming as defendants the vendors from which the Company ordered equipment for its facility in Utah (collectively the "Defendants"). The Lawsuit relates to certain equipment ordered from Defendants and paid for by the Company, which Defendants never delivered. In the Lawsuit the Company is seeking the following relief: compensatory damages in the amount \$490,000, representing the money the Company paid for the machines it never received, lost profits in the form of mask sales it could have made if Defendants had delivered the machines on the promised date, and other monetary and equitable relief. **As of September 30, 2023, In 2022, the Company has written wrote off the \$490,000 balance of the deposit paid for the equipment, pending any recovery in the Lawsuit.** As of the date hereof, no counterclaims have been asserted against the Company. The Company believes there would not be any meritorious claims against the Company **related to in** the Lawsuit. The **Lawsuit has not been resolved and final outcome of the final outcome, Lawsuit, including the potential amount of any recovery for the Company's claims, is uncertain.** Any potential recovery represents a gain contingency in accordance with ASC 450, Contingencies, that has not been recorded as the matter was not resolved as of **September 30, 2023 March 31, 2024.** Any recovery will be recorded when received.

#### **Alpha Pro Tech, Ltd.**

#### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

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The Company is subject to various pending and threatened litigation actions in the ordinary course of business. Although it is not possible to determine with certainty at this point in time what liability, if any, the Company will have as a result of such litigation, based on consultation with legal counsel, management does not anticipate that the ultimate liability, if any, resulting from such litigation will have a material effect on the Company's financial condition and results of operations.

##### **16. Subsequent Events**

The Company has reviewed and evaluated whether subsequent events have occurred from the condensed consolidated balance sheet date of **September 30, 2023 March 31, 2024** through the filing date of this Quarterly Report on Form 10-Q that would require accounting or disclosure and has concluded that there are no such subsequent events.

#### **Alpha Pro Tech, Ltd.**

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#### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis together with our unaudited condensed consolidated financial statements and the notes to our unaudited condensed consolidated financial statements, which appear elsewhere in this report, as well as our Annual Report on Form 10-K for the year ended **December 31, 2022 December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on March 16, 2023 March 13, 2024 (the "2022 "2023 Form 10-K").**

Special Note Regarding Forward-Looking Statements

Certain information set forth in this Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions, including, without limitation, our expected orders, production levels and sales in **2023** **2024** and **2024, 2025**, and other information that is not historical information. When used in this report, the words "estimates," "expects," "anticipates," "forecasts," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements. We may make additional forward-looking statements from time to time. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise. All forward-looking statements, whether written or oral and whether made by us or on our behalf, are expressly qualified by this special note.

The following are some of the risks that could affect our financial performance or that could cause actual results to differ materially from those expressed or implied in our forward-looking statements:

- We are exposed to foreign currency exchange risks related to our unconsolidated affiliate operations in **India**.
- Failure to remediate the material weakness in our internal control over financial reporting could result in us being unable to accurately and timely report our financial results or comply with the requirements of being a public company, which would adversely affect us.
- We are subject to risks associated with our joint venture.
- The effects of the COVID-19 pandemic, including effects on the business and operations of those within our supply chain and on global economic conditions generally, which have had, and could continue to have, a material adverse effect on our business, financial results and results of operations.
- The loss of any large customer or a reduction in orders from any large customer could reduce our net sales and harm our operating results.
- We rely on suppliers and contractors, and our business could be seriously harmed if these suppliers and contractors are not able to meet our requirements.
- Risks associated with international manufacturing could have a significant effect on our business.
- Our success depends in part on protection of our intellectual property, and our failure to protect our intellectual property could adversely affect our competitive advantage, our brand recognition and our business.
- Our industry is highly competitive, which may negatively affect our ability to grow our customer base and generate sales.
- The Company's results are affected by competitive conditions and customer preferences.
- The Company's growth objectives are largely dependent on the timing and market acceptance of our new product offerings, including our ability to continually renew our pipeline of new products and to bring those products to market.
- Global economic conditions could adversely affect the Company's business and financial results.
- We are subject to risks related to climate change and natural disasters or other events beyond our control.
- Security breaches and other disruptions to the Company's information technology infrastructure could interfere with the Company's operations, compromise information belonging to the Company and our customers and suppliers and expose the Company to liability, which could adversely impact the Company's business and reputation.

#### **Alpha Pro Tech, Ltd.**

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- The Company's future results may be affected by various legal and regulatory proceedings and legal compliance risks.
- Our common stock price is volatile, which could result in substantial losses for individual shareholders.

#### **Alpha Pro Tech, Ltd.**

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The foregoing list of risks is not exclusive. For a more detailed discussion of the risk factors associated with our business, see the risks described in Part I, Item IA, "Risk Factors," in the **2022** **2023** Form 10-K. These and many other factors could affect the Company's future operating results and financial condition and could cause actual results to differ materially from expectations based on forward-looking statements made in this document or elsewhere by the Company or on its behalf.

#### Special Note Regarding Smaller Reporting Company Status

We are filing this report as a "smaller reporting company" (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended). As a result of being a smaller reporting company, we are allowed and have elected to omit certain information from this Management's Discussion and Analysis of Financial Condition and Results of Operations; however, we have provided all information for the periods presented that we believe to be appropriate.

**Where to find more information about us.** We make available, free of charge, on our website (<http://www.alphaprotech.com>) our most recent Annual Report on Form 10-K, any Current Reports on Form 8-K furnished or filed since our most recent Annual Report on Form 10-K, and any amendments to such reports, as soon as reasonably practicable

following the electronic filing of such reports with the SEC. In addition, in accordance with SEC rules, we provide paper copies of our filings free of charge upon request.

#### Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net sales and expenses during the periods reported. We base estimates on past experience and on various other assumptions that are believed to be reasonable under the circumstances. The application of these accounting policies on a consistent basis enables us to provide timely and reliable financial information. Our significant accounting policies and estimates are more fully described in Note 3 – "Summary of Significant Accounting Policies" in the notes to our consolidated financial statements in Item 8 of the **2022** **2023** Form 10-K. Since **December 31, 2022** **December 31, 2023**, there have been no material changes to our critical accounting policies and estimates as described in the **2022** **2023** Form 10-K.

#### OVERVIEW

Alpha Pro Tech is in the business of protecting people, products and environments. We accomplish this by developing, manufacturing and marketing a line of high-value, disposable protective apparel and **infection control** products for the cleanroom, industrial, pharmaceutical, medical and dental **markets**, **markets** through our wholly-owned subsidiary, Alpha Pro Tech, Inc. We also manufacture a line of building supply construction weatherization **products**, **products** through our wholly-owned subsidiary, Alpha ProTech Engineered Products, Inc. Our products are sold under the "Alpha Alpha Pro Tech" **Tech** brand name, as well as under private label.

Our products are grouped into two business segments: **(i)** **(1)** the Building Supply segment, consisting of construction weatherization products, such as housewrap, **and** housewrap accessories **including** **window** and **door** **flashing**, **and** **seam** **tape**, **synthetic** **roof** **underlayment** **and** **synthetic** **roof** **underlayment** **accessories**, as well as other woven **material**; **materials**; and **(ii)** **(2)** the Disposable Protective Apparel segment, consisting of disposable protective garments (including shoecovers, bouffant caps, coveralls, gowns, frocks and lab coats), face masks and face shields. **All financial information presented in this report reflects the current segmentation.**

Our target markets include pharmaceutical manufacturing, bio-pharmaceutical manufacturing and medical device manufacturing, lab animal research, high technology electronics manufacturing (which includes the semi-conductor market), medical and dental distributors, and construction, building supply and roofing distributors.

#### **Alpha Pro Tech, Ltd.**

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Our products are used primarily in cleanrooms, industrial safety manufacturing environments, health care facilities, such as hospitals, laboratories and dental offices, and building and re-roofing sites. Our products are distributed principally in the United States through a network consisting of purchasing groups, national distributors, local distributors, independent sales representatives and our own sales and marketing force.

#### **Alpha Pro Tech, Ltd.**

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#### RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of net sales for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Net sales						
Gross profit	37.6 %	32.7 %	37.3 %	33.9 %	40.2 %	36.1 %
Selling, general and administrative expenses	27.3 %	27.0 %	28.9 %	24.8 %	36.0 %	31.3 %
Income from operations	8.9 %	4.4 %	6.9 %	7.8 %	2.4 %	3.1 %
Income before provision for income taxes	11.4 %	4.5 %	8.9 %	7.1 %	5.4 %	5.0 %
Net income	8.9 %	3.4 %	6.8 %	5.5 %	4.3 %	4.0 %

Three **and** **Nine** months ended **September 30, 2023** **March 31, 2024** compared to **Three and Nine** **three** months ended **September 30, 2022** **March 31, 2023**

## Sales.

Consolidated sales for the quarter three months ended September 30, 2023 increased March 31, 2024, decreased to \$16,053,000, \$13,482,000, from \$14,722,000 \$13,800,000 for the quarter three months ended September 30, 2022 March 31, 2023, representing an increase a decrease of \$1,331,000, \$318,000, or 9.0% 2.3%. This increase decrease consisted of increased decreased sales in the Building Supply segment of \$1,845,000, \$391,000, partially offset by decreased increased sales in the Disposable Protective Apparel segment of \$514,000, \$73,000.

### Building Supply Segment

Building Supply segment sales for the quarter three months ended September 30, 2023 increased March 31, 2024, decreased by \$1,845,000, \$391,000, or 19.2% 4.5%, to a record sales quarter of \$11,449,000, \$8,240,000 compared to \$9,604,000 \$8,631,000 for the quarter three months ended September 30, 2022 March 31, 2023. The 19.2% increase is comprised Building Supply segment decrease during the three months ended March 31, 2024, was primarily due to a 5.4% decrease in sales of a 25.7% increase in housewrap sales synthetic roof underlayment and a 164.5% increase 71.4% decrease in sales of other woven material, sales, partially offset by a 4.5% decrease 24.3% increase in sales of housewrap compared to the same period of 2023. Our core Building Supply products, which includes sales of housewrap, and synthetic roof underlayment sales, was up 7.6% in the first quarter of 2024 as compared to the same period of 2023.

The sales mix of the Building Supply segment for the quarter three months ended September 30, 2023 March 31, 2024, was approximately 43% 40% for synthetic roof underlayment, 43% 56% for housewrap and 4% for other woven material. This compared to approximately 41% for synthetic roof underlayment, 45% for housewrap and 14% for other woven material. That is compared to approximately 53% for synthetic roof underlayment, 41% for housewrap and 6% for other woven material for the quarter three months ended September 30, 2022 March 31, 2023. Our synthetic roof underlayment product line primarily includes REX SynFelt®, REX TECHNOply® and TECHNO SB® SB and our housewrap product line primarily consists of REX Wrap®, REX Wrap Plus® and REX™ Wrap Fortis. Housewrap accessories consist of REXTREME Window and Door Flashing and REX™ Premium Seam Tape. Tape and our synthetic roof underlayment accessories consist of our new self-adhered TECHNOplus and REX Ultra HT.

The housewrap market Building Supply segment continues to show strength, as it achieved 7.6% growth in sales of its core building products in the first quarter of 2024 from the prior year. This was accomplished even though there continues to be soft, as housing starts economic uncertainty in the third quarter of 2023 in the United States decreased by 6.0% compared housing market due to the same period a year ago. inflation, high interest rates and historical volatility during election years. Our sales of housewrap and accessories which increased by 25.7% in the third quarter of 2023 over the prior-year quarter, sales continue to significantly outperform the market, through market diversification, product development and sales team expansion, with 24.3% growth in the first quarter compared to the prior year. Sales of our REX entry-level housewrap products (REX Wrap® and REX Wrap Plus®), our entry-level housewrap products, were up 16.9% by 22.0% over the prior-year quarter, despite the major decrease in housing starts, as we have continued to form relationships with additional dealers across the country. Management is encouraged by our growth opportunities with REX™ Wrap Fortis, our premium housewrap line, as we prior year. We continue to make inroads into the multi-family and commercial construction sector, evidenced by an increase of 24.8% in sales for this product section, with our premium housewrap line (REX™ Wrap Fortis), which was up 13.7% in the third first quarter of 2023, 2024. We also experienced a 256% 53.3% increase in sales of housewrap accessories REXTREME Window and Door Flashing and REX™ Premium Seam Tape, in the third first quarter of 2023 over compared to the prior-year quarter prior year. Management expects that we will continue to see positive trends relative to the industry for both our entry level and premium housewrap and housewrap accessories product lines.

### Alpha Pro Tech, Ltd.

The synthetic roof underlayment market has also been significantly affected by the continued decrease in new home starts, uncertain economic uncertainty, conditions, more offshore competition and a push in the market to reduce product selling prices. Despite these pressures, our synthetic roof underlayment sales also outperformed the market performed reasonably well, despite being down 4.5% 5.4% in the third first quarter of 2023, 2024 compared to the third quarter same period of 2022. Management is encouraged by the trend in synthetic roof underlayment of it outperforming the market, especially as we should see an increase in sales as excess inventory is alleviated at the dealer and distribution level. Management is excited about 2023. We launched our launch of a new line of self-adhered roofing products in late 2023 or early and have already achieved revenue in the first quarter of 2024, which should result in and we expect continued revenue growth from this new product line within our current customer base and allow for expansion into new markets and business segments. Self-adhered roof underlayment has proven to be a good addition to our roof category. Market acceptance has been good as evidenced by our sales outpacing expectations. As we progress through the year, we expect these products will lead to additional conversions of our full line of mechanically fastened products. We continue are currently exploring additional products such as roof deck flashing. As building codes evolve, we see this as an opportunity to work closely with our customers to develop new products that increase safety capture additional business, specifically in coastal and productivity high wind markets.

Other woven material sales increased decreased by 71.4% in the third first quarter of 2023, 2024 compared to the same period of 2022 by 164.5%, primarily 2023, due to increased one of our customers being acquired and deciding to go in a different direction. In addition, other woven material sales were affected by decreased sales to our major customer. We do customer, which we believe is an order timing issue. The Company is pursuing new opportunities for other woven material sales that may improve sales, but management does not expect other woven material sales to be a growth driver in 2024.

Alpha Pro Tech's investment in people and products are significantly contributing to our success. While attending the remainder of 2023, as these products only represent approximately 12% International Roofing Expo in February 2024, we announced our "Don't Stop at the Dripedge" campaign. We are promoting the concept that roofing contractors can apply knowledge and techniques used to waterproof the top of the Building Supply segment sales, house and employ them to weatherize the walls. This effort could allow multi-faceted contractors to insulate themselves from any potential downturn in the new construction market by bringing higher value to their builders. If business remains robust, these forward-thinking contractors will reap the benefits of the additional business. We are working closely with our business partners to ensure they have the appropriate products, tools and training to support their efforts.

Management expects additional growth in the building supply segment in the coming year, especially in housewrap sales. While housing starts may be trending down are weak nationally, we have continually grown continued to expand our market share. We will also hope to build on our success within the multi-family and commercial segment and the single-family segment. However, there continues to be uncertainty in housing starts and the economy in general that could affect this segment.

#### **Disposable Protective Apparel Segment**

Sales for the Disposable Protective Apparel segment sales for the quarter three months ended September 30, 2023 decreased March 31, 2024, increased by \$514,000, \$73,000, or 10.0% 1.4%, to \$4,604,000, \$5,242,000, compared to \$5,118,000 \$5,169,000 for the same period of 2022, 2023. This segment experienced an increase of 5.1% was due to a 0.5% increase in sales of disposable protective garments, offset by a 60.6% decrease 6.3% increase in sales of face masks and a 73.8% decrease 7.6% increase in sales of face shields.

The sales mix of the Disposable Protective Apparel segment for the quarter three months ended September 30, 2023 March 31, 2024, was approximately 91% 84% for disposable protective garments, 7% 11% for face masks and 2% 5% for face shields. This sales mix is compared to approximately 78% 85% for disposable protective garments, 15% 11% for face masks and 7% 4% for face shields for the quarter three months ended September 30, 2022 March 31, 2023.

Sales of disposable protective garments in the third first quarter in 2024 were up by 0.5% because of increased sales to regional and national distributors, partially offset by decreased sales to our major international supply chain partner. However, this partner's sales to its end users in the first quarter of 2023 2024, calculated using our cost to them, were up 5.1% as our channel partners and our end customers are continuing approximately 24% compared to work through their inventory. In addition, our sales to that partner, demonstrating demand for our products. Orders from this major international supply chain partner have been positively affected as much stronger than normal recently, which we can now meet face-to-face with our distribution partners and end-customers, something we have not been able expect will result in higher sales in the coming quarter to do since 2020. this supply chain partner, compared to the current quarter. We expect continued growth for disposable protective garments in 2024.

Face mask and face shield sales are still suffering from the post COVID-19 residual excess inventories at the distributor level.

**Consolidated sales for the nine months ended September 30, 2023** decreased to \$45,967,000 from \$49,756,000 for the nine months ended September 30, 2022, representing a decrease of \$3,789,000, or 7.6%. This decrease consisted of decreased level, but sales in the Building Supply segment fourth quarter of \$41,000 2023 and decreased sales in the Disposable Protective Apparel Segment first quarter of \$3,748,000.

**Building Supply segment sales for the nine months ended September 30, 2023** decreased by \$41,000, or 0.1%, to \$30,616,000, compared to \$30,657,000 for the same period of 2022. Sales of housewrap increased by 12.2%, sales of other woven material increased by 1.4% 2024 showed improvement and sales of synthetic roof underlayment decreased by 11.2% approximately doubled as compared to the same period of 2022. Management is encouraged by prior two quarters. The market continues to be saturated with products but we are cautiously optimistic that face mask and face shield sales will show growth in the 12.2% increase in housewrap sales, especially since housing starts are down 12.6% year to date.

The sales mix of the Building Supply segment for the nine months ended September 30, 2023 was 42% for synthetic roof underlayment, 46% for housewrap and 12% for other woven material. This compared to 47% for synthetic roof underlayment, 41% for housewrap and 12% for other woven material for the nine months ended September 30, 2022, coming year.

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**Disposable Protective Apparel segment sales for the nine months ended September 30, 2023** decreased by \$3,748,000, or 19.6%, to \$15,351,000, compared to \$19,099,000 for the same period of 2022. This segment decrease was due to a 71.5% decrease in sales of face masks, and an 81.2% decrease in sales of face shields, partially offset by a 7.7% increase in sales of disposable protective garments.

Sales of disposable protective garments for the nine months ended September 30, 2023 were up 7.7%, for the reasons as discussed above in the three months ended September 30, 2023 section. Face mask and face shield sales continue to be affected by excess inventories at the distributor level and in the marketplace.

The sales mix of the Disposable Protective Apparel segment for the nine months ended September 30, 2023 was 90% for disposable protective garments, 7% for face masks and 3% for face shields. This sales mix is compared to 67% for disposable protective garments, 21% for face masks and 12% for face shields for the nine months ended September 30, 2022.

**Gross Profit.** Gross profit increased by \$1,217,000, \$435,000, or 25.3% 8.7%, to \$6,035,000 \$5,417,000 for the quarter three months ended September 30, 2023 March 31, 2024, from \$4,818,000 \$4,982,000 for the quarter three months ended September 30, 2022 March 31, 2023. The gross profit margin was 37.6% 40.2% for the quarter three months ended September 30, 2023 March 31, 2024, compared to 32.7% 36.1% for the quarter ended September 30, 2022.

Gross profit increased by \$251,000, or 1.5%, to \$17,123,000 for the nine three months ended September 30, 2023, from \$16,872,000 for the same period of 2022. The gross profit margin was 37.3% for the nine months ended September 30, 2023, compared to 33.9% for the same period of 2022. March 31, 2023.

The gross profit margin in 2023 has been 2024 was positively affected by ocean freight rates which have come down since a margin increase on both the latter part of 2022. Disposable Protective Apparel and Building Supply segments. Management expects the gross profit margin to could be negatively affected by the ongoing wars in a similar range throughout Ukraine and the balance of 2023, although the sales mix could affect gross margin. middle east, which have resulted in increased freight rates.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased by \$417,000, \$534,000, or 10.5% 12.4%, to \$4,387,000 \$4,847,000 for the quarter three months ended September 30, 2023 March 31, 2024, from \$3,970,000 \$4,313,000 for the quarter three months ended September 30, 2022 March 31, 2023. As a percentage of net sales, selling, general and administrative expenses increased to 27.3% 36.0% for the quarter three months ended September 30, 2023 March 31, 2024, from 27.0% 31.3% for the same period of 2022, 2023.

The change in expenses by segment for the quarter three months ended September 30, 2023 March 31, 2024, was as follows: Disposable Protective Apparel expenses were down \$24,000, was up by \$108,000, or 2.1% 8.6%; Building Supply expenses were up \$324,000, by \$100,000, or 20.1% 5.3%; and corporate unallocated expenses were up \$117,000, by \$326,000, or 9.6% 27.8%. The decrease increase in the Disposable Protective Apparel segment expenses was primarily related to decreased employee compensation. The increase in the Building Supply segment expenses was primarily related to increased employee compensation, insurance, travel tradeshow expenses, commission and general factory rent expenses, partially offset by general office expenses. The increase in corporate unallocated decreased travel expenses was primarily due to employee compensation. Selling, general and administrative expenses increased by \$934,000, or 7.6%, to \$13,275,000 for the nine months ended September 30, 2023, from \$12,341,000 for the nine months ended September 30, 2022. As a percentage of net sales, selling, general and administrative expenses increased to 28.9% for the nine months ended September 30, 2023, up from 24.8% for the same period of 2022.

The change in expenses by segment for the nine months ended September 30, 2023 was as follows: Disposable Protective Apparel expenses were down \$80,000, or 2.2%; Building Supply expenses were up \$909,000, or 18.6%; and corporate unallocated expenses were up \$105,000, or 2.8%. The decrease in the Disposable Protective Apparel segment expenses was primarily related to decreased employee compensation, partially offset by increased marketing insurance expenses. The increase in the Building Supply segment expenses was related to increased employee compensation, marketing, travel, insurance sales commission and general factory expenses, partially offset by decreased commission and general office a decrease in travel expenses. The increase in corporate unallocated expenses was primarily due to increased employee compensation, stock option and restricted stock expenses, professional fees, insurance expenses and general office expenses, partially offset by decreased insurance expenses.

In accordance with the terms of his employment agreement, the Company's current President and Chief Executive Officer is entitled to an annual bonus equal to 5% of the pre-tax profits of the Company, excluding bonus expense, up to a maximum of \$1.0 million. A bonus amount of \$96,000 \$38,000 was accrued for the three months ended September 30, 2023 March 31, 2024, compared to \$36,000 \$37,000 for the three months ended September 30, 2022 March 31, 2023. A total of \$216,000 has been accrued for the nine months ended September 30, 2023, compared to \$186,000 for the same period of 2022.

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**Depreciation and Amortization Amortization.** Depreciation and amortization expense increased by \$24,000, \$1,000, or 11.9% 0.4%, to \$225,000 \$244,000 for the quarter three months ended September 30, 2023 March 31, 2024, from \$201,000 \$243,000 for the quarter ended September 30, 2022. Depreciation and amortization expense increased by \$46,000, or 7.2%, to \$687,000 for the nine three months ended September 30, 2023, from \$641,000 for the same period of 2022. The increase was primarily attributable to increased depreciation for machinery and equipment in the Building Supply segment. March 31, 2023.

**Income from Operations.** Income from operations increased decreased by \$776,000, \$100,000, or 119.9% 23.5%, to \$1,423,000 \$326,000 for the quarter three months ended September 30, 2023 March 31, 2024, compared to \$647,000 \$426,000 for the quarter ended September 30, 2022. The increased income from operations was primarily due to an increase in gross profit of \$1,217,000, partially offset by an increase in selling, general and administrative expenses of \$417,000 and an increase in depreciation and amortization expense of \$24,000. Income from operations as a percentage of net sales for the quarter ended September 30, 2023 was 8.9%, compared to 4.4% for the same period of 2022. Income from operations decreased by \$729,000, or 18.7%, to \$3,161,000 for the nine three months ended September 30, 2023, compared to \$3,890,000 for the same period of 2022. March 31, 2023. The decreased income from operations was primarily due to an increase in selling, general and administrative expenses of \$934,000 \$534,000 and an increase in depreciation and amortization expense expenses of \$46,000, \$1,000 partially offset by an increase in gross profit of \$251,000, \$435,000. Income from operations as a percentage of net sales for the nine three months ended September 30, 2023 March 31, 2024, was 6.9% 2.4%, compared to 7.8% 3.1% for 2023.

**Other Income.** Other income increased by \$129,000 to income of \$396,000 for the three months ended March 31, 2024, compared to \$267,000 for the same period of 2022.

**Other Income.** Other income increased by \$387,000, to \$402,000 for the quarter ended September 30, 2023, compared to \$15,000 for the same period of 2022, 2023. The increase was primarily due to an increase in equity in income of unconsolidated affiliate of \$193,000 \$29,000 and an increase in interest income of \$194,000.

Other income increased by \$1,305,000, to \$941,000 for the nine months ended September 30, 2023, from a loss of \$364,000 for the same period of 2022. The increase was primarily due to an increase in equity in income of unconsolidated affiliate of \$305,000 and an increase in interest income of \$510,000. In addition, there was a loss on fixed assets of \$490,000 in 2022 due to equipment for the Disposable Protective Apparel segment that was not delivered. The Company has filed a lawsuit in this matter (see Part II, Item 1, "Legal Proceedings," for more information). \$100,000.

**Income before Provision for Income Taxes, Taxes.** Income before provision for income taxes for the quarter three months ended September 30, 2023 March 31, 2024, was \$1,825,000 \$722,000, compared to income before provision for income taxes of \$662,000 \$693,000 for the same period of 2022, 2023, representing an increase of \$1,163,000, \$29,000, or 175.7%. This increase in income before provision for income taxes was due to an increase in income from operations of \$776,000 and an increase in other income of \$387,000.

Income before provision for income taxes for the nine months ended September 30, 2023 was \$4,102,000, compared to income before provision for income taxes of \$3,526,000 for the same period of 2022, representing an increase of \$576,000, or 16.3% 4.2%. This increase in income before provision for income taxes was due to an increase in other income of \$1,305,000 \$129,000 partially offset by a decrease in income from operations of \$729,000, \$100,000.

**Provision for Income Taxes.** The provision for income taxes for the quarter three months ended September 30, 2023 March 31, 2024, was \$395,000, \$146,000, compared to \$159,000 \$141,000 for the same period of 2022, 2023. The estimated effective tax rate was 21.6% 20.2% for the quarter three months ended September 30, 2023 March 31, 2024, compared to 24.0% 20.3% for the quarter ended September 30, 2022. The Company does not record a tax provision on equity in income of unconsolidated affiliate, which reduces the effective tax rate.

The provision for income taxes for the nine three months ended September 30, 2023 was \$974,000, compared to \$808,000 for the same period of 2022. The estimated effective tax rate was 23.7% for the nine months ended September 30, 2023, compared to 22.9% for the nine months ended September 30, 2022 March 31, 2023. The Company does not record a tax provision on equity in income of unconsolidated affiliate, which reduces the effective tax rate.

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**Net Income.** Net income for the quarter three months ended September 30, 2023 March 31, 2024, was \$1,430,000, \$576,000 compared to net income of \$503,000 \$552,000 for the same period of 2022, 2023, representing an increase of \$927,000, \$24,000, or 184.3% 4.3%. The net income increase between the third quarters of 2024 and 2023 and 2022 was due to an increase in income before provision for income taxes of \$1,163,000, partially \$29,000 offset by an increase in provision for income taxes of \$236,000, \$5,000. Net income as a percentage of net sales for the quarter three months ended September 30, 2023 March 31, 2024, was 8.9% 4.3%, and net income as a percentage of net sales for the same period of 2022 2023 was 3.4% 4.0%. Basic and diluted earnings per common share for each of the quarter ended September 30, 2023 and 2022 were \$0.12 and \$0.04, respectively. Net income for the nine three months ended September 30, 2023 was \$3,128,000, compared to net income of \$2,718,000 for the same period of 2022, representing an increase of \$410,000, or 15.1%. The net income increase between the March 31, 2024 and 2023, and 2022 periods was due to an increase in income before provision for income taxes of \$576,000, partially offset by an increase in provision for income taxes of \$166,000. Net income as a percentage of net sales for the nine months ended September 30, 2023 was 6.8%, and net income as a percentage of net sales for the same period of 2022 was 5.5%. Basic and diluted earnings per common share for the nine months ended September 30, 2023 and 2022 were \$0.26 and \$0.21, respectively, \$0.05.

#### LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2023 March 31, 2024, the Company had cash and cash equivalents ("cash") of \$18,163,000 \$18,510,000 and working capital of \$50,705,000, \$50,324,000. As of September 30, 2023 March 31, 2024, the Company's current ratio (current assets/current liabilities) was 27:25:1, compared to a current ratio of 22:21:1 as of December 31, 2022 December 31, 2023. Cash increased decreased by 11.5% 9.2%, or \$1,873,000 \$1,868,000, to \$18,163,000 \$18,510,000 as of September 30, 2023 March 31, 2024, compared to \$16,290,000 \$20,378,000 as of December 31, 2022 December 31, 2023, and working capital increased decreased by \$549,000 \$174,000 from \$50,156,000 \$50,498,000 as of December 31, 2022 December 31, 2023. The increase decrease in cash from December 31, 2022 December 31, 2023, was due to cash provided by used in operating activities of \$4,929,000, partially offset by \$1,169,000, cash used in investing activities of \$487,000 \$83,000 and cash used in financing activities of \$2,569,000, \$616,000.

Net cash provided by used in operating activities of \$4,929,000 \$1,169,000 for the nine three months ended September 30, 2023 March 31, 2024, was due to net income of \$3,128,000, \$576,000, as adjusted primarily by the following: stock-based compensation expense of \$68,000, \$109,000, depreciation and amortization expense of \$687,000, \$244,000, equity in income of unconsolidated affiliate of \$392,000, \$138,000, operating lease expense net asset amortization or accretion of \$515,000, \$162,000, an increase in accounts receivable of \$2,066,000, \$938,000, a decrease in accounts receivable related party of \$599,000, an increase in prepaid expenses of \$344,000, a decrease \$383,000, an increase in inventory of \$2,871,000, \$638,000, a decrease in accounts payable and accrued liabilities of \$302,000, \$743,000, and a decrease in lease liabilities of \$523,000, \$186,000, all compared to December 31, 2022 December 31, 2023.

Accounts receivable increased by \$1,467,000, \$938,000, or 21.0% 14.3%, to \$8,440,000 \$7,483,000 as of September 30, 2023 March 31, 2024, from \$6,973,000 \$6,545,000 as of December 31, 2022 December 31, 2023. The increase in accounts receivable was primarily related to higher sales in September 2023 compared to December 2022, decreased accrued rebates. The number of days that sales remained outstanding as of September 30, 2023 March 31, 2024, calculated by using an average of accounts receivable outstanding and annual revenue, was 44 47 days, compared to 35 40 days as of December 31, 2022 December 31, 2023. The increase in days was due to higher sales in the last month of the first quarter of 2024 compared to the last month of 2023.

Inventory decreased increased by \$2,871,000, \$638,000, or 11.8% 3.2%, to \$21,526,000 \$20,769,000 as of September 30, 2023 March 31, 2024, from \$24,397,000 \$20,131,000 as of December 31, 2022 December 31, 2023. The decrease increase was due to an increase in inventory for the Building Supply segment of \$1,436,000, or 20.6%, to \$8,406,000, partially offset by a decrease in inventory for the Disposable Protective Apparel segment of \$516,000, \$798,000, or 3.6% 6.1%, to \$13,869,000 and a decrease in inventory for the Building Supply segment of \$2,355,000, or 23.5%, to \$7,657,000, \$12,363,000.

Prepaid expenses decreased by \$344,000, \$383,000, or 7.0% 6.4%, to \$4,558,000 \$5,627,000 as of September 30, 2023 March 31, 2024, from \$4,902,000 \$6,010,000 as of December 31, 2022 December 31, 2023. The decrease was primarily due to decreased prepaid inventory, inventory and prepaid tax.

Right-of-use assets as of **September 30, 2023** **March 31, 2024**, decreased increased by **\$515,000** **\$4,641,000** to **\$1,210,000** **\$9,451,000** from **\$1,725,000** **\$4,810,000** as of **December 31, 2022** **December 31, 2023**, primarily as a result of our new Nogales, Arizona lease offset by amortization of the balance. right of use asset.

#### Alpha Pro Tech, Ltd.

Lease liabilities as of **September 30, 2023** **March 31, 2024**, decreased increased by **\$523,000** **\$4,617,000** to **\$1,251,000** **\$9,465,000** from **\$1,774,000** **\$4,848,000** as of **December 31, 2022** **December 31, 2023**. The decrease increase in the lease liabilities was primarily the result of our new Nogales, Arizona lease in March 2024 and the assumption we will lease that facility for at least 5 years, partially offset by lease payments made during the **nine months ended September 30, 2023** year.

Accounts payable and accrued liabilities as of **September 30, 2023** **March 31, 2024**, decreased by **\$302,000**, **\$743,000**, or **20.0%** **39.0%**, to **\$1,205,000**, **\$1,162,000**, from **\$1,507,000** **\$1,905,000** as of **December 31, 2022** **December 31, 2023**. The decrease was primarily due to a decrease in trade payable, accrued bonuses.

#### Alpha Pro Tech, Ltd.

Net cash used in investing activities was **\$487,000** **\$83,000** for the **nine three** months ended **September 30, 2023** **March 31, 2024**, compared to net cash used in investing activities of **\$349,000** **\$289,000** for the same period of **2022** **2023**. Investing activities for the **nine three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, consisted of the purchase of property and equipment.

Net cash used in financing activities was **\$2,569,000** **\$616,000** for the **nine three** months ended **September 30, 2023** **March 31, 2024**, compared to net cash used in financing activities of **\$2,772,000** **\$483,000** for the same period of **2022** **2023**. Net cash used in financing activities for the **nine three** months ended **September 30, 2023** **March 31, 2024**, resulted from the payment of **\$2,979,000** **\$1,417,000** for the repurchase of common stock and **\$30,000** **\$14,000** for treasury stock excise tax, partially offset by **\$440,000** **\$815,000** in proceeds from the exercise of stock options. Net cash used in financing activities for the **nine three** months ended **September 30, 2022** **March 31, 2023**, resulted from the payment of **\$2,832,000** **\$833,000** for the repurchase of common stock, partially offset by **\$60,000** **\$350,000** in proceeds from the exercise of stock options.

As of **September 30, 2023** **March 31, 2024**, we had **\$1,217,000** **\$777,000** available for additional stock purchases under our stock repurchase program. During the **nine three** months ended **September 30, 2023** **March 31, 2024**, we repurchased **724,110** **270,000** shares of common stock at a cost of **\$2,979,000**, **\$1,417,000**. As of **September 30, 2023** **March 31, 2024**, we had repurchased a total of **20,384,727** **20,681,627** shares of common stock at a cost of approximately **\$49,337,000** **\$51,743,000** through our repurchase program which commenced in 1999. We retire all stock upon repurchase. Future repurchases are expected to be funded from cash on hand and cash flows from operating activities.

We believe that our current cash balance and expected cash flow from operations will be sufficient to satisfy our projected working capital and planned capital expenditures for the foreseeable future.

#### Recent Accounting Pronouncements

In August 2020, December 2023, the FASB issued ASU 2020-06 Debt --Debt with Conversion 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. These amendments address investor requests for enhanced transparency regarding income tax information. Specifically, they improve income tax disclosures related to rate reconciliation and Other Options (Subtopic 470 and Derivatives and Hedging --Contracts in Entity's Own Equity (Subtopic 815: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which is intended to simplify the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The guidance allows for either full retrospective adoption or modified retrospective adoption. The guidance income taxes paid. ASU 2023-09 is effective for the Company January 1, 2024 and early adoption is permitted. fiscal years beginning after December 15, 2024. The Company is evaluating the impact the adoption of this guidance will have on its condensed consolidated financial statements.

In June 2016, November 2023, the FASB issued ASU 2016-13, Financial Instruments --Credit Losses (Topic 326) 2023-07, Segment Reporting (Topic 280): Measurement of Credit Losses Improvements to Reportable Segment Disclosures. This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses, and is effective for fiscal years beginning after December 31, 2023 and for interim periods within fiscal years beginning after December 15, 2024 on Financial Instruments, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Public business entities classified as smaller reporting companies are required to apply the provision of ASU 2016-13 with annual reporting periods after December 15, 2022, retrospective basis. The Company adopted Topic 326 effective January 1, 2023, which did not have a material is currently evaluating the impact of this standard on the Company's condensed consolidated financial statements.

Management periodically reviews new accounting standards that are issued. Management has not identified any other new standards that it believes merit further discussion at this time.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information otherwise required by this Item.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including our President and Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial officer), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of **September 30, 2023****March 31, 2024**, pursuant to the evaluation of these controls and procedures required by Rule 13a-15 of the Exchange Act. Disclosure controls and procedures are the controls and other procedures that we have designed to ensure that we record, process, summarize and report in a timely manner the information that we must disclose in reports that we file with or submit to the SEC under the Exchange Act, and such controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

#### Alpha Pro Tech, Ltd.

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In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and that we are required to apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

#### Changes in Internal Control Over Financial Reporting

During the quarter to which this report relates, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

On June 7, 2022, the Company filed a lawsuit (the "Lawsuit") in Utah naming as defendants the vendors from which the Company ordered equipment for its facility in Utah (collectively the "Defendants"). The Lawsuit relates to certain equipment ordered from Defendants and paid for by the Company, which Defendants never delivered. In the Lawsuit the Company is seeking the following relief: compensatory damages in the amount \$490,000, representing the money the Company paid for the machines it never received, lost profits in the form of mask sales it could have made if Defendants had delivered the machines on the promised date, and other monetary and equitable relief. As of September 30, 2023, In 2022, the Company has written wrote off the \$490,000 balance of the deposit paid for the equipment, pending any recovery in the Lawsuit. As of the date hereof, no counterclaims have been asserted against the Company. The Company believes there would not be any meritorious claims against the Company related to in the Lawsuit. The Lawsuit remains unresolved and final outcome of the final outcome, Lawsuit, including the potential amount of any recovery for the Company's claims, is uncertain. Any potential recovery represents a gain contingency in accordance with ASC 450, Contingencies, that has not been recorded as the matter was not resolved as of September 30, 2023 March 31, 2024. Any recovery will be recorded when received.

The Company is subject to various pending and threatened litigation actions in the ordinary course of business. Although it is not possible to determine with certainty at this point in time what liability, if any, the Company will have as a result of such litigation, based on consultation with legal counsel, management does not anticipate that the ultimate liability, if any, resulting from such litigation will have a material effect on the Company's financial condition and results of operations.

### ITEM 1A. RISK FACTORS

A list of factors that could materially affect our business, financial condition or operating results is described in Part I, Item 1A, "Risk Factors" in the **2022****2023** Form 10-K. There have been no material changes to our risk factors from those disclosed in Part I, Item 1A, "Risk Factors" in the **2022****2023** Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

**Alpha Pro Tech, Ltd.**

ISSUER PURCHASES OF EQUITY SECURITIES

**Alpha Pro Tech, Ltd.**

The following table sets forth purchases made by or on behalf of the Company or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) of the Exchange Act:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
			Program (1)	
July 1 - 31, 2023	56,600	\$ 3.93	56,600	\$ 2,042,000
August 1 - 31, 2023	48,600	4.00	48,600	1,876,000
September 1 - 30, 2023	143,910	4.33	143,910	1,217,000
	<u><u>249,110</u></u>	<u><u>\$ 4.13</u></u>	<u><u>249,110</u></u>	

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
			Program (1)	
January 1 - 31, 2024	166,000	\$ 5.15	166,000	
February 1 - 29, 2024	72,700	5.07	72,700	
March 1 - 31, 2024	31,300	5.84	31,300	
	<u><u>270,000</u></u>	<u><u>\$ 5.21</u></u>	<u><u>270,000</u></u>	

(1) On June 22, 2023, the Company announced that the Board of Directors had authorized a \$2,000,000 expansion of the Company's existing share repurchase program. All the shares included in this table were purchased pursuant to this program. Since the inception of the share repurchase program in 1999, the Company has authorized the repurchase of \$50,520,000.

(1) On November 27, 2023, the Company announced that the Board of Directors had authorized a \$2,000,000 expansion of the Company's existing share repurchase program. All the shares included in this table were purchased pursuant to this program. Since the inception of the share repurchase program in 1999, the Company has authorized the repurchase of \$52,402,000 of common stock, of which \$777,000 was available for repurchase as of March 31, 2024. The stock of which \$1,217,000 was available for repurchase as of September 30, 2023. The share repurchase plan expires on December 15, 2024.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not sell any unregistered equity securities during the periods covered by this Quarterly Report on Form 10-Q.

ITEM 5. OTHER INFORMATION

(a) On February 26, 2024, the Company's subsidiary, Alpha Pro Tech, Inc., entered into the Commercial Lease and Deposit Receipt effective as of March 1, 2024, with Nogales Property Management (the "Nogales Lease"). Pursuant to the Nogales Lease, the Company leases the Disposable Protective Apparel segment's manufacturing, warehousing and shipping facility in Nogales, Arizona, with 137,500 square feet. The Nogales Lease is for a term of five years with initial monthly lease payments of \$75,968, which increase by 3% per year after the first lease year. The Nogales Lease provides the Company with an option to renew for an additional year, upon at least 60 days' prior notice by the Company, at a monthly rate to be negotiated at the time of renewal.

On December 5, 2023, the Company's subsidiary, Alpha ProTech Engineered Products, Inc., entered into the Lease Agreement effective as of January 1, 2024, with Edward Jennings, LLC (the "Valdosta Lease"). Pursuant to the Valdosta Lease, the Company leases the Building Supply segment's manufacturing facility is located in Valdosta, Georgia, with 165,400 square feet. The Valdosta Lease is for a term of ten years with initial monthly lease payments of \$39,000, which are adjusted each year after the fifth lease year by any increase or decrease in the Consumer Price Index published by the Bureau of labor Statistics. The Valdosta Lease provides the Company with an option to extend the lease for an additional term of 60 months, upon at least 180 days' prior notice by the Company.

(b) None.

(c) During the period covered by this report, none of the Company's directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408 of Regulation S-K under the Securities Exchange Act of 1934, as amended).

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Alpha Pro Tech, Ltd.

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ITEM 6. EXHIBITS

3.1.1(P) Certificate of Incorporation of Alpha Pro Tech, Ltd., incorporated by reference to Exhibit 3(f) to Form 10-K for the year ended December 31, 1994, filed on March 31, 1995 (File No. 000-19893).

3.1.2(P) Certificate of Amendment of Certificate of Incorporation of Alpha Pro Tech, Ltd., incorporated by reference to Exhibit 3(j) to Form 10-K for the year ended December 31, 1994, filed on March 31, 1995 (File No. 000-19893).

3.1.3(P) Certificate of Ownership and Merger (BFD Industries, Inc. into Alpha Pro Tech, Ltd.), incorporated by reference to Exhibit 3(l) to Form 10-K for the year ended December 31, 1994, filed on March 31, 1995 (File No. 000-19893).

3.2 [Amended and Restated Bylaws of Alpha Pro Tech, Ltd., incorporated by reference to Exhibit 3.1 to Form 8-K, filed on December 19, 2022 \(File No. 001-15725\).](#)

10.1 [Lease Agreement, effective as of January 1, 2024, by and between Alpha ProTech Engineered Products, Inc. and Edward Jennings, LLC.](#)

10.2 [Commercial Lease and Deposit Receipt, effective as of March 1, 2024, by and between the Alpha Pro Tech, Inc., and Nogales Property Management.](#)

31.1 [Certification of President and Chief Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)

31.2 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)

32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – President and Chief Executive Officer.](#)

32.2 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – Chief Financial Officer.](#)

101 Interactive Data Files for Alpha Pro Tech, [Ltd.'s](#) Form 10-Q for the period ended [September 30, 2023](#) [March 31, 2024](#), formatted in Inline XBRL.

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(P) Indicates a paper filing with the SEC.

Alpha Pro Tech, Ltd.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALPHA PRO TECH, LTD.

DATE: November 8, 2023 May 9, 2024

BY: /s/ Lloyd Hoffman  
Lloyd Hoffman  
President and Chief Executive Officer

DATE: November 8, 2023 May 9, 2024

BY: /s/ Colleen McDonald  
Colleen McDonald  
Chief Financial Officer

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EXHIBIT 10.1

LEASE AGREEMENT

GEORGIA, LOWNDES COUNTY.

THIS LEASE AGREEMENT, effective the 1st day of January, 2024 (the "Effective Date"), by and between **EDWARD JENNINGS, LLC**, a Georgia limited liability company, hereinafter referred to as "Lessor" and **ALPHA PROTECH ENGINEERED PRODUCTS, INC.**, a Delaware corporation duly licensed to transact business in the State of Georgia, hereinafter referred to as "Lessee",

WITNESSETH:

WHEREAS, the parties have entered into a lease agreement and an addendum thereto that expires on January 1, 2024. The parties intend for this lease to become effective on January 1, 2024.

Lessor, for and in consideration of the rents, covenants, agreements and stipulations hereinafter mentioned, reserved and contained, to be paid, kept and performed by Lessee, has leased and rented, and by these presents does lease and rent, unto the said Lessee, and the said Lessee agrees to lease and take upon the terms and conditions which hereinafter appear, the premises located at 301 and 323 South Blanchard Street, Valdosta, Georgia and further described on the attached Exhibit "A" being 3 acres, more or less (the "Premises").

1. The term of this lease shall be for a period of ten years (10), commencing on the 1st day of January 2024 and ending on the 31st day of December 2034. Lessee shall have the right to extend the lease for one additional 60 month term as further provided herein at an agreed rental rate.

At least 180 days prior to the expiration of this lease, Lessee will notify Lessor of its intent to renew the lease.

2. Lessee shall, during the initial 60 month term of this lease, pay to Lessor as base rent for the Premises the monthly sum of Thirty Nine Thousand Dollars (\$39,000.00) per month, hereinafter referred to as the "Base Rent". At the end of the sixth (60th) month, base rent will be adjusted upwards or downwards by any increase or decrease in the Consumer Price Index as established by the Bureau of Labor Statistics over the previous twelve month period of the lease which adjustment shall be made as of January 1, 2029. Said rental payments to be paid monthly in advance beginning January 1, 2024 and on the first day of each month thereafter at the office of William E. Holland, 109 S. Ashley Street, Valdosta, Ga. 31601, or at such other place as may be designated in writing by Lessor. Rental for any period of time less than a calendar month shall be prorated.

3. Lessee covenants that Lessee will, during the entire term and period of this lease:

(a) Pay the specified rental payments herein reserved and agreed upon at the time and in the manner herein stated;  
(b) Carry liability insurance listing Lessor as an additional insured in the amount of no less than \$2,000,000; Insure the building against all loss in an amount of no less than \$10,000,000; and remain self-insured in case of fire and hazard on Lessee's equipment, fixtures and inventory. Lessee shall provide Lessor with a copy of such proof of self-insurance which provides said coverage at least annually;

(c) Maintain the Premises in at least as good a condition as its present state at its sole cost and expense with the exception of the roof and structural walls which the Lessor agrees to maintain;

(d) Not make any alteration of the Premises without the written consent of the Lessor being first obtained, which consent shall not be unreasonably withheld or delayed;

(e) At Lessee's expense, comply with all applicable constitutions, statutes, laws, ordinances, rules, regulations, rulings, judgments, settlements, or orders of any federal, state, municipal or other public authority ("Laws") pertaining to the use or occupancy by Lessee of the Premises and the installation of any and all antennas or satellite equipment;

(f) Use the Premises only as a manufacturing, warehouse, storage and distribution facility, including ancillary office use (the "Permitted Use") and will not use or permit the Premises to be used for any illegal or improper purpose or permit any disturbance, noise, or annoyance whatsoever detrimental to the Premises or to the comfort of other Premises in the area; and

(g) Reimburse the Lessor for the ad valorem taxes on the property within 30 days of receiving Lessor's written request for reimbursement.

4. Reserved.

5. So long as the Lessee shall not be in default of this Lease, Lessee may quietly and peacefully hold and enjoy the Premises without interruption by Lessor or any person claiming by, through or under the Lessor.

6. It is mutually agreed that in the event the Lessee shall fail in the payment of rent, including any other sums due under the terms of this lease, when same shall become due, and fails to cure said default within thirty (30) days after receiving written notice to cure from the Lessor; or if Lessee is adjudicated bankrupt; or if a permanent receiver is appointed for Lessee's property and such receiver is not removed within sixty (60) days after written notice from Lessor to Lessee to obtain such removal; or if the Lessee defaults in other covenants of this lease or if whether voluntarily or involuntarily, Lessee takes advantage of any debtor relief proceeding under any present or future law, whereby the rent or any part thereof is, or is proposed to be, reduced or payment thereof deferred; or if Lessee makes an assignment for the benefit of creditors; or if Lessee's effects should be levied upon or

attached under process against Lessee, not satisfied or dissolved within thirty (30) days after written notice from Lessor to Lessee to obtain satisfaction thereof; then and in any of said events, Lessor, at his option, may at once or at any time thereafter (but only during continuance of such default or condition), terminate this lease by written notice to Lessee; whereupon this lease shall end. Upon such termination by Lessor, Lessee will at once surrender possession of the Premises to Lessor and remove all of Lessee's effects therefrom; and Lessor may forthwith reenter the Premises and repossess itself thereof. In the event of termination of the Lease pursuant to any default, the Lessor shall attempt to re-rent the property and the Lessee will remain liable for any and all rents which would have been due under the Lease subject to a credit for any amounts of rent received by the Lessor from third parties. Any payments required under this lease by Lessee not received by Lessor within five (5) days of due date shall carry a fifteen (15%) percent penalty. Failure to pay the bill or statement as provided shall constitute default for which no notice need be given.

If the Premises shall not be so surrendered, Lessee shall indemnify Lessor against all loss or liability resulting from delay by Lessee in not so surrendering the Premises, including but not limited to any claims made by a succeeding Lessee or Lessee founded upon such delay.

7. If rent owing under this lease is collected by or through an attorney at law, Lessee agrees to pay attorney's fees in an amount equal to 15% of any such rent so collected, if Lessor is the prevailing party or if Lessee was/is in the wrong.

8. It is agreed by and between the parties that this lease shall be construed as a Georgia contract and shall be governed according to the laws of the State of Georgia.

8. Any notices to be given Lessor shall be given in writing mailed registered or certified at the following address:

Edward Jennings, LLC  
%William E. Holland  
109 S. Ashley Street  
Valdosta, Georgia 31601

Any notices to be given Lessee shall be given in writing mailed registered or certified at the following address:

Alpha ProTech Engineered Products, Inc.  
301 South Blanchard Street  
Valdosta, Georgia 31601

10. This lease contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise between the parties, not embodied herein, shall be of any force or effect.

11. Lessee shall, at the execution of this Agreement, deposit \$-0- with Lessor as a security deposit which shall be returned when Lessee vacates, but which will be kept in whole or in part, for (a) damages, repairs or clean up expenses which are necessarily incurred to return the Premises to the condition at the inception of the lease; (b) outstanding and owing rent or other charges due hereunder, if any; and (c) cancellation of this lease because Lessee fails to observe any agreement or regulation which is a part of this Lease.

12. This lease may be executed in one or more counterparts and each counterpart may thereafter be combined with the others which shall constitute one legal and binding contract.

IN WITNESS WHEREOF, parties hereto have executed these presents the day and year first above written.

EACH PARTY HERETO IS PROVIDED ITS SEPARATE SIGNATURE PAGE  
LESSOR'S SIGNATURE PAGE TO LEASE AGREEMENT BETWEEN EDWARD  
JENNINGS, LLC AND ALPHA PROTECH ENGINEERED PRODUCTS, INC.

EFFECTIVE 1/1/24

LESSOR

EDWARD JENNINGS, LLC

By: /s/William E. Holland

December 5, 2023

Signed, sealed and delivered

In the presence of:

/s/

/s/ Tara Spivey

Notary Public

[Seal]

LESSEE'S SIGNATURE PAGE TO LEASE AGREEMENT BETWEEN EDWARD  
JENNINGS, LLC AND ALPHA PROTECH ENGINEERED PRODUCTS, INC. 1/1/24

LESSEE

ALPHA PROTECH ENGINEERED PRODUCTS, INC.

By: /s/ Danny Montgomery

Its: Senior VP of Manufacturing & Building Products

Signed, sealed and delivered

In the presence of:

/s/ Penny Spence

Witness

/s/ Tammy D. Bourquine

Notary Public

[Seal]

EXHIBIT "A"

Legal Description

301 Blanchard Street

All that tract or parcel of land situate, lying and being located in Land Lot No. 153 of the 11th Land District of Lowndes County, Georgia and in the City limits of the City of Valdosta, Georgia, and for a point of reference only, beginning at the intersection of the easternmost right-of-way of Clay Road with the northernmost right-of-way of the Georgia Southern and Florida Railroad according to that certain map and plat recorded in Plat Cabinet A, Page 2461 and from said point of reference running thence north 41 degrees 55 minutes 57 seconds east a distance of 3378.91 feet more or less to a point located on the easternmost right-of-way of South Blanchard Street (80' right-of-way) and the POINT OF BEGINNING. From Said POINT OF BEGINNING, running thence north 2 degrees 37 minutes 49 seconds west along the easternmost right-of-way of South Blanchard Street a distance of 564.91 feet more or less to a point; thence leaving said right-of-way and running thence north 87 degrees 08 minutes 31 seconds east a distance of 542.98 feet more or less to a point; thence south 19 degrees 44 minutes 32 seconds east a distance of 150.88 feet to a point; thence south 19 degrees 53 minutes 31 seconds east a distance of 399.48 feet to a point; thence south 19 degrees 31 minutes 14 seconds east a distance of 74.89 feet more or less to a point; thence south 89 degrees 45 minutes 08 seconds west a distance 728.30 feet more or less to the point of beginning located on the easternmost right-of-way of South Blanchard Street.

The above described property is subject to any and all easements of record.

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EXHIBIT 10.2

COMMERCIAL LEASE AND DEPOSIT RECEIPT

(LA QUINTA)

This **Arizona Lease Agreement** (hereinafter referred to as the "Lease") is made this \_\_\_\_\_, by and between Nogales Property Management, an Arizona Corporation (hereinafter referred to as "Lessor") and **ALPHA PRO TECH, INC.** (hereinafter referred to as "Lessee").

Lessor is the owner of land and improvements commonly known "LA QUINTA", 1600 W. La Quinta Rd. Suite 1&2, County of Santa Cruz, State of Arizona, Zip Code 85621.

THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, the parties agree as follow:

RECEIVED FROM, **ALPHA PRO TECH INC.** hereinafter referred to as LESSEE, the sum of \$151,937.50 (One Hundred Fifty-One Thousand Nine Hundred Thirty-Seven Dollars and 50/100), evidenced by Wire or Check Deposit, which shall belong to Lessor and shall be applied as follows:

	TOTAL	RECEIVED	BALANCE PRIOR	DUE TO
			OCCUPANCY	
Rent for the period from March 01, 2024 to March 31, 2024.	\$ 75,968.75	\$ 0.00	\$ 75,968.75	
Security deposit (not applicable toward last month's rent)	\$ 75,968.75	\$ 0.00	\$ 75,968.75	
Other Cleaning Fee (Non-Refundable)	\$ 0.00	\$ 0.00	\$ 0.00	0.00
<b>TOTAL</b>	<b>\$ 151,937.50</b>			<b>\$ 151,937.50</b>

In the event this Lease is not accepted by the Lessor within 5 days, the total deposit received will be refunded.

Lessee offers to lease from Lessor the premises situated in Nogales, County of Santa Cruz, State of Arizona, Zip 85621, commonly known as (LA QUINTA) 1600 W. La Quinta Rd. Suite 1&2, Nogales, Arizona 85621 and described as: 137,500 Sq. Ft. space in a finished condition with general lighting, upon the following terms and conditions:

**TERM:** Landlord to Tenant hereby leases the premises for a term commencing on March 01, 2024, until February 28, 2029 with the understanding that at the end of term Tenant will give Landlord a 60-day notice to terminate / vacate.

**2. RENT:** The total amount rent is for 60 months only \$4,839,940.70 (Four Million Eight Hundred Thirty-Nine Thousand Nine Hundred Forty Dollars and 70/100 Cents), Payable with check or money order as follow:

A. 12 Months March 01, 2024 through February 28, 2025 first day of each and every month the total amount of \$75,968.75(Seventy-Five Thousand Nine Hundred Sixty-Eight Dollars and 75/100). The monthly rent includes the City Rental Tax of 2% or \$1,489.58.

B. For each year from March 01, 2025 through February 28, 2029, the rent will increase on a yearly basis by the total from previous year amount plus 3%.

C. Tenant agrees to pay a late charge of five percent (5%) after the 5th day of the calendar month.

D. All rents will be paid to Lessor, to Nogales Property Management, P.O. Box 1172, Nogales, Arizona, 85628.

**3. USE:** The premise is to be used for the operation of "Warehouse" and for no other purpose, without prior written consent of Lessor. Lessee will not commit any waste upon the premises, or any nuisance or act which may disturb the quiet enjoyment of any tenant in the building.

4. **USES PROHIBITED:** Lessee will not use any portion of the premises for purposes other than those specified. No use will be made or permitted to be made upon the premises, nor acts done, will such increase the existing rate of insurance upon the property, or cause cancellation of insurance policies covering the property. Lessee will not conduct or permit any sale by auction on the premises.

5. **ASSIGNMENT AND SUBLetting:** Lessee will not assign this Lease or sublet any portion of the premises without prior written consent of the Lessor, which will not be unreasonable withheld. Any such assignment or subletting without consent will be void and, at the option of the Lessor, will terminate this Lease.

6. **ORDINANCES AND STATUTES:** Lessee will comply with all statutes, ordinances, and requirements of all municipal, state and federal authorities now in force, or which may later be in force, regarding the use of the premises. The commencement or pendency of any state or federal court abatement proceeding affecting the use of the premises will, at the option of the Lessor, be deemed a breach of this Lease.

7. **MAINTENANCE, REPAIRS, and ALTERATIONS:** Unless otherwise indicated, Lessee acknowledges that the premises are in good order and repair. Lessee shall at his/her own expense, maintain the premises in a good and safe condition, including plate glass, electrical wiring, plumbing and heating and air conditioning installation (starting the second year of tenancy), and any other system or equipment, which must be maintained by a qualified contractor. The premises will be surrendered, at termination of the Lease, in as good condition as received, except for normal wear and tear. Lessee will be responsible for all normal day to day wear and tear maintenance and repairs required, except the following which will be maintained by Lessor: roof, exterior walls, structural foundations, including any retrofitting required by governmental authorities. Lessee will also maintain in good condition property adjacent to the premises, such as sidewalks, driveways, lawns, and shrubbery, which would otherwise be maintained by Lessor.

No improvement or alteration of the premises will be made without the prior written consent of the Lessor. Prior to the commencement of any substantial repair, improvement or alteration, Lessee will give Lessor at least two (2) days written notice in order that Lessor may post appropriate notices to avoid any liability for liens.

8. **ENTRY AND INSPECTION:** Lessee will permit Lessor or Lessor's agents to enter the premises at reasonable times and upon reasonable notice for the purpose of inspecting the premises, and will permit Lessor, at any time within sixty (60) days prior to the expiration of this Lease, to place upon the premises any usual "For Lease" signs, and permit persons desiring to lease the premises to inspect the premises at reasonable times.

9. **INDEMNIFICATION OF LESSOR:** Lessor will not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the premises. Lessee agrees to hold Lessor harmless from any claims for damages arising out of Lessee's use of the premises, and to indemnify Lessor for any expense incurred by Lessor in defending any such claims.

10. **POSSESSION:** If Lessor is unable to deliver possession of the premises at the commencement date set forth above, Lessor will not be liable for any damage caused by the delay, nor will this Lease be void or voidable, but Lessee will not be liable for any rent until possession is delivered. Lessee may terminate this Lease if possession is not delivered within 90 days of the commencement term in item 1.

11. **LESSEE'S INSURANCE:** Lessee agrees at Lessee's expense, to procure and maintain in force and effect continuously during the entire Term and any extensions or renewals thereof, a policy or policies of commercial general liability insurance in a company or companies, AM Best rated B++/VII or better, authorized to do business in the State of Arizona, insuring Lessor, as an Additional Insured for occurrences arising out of Lessee's use and occupancy of the Premises, in an amount of \$2,000,000 combined single limit bodily injury/property damage per occurrence and in the aggregate. Lessee shall also carry all perils property insurance, in the amount of full replacement cost, covering Lessee's property in and about the Premises. Subject to section 11 below, Lessee agrees to provide evidence of such policies of insurance and all renewals thereof to Lessor.

12. **LESSOR'S INSURANCE:** At all times during the Term, Lessor shall, at Lessor's expense, keep or cause to be kept all buildings and improvements at any time constituting the Premises, insured against fires and all perils included within special form or extended coverage property insurance, in good and responsible insurance companies, authorized to do business in the state of Arizona, in an amount not less than one hundred percent (100%) of the replacement cost of the Premises, said insurance to be for the benefit of Lessor and the mortgagee of the Premises, if any, as their interest appear.

13. **SUBROGATION:** To the maximum extent permitted by insurance policies which may be owned by the parties, Lessor and Lessee waive any and all rights of subrogation which might otherwise exist.

14. **UTILITIES:** Lessee agrees that he/she will be responsible for the payment of all utilities, including water, gas, electricity, heat and other services delivered to the premises, to include removal of personal trash.

15. **SIGNS:** Lessee will not place, maintain, or permit any sign or awning on any exterior door, wall, or window of the premises without the express written consent of Lessor, which will not be unreasonably withheld.

16. **ABANDONMENT OF PREMISES:** Lessee will not vacate or abandon the premises at any time during the term of this Lease. If Lessee does abandon or vacate the premises, or is dispossessed by process of law, or otherwise, any personal property belonging to Lessee left on the premises will be deemed to be abandoned, at the option of Lessor.

17. **CONDEMNATION:** If any part of the premises is condemned for public use, and a part remains which is susceptible of occupation by Lessee, this Lease will, as to the part taken, terminate as of the date the condemnor acquires possession. Lessee will be required to pay such proportion of the rent for the remaining term as the value of the premises remaining bears to the total value of the premises at the date of condemnation; provided, however, that Lessor may at his/her option, terminate this Lease as of the date the condemnor acquires possession. On the event that the premises are condemned in whole, or the remainder is not susceptible for use by the Lessee, this Lease will terminate upon the date which the condemnor acquires possession. All sums which may be payable on account of any condemnation will belong solely to the Lessor, except that Lessee will be entitled to retain any amount awarded to him/her for his/her trade fixtures or moving expenses.

18. **TRADE FIXTURES:** Any and all improvements made on the premises during the term will belong to the Lessor, except trade fixtures of the Lessee. Lessee may, upon termination, remove all his/her trade fixtures, but will pay for all costs necessary to repair any damage to the premises occasioned by the removal.

19. **DESTRUCTION OF PREMISES:** In the event of a partial destruction of the premises during the term, from any cause, Lessor will promptly repair the premises, provided that such repairs can be reasonably made within sixty (60) days. Such partial destruction will not terminate this Lease, except that Lessee will be entitled to a proportionate

reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs interferes with the business of Lessee on the premises. If the repairs cannot be made **within (60) days**, this lease may be terminated at the option of either party by giving written notice to the other party **within the sixty (60) day period**.

20. **HAZARDOUS MATERIALS:** Lessee will not use, store, or dispose of any hazardous substances upon the premises, except the use and storage of any hazardous waste, substance or toxic materials regulated under any environmental laws or regulations applicable to the property. Lessee will be responsible for the cost of removal of any toxic contamination caused by lessee's use of the premises.

21. **INSOLVENCY:** The appointment of a receiver, an assignment for the benefits of creditors, or the filing of a petition in bankruptcy by or against Lessee, will constitute a breach of this Lease by Lessee.

22. **DEFAULT:** In the event of any breach of this Lease by Lessee, Lessor may, at his/her option, terminate the Lease and recover from Lessee: (a) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (b) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of the award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; (c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount or such rental loss that the Lessee proves could be reasonably avoided; and (d) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform his/her obligations under the Lease or which in the ordinary course of things would be likely to result therefrom. Lessor may, in the alternative, continue this Lease in effect, as long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all of Lessor's rights and remedies under the Lease, including the right to recover the rent as it becomes due under the Lease. If said breach of Lease continues, Lessor may, at any time thereafter, elect to terminate the Lease. These provisions will not limit any other rights or remedies, which Lessor may have.

23. **SECURITY:** The security deposit will secure the performance of the Lessee's obligations. Lessor may, but will not be obligated to, apply all or portions of the deposit on account of Lessee's obligations. Any balance remaining upon termination will be returned to Lessee. Lessee will not have the right to apply the security deposit in payment of the last month's rent.

24. **DEPOSIT REFUNDS:** The balance of all deposits will be refunded within three weeks (or as otherwise required by law), from date possession is delivered to Lessor or his/her authorized agent, together with a statement showing any charges made against the deposits by Lessor.

25. **ATTORNEY FEES:** In any action or proceeding involving a dispute between Lessor and Lessee arising out of this Lease, the prevailing party will be entitled to reasonable attorney fees.

26. **WAIVER:** No failure of Lessor to enforce any term of this Lease will be deemed to be a waiver.

27. **NOTICES:** Any notice which either party may or is required to give, will be given by mailing the notice, postage prepaid, to Lessee at the premises, or to Lessor at the address shown in Item 2, or at such other places as may be designated in writing by the parties from time to time. Notice will be effective five days after mailing, or on personal delivery, or when receipt is acknowledged in writing.

28. **HOLDING OVER:** Any holding over after the expiration of this Lease, with the consent of Owner, will be a month-to-month tenancy at an monthly rent of 125% of base rent, payable in advance and otherwise subject to the terms of this Lease, as applicable, until either party will terminate the tenancy by giving the other party **thirty (30) days written notice**.

29. **TIME:** Time is of the essence of this Lease.

30. **HEIRS, ASSIGNS, SUCCESSORS:** This Lease is binding upon and inures to the benefit of the heirs, assigns, and successors of the parties.

31. **OPTION TO RENEW:** Provided that Lessee is not in default in the performance of this Lease, Lessee will have the option to renew the Lease for an additional term of 12 (twelve) months commencing at the expiration of the initial Lease term. All of the terms and conditions of the Lease will apply during the renewal term, except that the monthly rent will be negotiated at time of renewing Lease.

The option will be exercised by written notice given to Lessor not less than 60 days prior to the expiration of the initial Lease term. If notice is not given within the time specified, this Option will expire.

32. **AMERICANS WITH DISABILITIES ACT:** The parties are alerted to the existence of the Americans With Disabilities Act, which may require costly structural modifications. The parties are advised to consult with a professional familiar with the requirements of the Act.

33. **LESSOR'S LIABILITY:** In the event of a transfer of Lessor's title or interest to the property during the term of these Lease, Lessee agrees that the grantee of such title or interest will be substituted as the Lessor under this Lease, and the original Lessor will be released of all further liability; provided, that all deposits will be transferred to the grantees.

34. **ENTIRE AGREEMENT:** The foregoing constitutes the entire agreement between the parties and may be modified only in writing. Signed by all parties. The following exhibits are a part of this Lease:

Exhibit A: (N/A)

#### ACCEPTANCE

The undersigned Lessee acknowledges that he/she has thoroughly read and approved each of the provisions contained in this Offer, and agrees to the terms and conditions specified.

The undersigned Lessor accepts the foregoing Offer and agrees to lease the premises on the terms and conditions set forth above.

/s/ Beatriz O'Daly 2/20/2024

/s/ Niko Panousopoulos 2/26/2024

Lessee Date

By: Beatriz O'Daly

Alpha Pro Tech, Inc.

1600 La Quinta Rd.

Nogales, AZ 85621

Phone: (520) 281-0127

Lessor Date

By: Niko Panousopoulos

Nogales Property Management

P O Box 1172

Nogales, AZ 85628

Phone: (520) 281-1988

**Certification Under Exchange Act Rules 13a – 14(a) and 15d – 14(a)**

**EXHIBIT 31.1**

I, Lloyd Hoffman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alpha Pro Tech, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 8, 2023 May 9, 2024

BY: /s/Lloyd Hoffman

Lloyd Hoffman

President and Chief Executive Officer

**(Principal)** **(Principal Executive Officer)**

Alpha Pro Tech, Ltd.

**Certification Under Exchange Act Rules 13a – 14(a) and 15d – 14(a)**

**EXHIBIT 31.2**

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**REFINITIV** 

I, Colleen McDonald, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alpha Pro Tech, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 8, 2023 May 9, 2024

BY: /s/Colleen McDonald  
Colleen McDonald  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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Alpha Pro Tech, Ltd.

EXHIBIT 32.1

Alpha Pro Tech, Ltd.

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REFINITIV 

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alpha Pro Tech, Ltd. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023****March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lloyd Hoffman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: November 8, 2023 May 9, 2024

BY: /s/Lloyd Hoffman

Lloyd Hoffman  
President and Chief Executive Officer

Alpha Pro Tech, Ltd.

**EXHIBIT** **Exhibit** 32.2

Alpha Pro Tech, Ltd.

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Alpha Pro Tech, Ltd. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023****March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Colleen McDonald, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: November 8, 2023 May 9, 2024

BY: /s/Colleen McDonald

Colleen McDonald



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