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DELTA REPORT

10-K

KTCC - KEY TRONIC CORP

10-K - JUNE 29, 2024 COMPARED TO 10-K - JULY 01, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 3024

■ CHANGES	211
■ DELETIONS	820
■ ADDITIONS	1993

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED **JULY 1, 2023** **JUNE 29, 2024**
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE PERIOD FROM **TO**
Commission File Number **0-11559**

KEY TRONIC CORPORATION

(Exact name of registrant as specified in its charter)

Washington 91-0849125

(State or other jurisdiction of
Incorporation or organization) (I.R.S. Employer
Identification No.)

4424 North Sullivan Road **Spokane Valley, Washington** **99216**
(Address of principal executive offices) (Zip Code)

(509) 928-8000
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, no par value	KTCC	The NASDAQ Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 Regulations S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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.

(Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

State the aggregate market value of the voting and non-voting common equity held by non affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

As of December 31, 2022 December 30, 2023, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$44.1 million \$44.0 million based on the closing price as reported on the NASDAQ.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 10,761,871 shares of common stock were outstanding as of September 14, 2023 October 11, 2024.

Documents Incorporated by Reference:

Certain information is incorporated into Part III of this report by reference to the Proxy Statement for the registrant's 2023 2024 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

KEY TRONIC CORPORATION

2023 2024 FORM 10-K

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EXPLANATORY NOTE

In connection with the preparation of this Annual Report on Form 10-K, Key Tronic Corporation (the "Company") concluded that cost recovery of material price variances was not being consistently recorded across its facilities. Material price variance occurs when the price the Company pays for materials exceeds the price quoted to customers, and the Company typically recovers the excess cost from customers through a sales price adjustment. Per Company policy, this cost recovery should be recorded as revenue when inventory enters the production process, however, certain of the Company's facilities were recording the cost recovery as a reduction to cost of goods sold. These errors resulted in an understatement of both revenue and cost of goods sold in fiscal 2024 and prior periods.

On October 9, 2024, the Company's Audit Committee of the Board of Directors, after discussion with Company management and the Company's independent registered public accounting firm, concluded that the following previously issued financial statements of the Company should no longer be relied upon because of the errors related to the recording of cost recovery: (1) the consolidated financial statements as of and for the years ended July 1, 2023 and July 2, 2022 included in the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2023 and (2) the unaudited consolidated statements of operations for the quarters ended March 30, 2024, December 30, 2023, September 30, 2023, April 1, 2023, December 31, 2022, October 1, 2022, April 2, 2022, January 1, 2022, and October 2, 2021 included in the Company's Quarterly Reports on Form 10-Q for such periods.

Also in connection with preparing this Annual Report on Form 10-K, the Company concluded that it had not recorded an adjustment related to its adoption on July 2, 2023 of ASU 2016-13 Financial Instruments - Credit Losses (ASU 326): Measurement of Credit Losses on Financial Instruments. As of July 2, 2023, the Company should have performed an assessment and recorded any adjustment as a modified retrospective adjustment through its opening retained earnings balance. This error resulted in an overstatement of accounts receivable, contract assets, other assets and retained earnings in the unaudited consolidated balance sheets as of March 30, 2024, December 30, 2023 and September 30, 2023 (the "2024 Interim Balance Sheets"). Management concluded that the errors were immaterial to the previously issued 2024 Interim Balance Sheets and, as a result, the 2024 Interim Balance Sheets have been revised within Note 15 - "Restatement and Revision of Interim Financial Information."

This Annual Report on Form 10-K includes restated consolidated financial statements as of and for the years ended July 1, 2023 and July 2, 2022, restated unaudited consolidated statements of operations for the quarters ended March 30, 2024, December 30, 2023, September 30, 2023, April 1, 2023, December 31, 2022, October 1, 2022, April 2, 2022, January 1, 2022, and October 2, 2021 and revised unaudited consolidated balance sheets as of March 30, 2024, December 30, 2023 and September 30, 2023. For additional

information, see Note 14 - "Restatement of Previously Issued Financial Statements" and Note 15 - "Restatement and Revision of Interim Financial Information" of the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. In addition, the following items of this Annual Report on Form 10-K have been restated, as appropriate, to correct the errors noted above: Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; Part II, Item 8. Financial Statements and Supplementary Data.

In connection with the restatement and revisions, Company management determined there were deficiencies in the Company's internal control over financial reporting and the Company's disclosure controls and procedures that constituted material weaknesses as of June 29, 2024, July 1, 2023 and July 2, 2022. As a result, and as further discussed in Part II, Item 9A. Controls and Procedures of this Annual Report on Form 10-K, Company management has concluded that the Company did not maintain effective disclosure controls and procedures and internal control over financial reporting as of June 29, 2024.

FORWARD-LOOKING STATEMENTS

References in this report to "the Company," "Key Tronic," "we," "our," or "us" mean Key Tronic Corporation together with its subsidiaries, except where the context otherwise requires.

This Annual Report on Form 10-K contains forward-looking statements in addition to historical information. Forward-looking statements include, but are not limited to those including such words as aims, anticipates, believes, continues, could, estimates, expects, hopes, intends, plans, predicts, projects, targets, or will, similar verbs, or nouns corresponding to such verbs, which may be forward looking. Forward-looking statements also include other passages that are relevant to expected future events, performances, and actions or that can only be fully evaluated by events that will occur in the future. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Risks and uncertainties that might cause such differences include, but are not limited to those outlined in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risks and Uncertainties that May Affect Future Results" and in "Risk Factors." Readers are cautioned not to place undue reliance on forward-looking statements, which reflect management's opinions only as of the date hereof. The Company undertakes no obligation to update forward-looking statements to reflect developments or information obtained after the date hereof and disclaims any obligation to do so. Readers should carefully review the risk factors described in periodic reports the Company

files from time to time with the Securities and Exchange Commission, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

PART I

Item 1. BUSINESS

Background

Key Tronic Corporation was organized in 1969, as a Washington corporation that locally manufactured computer keyboards. The ability to design, build and deliver a quality product led us to become a leading independent manufacturer of keyboards for computers in the United States. Our fully integrated design, tooling, and automated manufacturing capabilities enabled us to rapidly respond to customers' needs for keyboards in production quantities worldwide. We supported our sales growth through the development and purchase of international manufacturing facilities. As the computer keyboard market matured with increasing competition from other international providers, we determined that our business could no longer solely rely on keyboard sales.

After assessing market conditions and our strengths and capabilities, we shifted our focus from keyboard manufacturing to contract manufacturing for a wide range of products. Our unique strategic attributes are based on our core strengths of innovative design and engineering expertise in electronics, mechanical engineering, sheet metal fabrication and stamping, and precision plastics combined with high-quality, low cost production, and assembly on an international basis while providing exceptional customer service. These strengths have made our company a strong competitor in the contract manufacturing market.

Our Industry and Strategy

The expansion of the contract manufacturing industry and our acquisitions have allowed us to continue to expand our customer base and the industries that we serve. The increase in new programs represents a growing portion of our revenue and a promising foundation for our future. In keeping with our long-term strategic objectives, we have been successfully building a more diversified customer portfolio, spanning a wider range of industries. We currently offer our customers the following services: integrated electronic and mechanical engineering, precision plastic molding, sheet metal fabrication, printed circuit board (PCB) and complete product assembly, component selection, sourcing and procurement, worldwide logistics, and new product testing and production all at competitive pricing due to our global footprint. We differentiate ourselves from others our size and larger in the contract manufacturing industry by providing vertical integration, a flexible and responsive approach to our customer's changing supply demand, and complete design engineering support.

We believe that we are well positioned in the contract manufacturing industry to continue the expansion of our customer base and achieve long-term growth. Our unique blend of multinational facilities, vertical integration, centralized management, and core strengths continue to support our growth and our customers' needs. We continue to focus on controlling operating expenses and leveraging the synergistic capabilities of our world-class facilities in the United States, Mexico, China, and Vietnam. This international production capability provides our customers with the benefits of improved supply-chain management, reduced inventory, lower labor costs, lower transportation costs, and reduced product fulfillment time. Given our competitive advantages and the growing pressure for new potential customers to move forward with their outsourcing strategies, we feel that we are strongly positioned to win new business in coming periods and grow our revenue and profits.

The contract manufacturing industry is intensely competitive. Although our customer base is growing, we still have less than 1% of the potential global market and our revenue can fluctuate significantly due to reliance on a concentrated base of customers. We are planning for new customer growth in the coming quarters by seeking to secure new programs with new and existing customers, increase our worldwide manufacturing capacity, leverage further our design engineering capabilities and continue to improve our manufacturing and procurement processes and capabilities. Ongoing challenges that we face include but are not limited to the following: continuing to win programs from new and existing customers, balancing capital employed, production capacity and key personnel in support of new customer programs, improving operating efficiencies, controlling costs while developing competitive pricing strategies, and successfully transitioning new program wins to full production.

Customers and Marketing

We provide a mix of manufacturing services for outsourced Original Equipment Manufacturing (OEM) products. We provide the following services: product design, surface mount technologies (SMT) and pin through hole capability for printed circuit board assembly, tool making, precision plastic molding, sheet metal fabrication and painting, liquid injection molding, complex assembly, prototype design and full product assembly.

Sales of the majority of our products have not historically been seasonal in nature, but may be seasonal in the future if there are changes in the types of products manufactured. Sales can, however, fluctuate significantly between quarters from changes in customers and customer demand due to the concentration of sales generated by our largest customers.

For the fiscal years 2024, 2023, and 2022, the five largest customers in each year accounted for 36% 34 percent, 35 percent, and 40% 39 percent of combined total net sales, respectively. We continue aim to diversify our customer base by adding additional programs and customers. We expect net sales to our five largest customers as a percentage of total net sales to approximate current levels going forward.

The following table summarizes the customers that represented 10% 10 percent or more of total net sales during the last two fiscal years:

	Percentage of Net Sales by Fiscal Year		
	2023	2022	
Customer A	12%	12%	
Percentage of Net Sales by Fiscal Year			
	2024	2023	2022
Customer A	20%	12%	12%
Customer B	*	*	13%

There can be no assurance that the Company's principal customers will continue to purchase products from the Company at current levels. Moreover, the Company typically does not enter into long-term volume purchase contracts with its customers, and the Company's customers have certain rights to extend or delay the shipment of their orders. The loss of one or more of the Company's major customers, or the reduction, delay or cancellation of orders from such customers, could materially and adversely affect the Company's business, operating results and financial condition.

We market our products and services primarily through our direct sales department which is comprised of strategically located field sales people and distributors. We also maintain relationships with several independent sales organizations to assist in marketing our product lines.

Manufacturing

We have continually made investments in developing and expanding a capital equipment base to achieve vertical integration and efficiencies in our manufacturing processes. We have invested significant capital into SMT for volume manufacturing of complex printed circuit board assemblies and in our metal shop providing precision metal stamping, fabricating, and finishing. We also design and develop tooling for injection molding and sheet metal fabrication and manufacture the majority of plastic and sheet metal parts used in the products we manufacture. Additionally, we have equipment to maintain a controlled clean environment for manufacturing processes that require a high level of precise control.

We use a variety of manual and automated assembly processes in our facilities, depending upon product complexity and degree of customization. Some examples of automated processes include component insertion, SMT, selective soldering, flexible robotic assembly, computerized vision system quality inspection, laser turrets, automated switch and key top installation, robotic welding, automated powder coat application, and automated functional testing.

Our engineering expertise and automated manufacturing processes enable us to work closely with our customers during the design and prototype stages of production and to jointly increase productivity and reduce response time to the marketplace. We use computer-aided design techniques and software to assist in preparation of the tool design layout and component placement, to reduce tooling and production costs, improve component and product quality, and enhance turnaround time during product development.

We purchase materials and components for our products from many different suppliers, including both domestic and international sources. We develop close working relationships with our suppliers, many of whom have been supplying products to us for several years.

Research, Development, and Engineering

As part of our long-term strategy, we are committed to supporting our customers by providing research, development, and engineering services. We have seen an increase in the success of providing design support on existing and potential customers in differentiating ourselves. We believe these services allow us to facilitate in optimizing new product designs, and the production processes of our customers' programs.

Research, development, and engineering (RD&E) expenses consist principally of employee related costs, third party development costs, program materials costs, depreciation, and allocated information technology and facilities costs.

Competition

The market for the products and services we provide is highly competitive. There are numerous competitors in the contract manufacturing industry, many of which have substantially more resources and are more geographically diverse than we are. Some of our competitors have similar international production capabilities, large financial resources and some have substantially greater manufacturing, research and development, and marketing resources. There is also competition from the manufacturing operations of our current and potential customers, who are continually evaluating the merits of manufacturing their products internally versus the advantages of outsourcing. We believe that we can currently compete favorably in these areas primarily on the basis of our international footprint, responsiveness, creativity, vertical production capability, quality, and cost.

Trademarks

Our name and logo are federally registered trademarks, and we believe they are valuable assets of our business.

Employees

We consider our employees to be our primary strength and we make considerable efforts to maintain a well-qualified workforce. Our employee benefits include bonus programs involving periodic payments to all employees based on meeting quarterly or fiscal year performance targets. We regularly provide transportation, medical services, and meals to all

of our employees in foreign locations. The Company also has defined contribution plans available to U.S. employees who have attained age 21 and provide group health, life, and disability insurance plans. We also maintain share based share-based compensation plans and other long-term incentive plans for certain employees and outside directors.

As of **July 1, 2023** June 29, 2024, we had **5,447** 4,122 full-time employees compared to **4,897** 5,447 on **July 2, 2022** July 1, 2023. Since we can have significant fluctuations in product demand, we seek to maintain flexibility in our workforce by utilizing skilled temporary labor in some of our manufacturing facilities in addition to full-time employees.

Backlog

On **July 29, 2023** June 29, 2024, our order backlog was valued at approximately \$343.0 249.6 million, compared to approximately \$407.8 million \$343.0 million on **July 30, 2022** July 1, 2023. The amount of backlog is not necessarily indicative of future sales but can be indicative of trends in expected future sales revenue. Due to the relationships with our customers, we will occasionally allow orders to be canceled or rescheduled and as a result it is not a meaningful indicator of future financial results. If there are canceled or rescheduled orders, we typically negotiate fees to cover the costs we have incurred. Order backlog consists of purchase orders received for products expected to be shipped approximately within the next twelve months, although shipment dates are subject to change due to design modifications, customer forecast changes, or other customer requirements.

Foreign Markets

Information concerning net sales and long-lived assets (property, plant, and equipment) by geographic areas is set forth in [Footnote Note 11](#) "Enterprise-Wide Disclosures" of the "Notes to Consolidated Financial Statements" of this Annual Report on Form 10-K and that information is incorporated herein by reference.

Governmental Regulation

Our operations are subject to certain foreign, federal, state and local regulations relating to, among others, environmental, waste management, labor and health and safety matters. We have implemented processes and procedures to help ensure that our operations are in substantial compliance with all applicable regulations. However, material costs and liabilities may arise from these requirements or from new or modified requirements, which could have a material adverse effect on our business and results of operations.

Information about Our Executive Officers.

Officers

The table below sets forth the name, current age, and current position of our executive officers and other significant employees:

Name	Age	Positions Held
Executive Officers		
Craig D. Gates	64 51	President and Chief Executive Officer
Brett R. Larsen	50	Executive Vice President of Administration, Chief Financial Officer, and Treasurer
Philip S. Hochberg	61 62	Executive Vice President of Business Development Customer Relations and Integration
Duane D. Mackleit	55 56	Executive Vice President of Operations
David H. Knaggs	42 43	Executive Vice President of Quality, Regulatory Affairs , and Information Systems
Chad T. Orebough	52 53	Executive Vice President of Engineering
Mark Courtney	57 58	Vice President of Supply Chain

Executive Officers

CRAIG D. GATES BRETT R. LARSEN – President and Chief Executive Officer

Mr. Gates, Larsen, age **64** 51, has been served as President and Chief Executive Officer of the Company since April 2009, July 2024. Previously he was Executive Vice President and General Manager from August 2002 to April 2009. He served as Executive Vice President of Marketing, Engineering and Sales from July 1997 to August 2002 and served as Vice President and General Manager of New Business Development from October 1995 to July 1997. He joined the Company as Vice President of Engineering in October of 1994. From 1982 to 1991 he held various engineering and management positions within the Microswitch Division of Honeywell, Inc., in Freeport, Illinois, and from 1991 to October 1994 he served as Director of Operations, Electronics for Microswitch. Mr. Gates has a Bachelor of Science Degree in Mechanical Engineering and a Master's in Business Administration from the University of Illinois, Urbana.

BRETT R. LARSEN – Executive Vice President of Administration, Chief Financial Officer, and Treasurer

Mr. Larsen, age 50, has served as Executive Vice President of Administration, Chief Financial Officer, and Treasurer since from July 2015. Previously, he 2015 through June 2024. He was Vice President of Finance and Controller from February 2010 to July 2015. He was Chief Financial Officer of FLSmidth Spokane, Inc. from December 2008 to February 2010. From October 2005 through November 2008, Mr. Larsen served as Controller of Key Tronic Corporation. From May 2004 to October 2005, Mr. Larsen served as Manager of Financial Reporting of Key Tronic Corporation. From 2002 to May 2004, Mr. Larsen was an audit manager for the public accounting firm BDO USA, LLP. He also held various auditing and supervisory positions with Grant Thornton LLP from 1997 to 2002. Mr. Larsen has a Bachelor of Science degree in Accounting and a Masters degree in Accounting from Brigham Young University and is a Certified Public Accountant.

ANTHONY G. VOORHEES - Executive Vice President of Administration, Chief Financial Officer, and Treasurer

Mr. Voorhees, age 50, has served as Executive Vice President of Administration, Chief Financial Officer, and Treasurer since July 2024. Previously, he was Vice President of Finance and Controller from November 2021 to June 2024, Senior Manager of Corporate Finance from July 2015, and Manager of Financial Reporting since April 2010. Prior to joining Key Tronic, Mr. Voorhees worked at Coldwater Creek from August 2007 to March 2010 as a Senior Financial Reporting Accountant. Prior to that, he worked at Moss Adams, LLP as a Senior Assurance Associate from November 2004 to August 2007. Between September 2001 and August 2004, Mr. Voorhees held senior level accounting positions at Boise State University and Idaho State Department of Agriculture. Mr. Voorhees has a bachelor degree in Accounting from the University of Idaho and is a Certified Public Accountant.

PHILIP S. HOCHBERG – Executive Vice President of Business Development Customer Relations and Integration

Mr. Hochberg, age 61, 62, has been Executive Vice President of Business Development Customer Relations and Integration since July 2012. Prior to this, Mr. Hochberg served as Vice President of Business Development from October 2009 through June 2012. He was Director of Business Development and Program Management from July 2008 to October 2009. Mr. Hochberg served as Director of Business Development from October 2004 to July 2008 and as Director of EMS Sales and Marketing from July 2000 to October 2004. Prior to joining Key Tronic, Mr. Hochberg worked for Quinton Instrument Company as their Director of Marketing and Product Management from 1992 to 2000. From 1988 to 1992, he was employed by SpaceLabs Medical as their Business Development Marketing Manager. Mr. Hochberg has an MBA from the University of British Columbia, a BA in Psychology, with a minor in Business from Washington University in St. Louis.

DUANE D. MACKLEIT – Executive Vice President of Operations

Mr. Mackleit, age 55, 56, has been Executive Vice President of Operations since December 2019. Prior to this, Mr. Mackleit served as Vice President of Program Management since July 2012. He served as Director of Program Management from July 2008 through June 2012. From May 2006 to July 2008 he served as Principal Program Manager. Prior to that, he served as Program Manager from March 2002 to May 2006 and Associate Program Manager from August 2000 to March 2002. Mr. Mackleit has also held several other positions with Key Tronic Corporation. Mr. Mackleit has an AA in Business from Spokane Falls Community College and a BA in Business/Marketing from Eastern Washington University. He also holds a MBA from Gonzaga University.

DAVID H. KNAGGS – Executive Vice President of Quality, Regulatory Affairs, and Information Systems

Mr. Knaggs, age 42, 43, has been Executive Vice President of Quality, Regulatory Affairs, and Information Systems since May 2021. Previously, he was Vice President of Quality and Regulatory Affairs from November 2017 to May 2021. He was Vice President of Quality since October 2016. Before joining Key Tronic, Mr. Knaggs worked at Telect, Inc. from 2008 to 2016 as their Director of

Engineering. Prior to that, he worked at Isothermal Systems Research as Lead Systems Engineer from 2003 to 2008. He has a Bachelor of Science degree in Mechanical Engineering with a minor in mathematics from the University of Washington.

CHAD T. OREBAUGH – Executive Vice President of Engineering

Mr. Orebaugh, age 52, 53, has been Executive Vice President of Engineering since September 2021. Previously he served as Vice President of Engineering since April 2017. Prior to this, Mr. Orebaugh served as Director of Engineering since May 2013. From April 2010 to May 2013, he served as Manager of Engineering. From January 2000 to April 2010 he served as Lead Mechanical Engineer. Prior to that, he served as Mechanical Engineer from October 1998 to January 2000 and Associate Mechanical Engineer since October 1997. Mr. Orebaugh holds a BA in Mechanical Engineering from Gonzaga University.

MARK COURTNEY – Vice President of Supply Chain

Mark Courtney, age 57, 58, has been Vice President of Supply Chain of the company since August 2019. Previously, he served as Purchasing Manager and Director of North American Purchasing from September 2015 to August 2019, and as Supply Chain Manager, ERP and Business Operations Manager for Amphenol Telect from August 2007 to September 2015. From March 2006 to August 2007, he served as Senior Buyer/Planner for Honeywell Specialty Materials and from June 2005 to March 2006 as Purchasing Manager for MRV Communications. From May 2000 to June 2005, he served as a Field and Inside Sales Associate for Arrow Electronics and from October 1991 to May 2000 held various positions at Alesis.

Available Information

Our principal executive offices are located at 4424 North Sullivan Road, Spokane Valley, Washington 99216, and our telephone number is (509) 928-8000. Our website is located at <http://www.keytronic.com> where filings of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q or current reports on Form 8-K are available free of charge after they have been filed with the Securities and Exchange Commission. The information presented on our website currently and in the future is not considered to be part of this document or any document incorporated by reference in this document.

In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. RISK FACTORS

There are risks and uncertainties that could affect our business. These risks and uncertainties include but are not limited to, the risk factors described below, in Item 7A: "Quantitative and Qualitative Disclosures about Market Risk" and elsewhere in this Annual Report on Form 10-K.

RISKS AND UNCERTAINTIES THAT MAY AFFECT FUTURE RESULTS

The following risks and uncertainties could affect our actual results and could cause results to differ materially from past results or those contemplated by our forward-looking statements. When used herein, the words "expects," "believes," "anticipates" and other similar expressions are intended to identify forward-looking statements.

RISKS RELATED TO OUR BUSINESS AND STRATEGY

Our operations may be subject to certain risks.

We manufacture product in facilities located in Mexico, China, Vietnam and the United States. These operations may be subject to a number of risks, including:

- difficulties in staffing, turnover and managing onshore and offshore operations;
- political and economic instability (including acts of terrorism, pandemics, civil unrest, forms of violence and outbreaks of war), which could impact our ability to ship, manufacture, and/or receive product;
- unexpected changes in regulatory requirements and laws, including those related to climate change;
- longer customer payment cycles and difficulty collecting accounts receivable;

- cash liquidity, the ability to acquire new debt capacity, and capital constraints;
- export duties, import controls and trade barriers (including quotas);
- governmental restrictions on the transfer of funds;
- burdens of complying with a wide variety of foreign laws and labor practices; subject to trade wars and tariffs;
- our locations are subject to physical and operational risks from natural disasters, severe weather events, and climate **change; and change**
- our locations may also be impacted by future temporary closures and labor constraints as a result of local mandates for medical, climate, and unforeseen **emergencies, emergencies; and**
- our locations may be impacted by future temporary closure related to cyberattacks.**

Our operations in certain foreign locations receive favorable income tax treatment in the form of tax credits or other incentives. In the event that such tax incentives are not extended, are repealed, or we no longer qualify for such programs, our taxes may increase, which would reduce our net income.

Additionally, certain foreign jurisdictions restrict the amount of cash that can be transferred to the U.S. or impose taxes and penalties on such transfers of cash. To the extent we have excess cash in foreign locations that could be used in, or is needed by, our operations in the United States, we may incur significant penalties and/or taxes to repatriate these funds.

We may experience fluctuations in quarterly results of operations.

Our quarterly operating results have varied in the past and may vary in the future due to a variety of factors, including adverse changes in the U.S. and global macroeconomic environment, volatility in overall demand for our customers' products, success of customers' programs, timing of new programs, new product introductions or technological advances by us, our customers and our competitors, and changes in pricing policies by us, our customers, our suppliers, and our competitors. Our customer base is diverse in the markets they serve, however, decreases in demand, particularly from customers in certain industries could affect future quarterly results. Additionally, our customers could be adversely impacted by illiquidity in the credit markets which could directly impact our operating results.

Component procurement, production schedules, personnel and other resource requirements are based on estimates of customer requirements. Occasionally, our customers may request accelerated production that can stress resources and reduce operating margins. Conversely, our customers may abruptly lower or cancel production which may lead to a sudden, unexpected increase in inventory or accounts receivable for which we may not be reimbursed even when under contract with customers. In addition, because many of our operating expenses are relatively fixed, a reduction in customer demand can harm our gross profit and operating results. The products which we manufacture for our customers have relatively short product lifecycles. Therefore, our business, operating results and financial condition are dependent in a significant way on our ability to obtain orders from new customers and new product programs from existing customers.

Operating results can also fluctuate if changes are made to significant estimates and assumptions. Significant estimates and assumptions include the allowance for **doubtful receivables, net realizable** credit losses, provision for inactive, obsolete, and surplus inventory, **revenue recognition, and stock-based compensation**, the valuation allowance on deferred tax assets, assets, impairment of long-lived assets, long-term incentive compensation accrual, the provision for warranty costs, and the impact of hedging activities.

Due to the COVID-19 pandemic, we have seen extreme shifts in demand from our customer base. The possibility of future temporary closures and labor constraints, as well as the inability to predict customer demand, costs, and future supply chain disruptions during the rapidly changing COVID-19 environment **pandemics** can materially impact operating results.

We are exposed to general economic conditions, which could have a material adverse impact on our business, operating results and financial condition.

Adverse economic conditions and uncertainty in the global economy such as unstable global financial and credit markets, inflation, and recession can negatively impact our business. Unfavorable economic conditions could affect the demand for our customers' products by triggering a reduction in orders as well as a decline in forecasts which could adversely affect our sales in future periods. Additionally, the financial strength of our customers and suppliers and their ability to obtain and rely on credit financing may affect their ability to fulfill their obligations to us and have an adverse effect on our financial results.

Adverse macroeconomic conditions, such as those that were a result of COVID-19 have and may continue to affect our business. The conditions affect the Company's ability to predict and plan for future supply chain disruptions, fluctuations in customer demand and costs, and the ability to operate as there is uncertainty over future temporary closures. Inflation has also risen globally to historically high levels. **If** As the inflation rate continues to increase, the costs of labor and other expenses **could also have and may continue to** increase. We may not be able to increase our product prices enough to offset these increased costs. In addition, any increase in our product prices may reduce our future customer orders and profitability. Inflation may further exacerbate other risk factors discussed in this Annual Report on Form 10-K, including disruptions to international operations.

The majority of our sales come from a small number of customers, and a decline in sales to any of these customers could adversely affect our business.

At present, our customer base is concentrated and could become more or less concentrated. There can be no assurance that our principal customers will continue to purchase products from us at current levels. Moreover, we typically do not enter into long-term volume purchase contracts with our customers, and our customers have certain rights to extend or delay the shipment of their orders. We, however, typically require that our customers contractually agree to buy back inventory purchased within specified lead times to build their products if not used.

The loss of one or more of our **major principal** customers, or the reduction, delay or cancellation of orders from such customers, due to economic conditions or other forces, could materially and adversely affect our business, operating results and financial condition. The contraction in demand from certain industries could impact our customer orders and have a negative impact on our operations over the foreseeable future. **Additionally, if**

Our inability to enforce contracts with, or the bankruptcy or insolvency of, any of our principal customers could adversely affect our business.

We rely on timely and regular payments from our customers, and the inability or failure of our principal customers to meet their obligations to us or their bankruptcy, insolvency or liquidation may adversely affect our business, financial condition and results of operations. Financial difficulties experienced by one or more of our customers **were** could negatively affect our business by decreasing demand from such customers and through the potential inability of these companies to make full payment on amounts owed to us. Customer bankruptcies also entail the risk of potential recovery by the bankruptcy estate of amounts previously paid to us that are deemed a preference under bankruptcy laws. There can be no assurance that customers will not declare bankruptcy or suffer financial distress, in which case our future revenues, net income and cash flow could be reduced.

In addition, we structure our agreements with customers to mitigate our risks related to obsolete, aged, or unsold inventory. However, enforcement of these contracts may result in material expense and delay in payment for inventory. If any of our significant customers become **insolvent** unable or otherwise unable unwilling to pay for the manufacturing services provided by us, purchase such inventory, our operating results and financial condition would business may be adversely affected, materially harmed.

We depend on a limited number of suppliers for certain components that are critical to our manufacturing processes. A shortage of these components or an increase in their price could interrupt our operations and result in a significant change in our results of operations.

We are dependent on many suppliers, including sole source suppliers, to provide key components and raw materials used in manufacturing customers' products. We have seen supply shortages in certain electronic components. In addition, our suppliers' facilities may also experience **earthquakes, tsunamis and closures or limited production due to natural disasters or other natural disasters** reasons, which may cause a shortage of components. This can result in longer lead times and the inability to meet our **customers request** customers' requests for flexible production and extended shipment dates. If demand for components outpaces supply, capacity delays could affect future operations. Delays in deliveries from suppliers or the inability to obtain sufficient quantities of components and raw materials have and may continue to cause delays or reductions in shipment of products to our customers which could adversely affect our operating results and damage customer relationships.

Key Tronic continues to work closely with its employees and key suppliers to ascertain delays attributable to the COVID-19 pandemic. Delays in production and extended transit times of critical parts have and may continue to cause a shortage of components.

We operate in a highly competitive industry; if we are not able to compete effectively in the contract manufacturing industry, our business could be adversely affected.

Competitors may offer customers lower prices on certain high volume programs. This could result in price reductions, reduced margins and loss of market share, all of which would materially and adversely affect our business, operating results, and financial condition. If we were unable to provide comparable or better manufacturing services at a lower cost than our competitors, it could cause sales to decline. In addition, competitors can copy our non-proprietary designs and processes after we have invested in development of products for customers, thereby enabling such competitors to offer lower prices on such products due to savings in development costs.

Fluctuations in foreign currency exchange rates have increased and could continue to increase our operating costs.

We have manufacturing operations located in Mexico and China. A significant portion of our operations are denominated in the Mexican **peso** Peso and the Chinese currency, the renminbi ("RMB"). Currency exchange rates fluctuate daily as a result of a number of factors, including changes in a country's political and economic policies. Volatility in the currencies of our entities and the United States dollar, as well as inflationary costs, could seriously harm our business, operating results and financial condition. The primary impact of currency exchange fluctuations is on the cash, receivables, payables and expenses of our operating entities. As part of our hedging strategy, we **may currently** use Mexican **peso** Peso forward contracts to hedge future foreign currency fluctuations for a portion of our Mexican **peso** Peso denominated expenses. We currently do not hedge expenses denominated in **RMB**. **Unexpected losses could occur** RMB and have occasionally also been unable to hedge expenses denominated in Mexican Peso. Losses have occurred from increases in the value of these currencies relative to the United States **dollar**. **dollar** and further losses could occur, which could be material to our business, financial results or operations.

Global economic and political events **including as a result of COVID-19, can lead to** or significant currency exchange fluctuations, can occur, **causing and cause further** unexpected losses. Future temporary closures of production facilities in Mexico could also cause significant changes in our ability to qualify for hedge accounting treatment of our forward contracts to hedge foreign currency fluctuations. **However, given the unprecedented nature of the pandemic the FASB staff believes that an entity may apply the exception in paragraph 815-30-40-4 for rare cases caused by extenuating circumstances that are related to the nature of the forecasted transaction and are outside the control or influence of an entity to delays in the timing of the forecasted transactions if those delays are related to the effects of the COVID-19 pandemic and are considered probable to still occur. In addition, the FASB staff believes that it would be acceptable for an entity to determine that missed forecasts related to the effects of the COVID-19 pandemic need not be considered when determining whether it has exhibited a pattern of missing forecasts that would call into question its ability to accurately predict forecasted transactions and the propriety of using cash flow hedge accounting in the future for similar transactions.**

Our success will continue to depend to a significant extent on our key personnel, personnel and our ability to execute our management succession plans.

Our future success depends in large part on the continued service of our key technical, marketing and management personnel and on our ability to continue to attract and retain qualified production employees. There can be no assurance that we will be successful in attracting and retaining such personnel, particularly in our manufacturing locales that may be experiencing high demand for similar key personnel. The loss of key employees could have a material adverse effect on our business, operating results and financial condition.

In addition, we must successfully manage transition issues that may result from the departure or retirement of members of our leadership team. For example, our Chief Executive Officer retired at the end of fiscal year 2024 and is succeeded by our former Chief Financial Officer. Any significant leadership change or senior management transition involves inherent risks and any failure to ensure a smooth transition could hinder our strategic planning, business execution, and future performance. We cannot provide assurances that any changes of management personnel will not cause disruption to operations or customer relationships or a decline in our operating results.

Start-up costs and inefficiencies related to new or transferred programs can adversely affect our operating results and such costs may not be recoverable if such new programs or transferred programs are canceled or don't meet expected sales volumes.

Start-up costs, the management of labor and equipment resources in connection with the establishment of new programs and new customer relationships, and the need to obtain required resources in advance can adversely affect our gross margins and operating results. These factors are particularly evident in the ramping stages of new programs. These factors also affect our ability to efficiently use labor and equipment. We **are currently managing** continuously manage a number of new programs. Consequently, our exposure to these factors **has increased, is consistently elevated**. In addition, if any of these new programs or new customer relationships were terminated, our operating results could be harmed, particularly in the short term. We may not be able to recoup these start-up costs or replace anticipated new program revenues.

Customers may change production timing and demand schedules which makes it difficult for us to schedule production and capital expenditures and to maximize the efficiency of our manufacturing capacity.

Changes in demand for customer products reduce our ability to accurately estimate the future requirements of our customers. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. We must determine the levels of business that we will seek and accept from customers, set production schedules, commit to procuring inventory, and allocate personnel and resources, based on our estimates of our customers' requirements. Customers can require sudden increases and decreases in production which can put added stress on resources and reduce margins. Sudden decreases in production can lead to excess inventory on hand which may or may not be reimbursed by our customers even when under contract.

Continued growth could further lead to capacity constraints. We may need to transfer production to other facilities, acquire new facilities, or outsource production which could negatively impact gross margin. **The Company has been able to manage the arrival of components in an effort to control inventory levels of customers that have seen sharp**

decreases in demand as a result of market conditions.

Compliance or the failure to comply with current and future environmental and health laws or regulations could cause us significant expense.

We are subject to a variety of domestic and foreign environmental regulations relating to the use, storage, and disposal of materials used in our manufacturing processes. In addition, increasing governmental focus on climate change may result in new environmental regulations that may negatively affect us, our vendors or our customers. As a result, we may incur additional costs or obligations in complying with any new environmental and reporting requirements, as well as increased indirect costs resulting from our vendors or suppliers that get passed on to us.

If we fail to comply with any present or future regulations, we could be subject to future liabilities or the suspension of current manufacturing operations. In addition, such regulations could restrict our ability to expand our operations or could require us to acquire costly equipment, substitute materials, or incur other significant expenses to comply with government regulations.

If our manufacturing processes and services do not comply with applicable statutory and regulatory requirements, or if we manufacture products containing design or manufacturing defects, demand for our services may decline and we may be subject to liability claims.

We manufacture and design products to our customers' specifications, and, in some cases, our manufacturing processes and facilities may need to comply with applicable statutory and regulatory requirements. For example, medical devices that we manufacture or design, as well as the facilities and manufacturing processes that we use to produce them, are regulated by the Food and Drug Administration and non-U.S. counterparts of this agency. In addition, our customers' products and the manufacturing processes that we use to produce them often are highly complex. As a result, products that we manufacture may at times contain manufacturing or design defects, and our manufacturing processes may be subject to errors or not be in compliance with applicable statutory and regulatory requirements. Defects in the products we manufacture or design, whether caused by a design, manufacturing or component failure or error, or deficiencies in our manufacturing processes, may result in delayed shipments to customers or reduced or canceled customer orders. If these defects or deficiencies are significant, our business reputation may also be damaged. The failure of the products that we manufacture or our manufacturing processes and facilities to comply with applicable statutory and regulatory requirements may subject us to legal fines or penalties and, in some cases, require us to shut down or incur considerable expense to correct a manufacturing process or facility. Our customers are required to indemnify us against liability associated with designing products to meet their specifications. However, if our customers are responsible for the defects, they may not, or may not have resources to, assume responsibility for any costs or liabilities arising from these defects, which could expose us to additional liability claims.

If we do not manage our growth effectively, our profitability could decline.

Our When our business is experiencing growth, which such growth can place considerable additional demands upon our management team and our operational, financial and management information systems. Our ability to manage growth effectively requires us to continue to implement and improve these systems; avoid cost overruns; maintain customer, supplier and other favorable business relationships during possible transition periods; manage appropriate inventory levels; continue to develop the management skills of our managers and supervisors; and continue to train, motivate and manage our employees. Our failure to effectively manage growth could have a material adverse effect on our results of operations.

Energy price increases may negatively impact our results of operations.

Certain components that we use in our manufacturing process are petroleum-based. In addition, we, along with our suppliers and customers, rely on various energy sources in our transportation activities. While significant uncertainty currently exists about the future levels of energy prices, a significant increase, such as the increased fuel prices experienced in fiscal year 2023, 2022, is possible. Increased energy prices could cause an increase to our raw material costs and transportation costs. In addition, increased transportation costs related to certain suppliers and customers could be passed along to us. We may not be able to increase our product prices enough to offset these increased costs. In addition, any increase in our product prices may reduce our future customer orders and profitability.

TECHNOLOGY RISKS

Our operations are subject to cyberattacks that have had and could have a material adverse effect on our business.

We are increasingly dependent on digital technologies and services to conduct our operations. We use these technologies for internal purposes, including data storage, processing and transmissions, as well as in our interactions with vendors and customers. Digital technologies and services are subject to the risk of cybersecurity incidents and some incidents can remain undetected for a period of time.

We routinely monitor our systems for cyber threats and believe we have sufficient processes in place to detect and remediate vulnerabilities. Nevertheless, we have experienced attempted security breaches, such as phishing emails and other targeted attacks. For example, as previously disclosed in our Form 8-K filed with the SEC on May 10, 2024, as amended, we became aware of unauthorized access to our IT systems that resulted in a material impact on our financial condition and results of operations during the fourth quarter ending June 29, 2024 (the "Previously Disclosed Cyber Incident"). We expect that our operations will continue to be subject to cyber threats, and any future cybersecurity incident could significantly disrupt our operations.

Cybersecurity The threat actor in the Previously Disclosed Cyber Incident exfiltrated certain personally identifiable information, and future cybersecurity incidents could also result in the misappropriation of proprietary or confidential information of the Company or that of its customers, employees, vendors or suppliers. We have incurred and expect to continue to incur costs in the future to mitigate against the Previously Disclosed Cyber Incident and other cybersecurity incidents as threats are expected to continue and to become more persistent and sophisticated. If our systems for protecting against cybersecurity incidents, including the Previously Disclosed Cyber Incident, prove not to be insufficient, sufficient, we could be adversely affected by, among other things, loss of or damage to intellectual property, proprietary or confidential information, or employee, vendor or customer data; interruption of our business operations; and increased costs to prevent, respond to or mitigate cybersecurity incidents. These In addition, our investigation of the Previously Disclosed Cyber Incident is ongoing, and we may discover other impacts or new events related to this incident that could affect the Company, including our business, financial condition or results of operations. Any of these risks could harm our reputation and our relationships with employees, vendors and customers and may result in claims or enforcement actions and investigations against us.

Disruptions to our information systems, including losses of data or outages, could adversely affect our operations.

We rely on information technology networks and systems to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure for a variety of functions, including worldwide financial reporting, inventory management, procurement, invoicing and email communications. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, terrorist attacks and similar events. If we or our vendors are unable to prevent such outages, our operations could be disrupted.

If we are unable to maintain our technological and manufacturing process expertise, our business could be adversely affected.

The markets for our customers' products are characterized by rapidly changing technology, evolving industry standards, frequent new product introductions and short product life cycles. The introduction of products embodying new technologies or the emergence of new industry standards can render existing products obsolete or unmarketable. Our success will depend upon our customers' ability to enhance existing products and to develop and introduce, on a timely and cost-effective basis, new products that keep pace with technological developments and emerging industry standards and address evolving and increasingly sophisticated customer requirements. Failure of our customers to do so could substantially harm our customers' competitive positions. There can be no assurance that our customers will be successful in identifying, developing and marketing products that respond to technological change, emerging industry standards or evolving customer requirements.

RISKS RELATED TO CAPITAL AND FINANCING

Our failure to comply with the covenants in our credit arrangements could materially and adversely affect our financial condition.

We have restrictive covenants with our financial institutions that impact how we manage our business. We have not always met these covenants in the past and have had to obtain waivers and amend our Loan Agreement, including for events of default related to breaches of the fixed charge coverage ratio for fiscal quarter ended March 30, 2024 and the periods ended June 29, 2024 and July 27, 2024. The amendment waiving the event of default for fiscal quarter ended March 30, 2024 resulted in an increase in interest rates and shortened the maturity date to September 3, 2025. In addition, this amendment reduced the minimum requirement for the fixed charge coverage ratio from 1.25:1.00 to 1.00:1.00 as of March 30, 2024, with the minimum requirement to increase as follows: 1.05:1.00 on July 27, 2024, 1.15:1.00 on October 26, 2024, 1.20:1.00 on January 25, 2025 and 1.25:1.00 on and after March 29, 2025. As noted above, we were unable to meet this ratio for the periods ended June 29, 2024 and July 27, 2024, and we also breached a covenant requiring us to deliver audited financial statements to the lender within 90 days of the Company's fiscal year-end. As a result, we had to further amend our Loan Agreement on October 9, 2024. The amendment waiving these events of default resulted in an increase in interest rates and increased the availability block, which reduces the calculated borrowing base under the Loan Agreement, from \$8 million to \$10 million, with further increases to \$11 million and \$12 million to be effective on December 31, 2024 and March 31, 2025, respectively.

We may not meet the minimum fixed charge coverage ratio or comply with other covenants in the future and may not be able to obtain waivers or amendments from the relevant lenders on terms acceptable to us, or at all. In the event we breach any covenant that results in an event of default, our lenders could choose to accelerate payment of the amounts owed by the Company. Under those circumstances our borrowings could become immediately payable. The amendment of our credit arrangements on unfavorable terms or the acceleration of our payment obligations thereunder, would have a material adverse effect on our business, financial condition, results of operations and cash flows. For a summary of our debt obligations, see Note 4 - "Long-Term Debt" of the Notes to Consolidated Financial Statements.

Our ability to secure and maintain sufficient credit arrangements is key to our continued operations.

There is no assurance that we will be able to retain, renew, or refinance our credit arrangements on terms acceptable to us, or at all. As noted in the prior risk factor, a recent amendment to our Loan Agreement shortened the maturity date to September 3, 2025. On September 27, 2024, in connection with the preparation of this Annual Report on Form 10-K, we entered into an additional amendment to the Loan Agreement to extend the maturity date by three months to December 3, 2025. Because our Loan Agreement terminates on December 3, 2025, we need to extend, renew or refinance this agreement in the coming months. The terms available to us may be less favorable than the terms of our existing Loan Agreement. Our inability to extend, renew, or refinance our indebtedness on a timely basis could also result in unfavorable accounting treatment. This could include management and our independent auditors concluding on risks over the Company's ability to continue as a going concern. Our inability to extend, renew or refinance our credit arrangements could have a material adverse impact on our business, financial condition, results of operations and cash flows.

Additionally, in the event that our business grows rapidly or there is uncertainty in the macroeconomic climate, additional financing resources could be necessary in the current or future fiscal years. There is no assurance that we will be able to obtain equity or debt financing at acceptable terms, or at all, in the future.

Adverse changes in the interest rates of our borrowings could adversely affect our financial condition.

We are exposed to interest rate risk under our revolving line of credit and term loans. We have not historically hedged the interest rate on our credit facility; therefore, unless we do so, significant changes in interest rates could adversely affect our results of operations. For a summary of our debt obligations, see Note 4 - "Long-Term Debt" of the Notes to Consolidated Financial Statements.

Cash and cash equivalents are exposed to concentrations of credit risk.

We place our cash with high credit quality institutions. At times, such balances may be in excess of the federal depository insurance limit or may be on deposit at institutions which are not covered by insurance. If such institutions were to become insolvent during which time it held our cash and cash equivalents in excess of the insurance limit, it could be necessary to obtain other credit financing to operate our facilities.

Our ability to secure and maintain sufficient credit arrangements is key to our continued operations.

There is no assurance that we will be able to retain or replace our credit agreements in the future or obtain sufficient capital for operating requirements. In the event the business grows rapidly or there is uncertainty in the macroeconomic climate, additional financing resources could be necessary. There is no assurance that we will be able to obtain equity or debt financing at acceptable terms, maintain sufficient borrowing capacity on the existing revolver, or at all in the future. In addition, we have restrictive covenants with our financial institution which could impact how we manage our business. If we cannot meet our financial covenants, our borrowings could become immediately payable which could have a material adverse impact on our financial statements. For a summary of our banking arrangements, see Footnote "Long-Term Debt" of the "Notes to Consolidated Financial Statements."

An adverse change in the interest rates for our borrowings could adversely affect our financial condition.

We are exposed to interest rate risk under our revolving line of credit and term loan. We have not historically hedged the interest rate on our credit facility; therefore, unless we do so, significant changes in interest rates could adversely affect our results of operations. For a summary of our debt obligations, see Footnote "Long-Term Debt" of the "Notes to Consolidated Financial Statements."

Our stock price is volatile.

Our stock price has and may continue to be subject to wide fluctuations and possible rapid increases or declines over a short time period. These fluctuations may be due to factors specific to us such as our stock's thinly traded nature, variations in quarterly operating results, changes in earnings estimates, matters arising from the subject matter of the Audit Committee's internal investigation, or to factors relating to the contract manufacturing industry or to the securities markets in general, which, in recent years, have experienced significant price fluctuations. These fluctuations often have been unrelated to the operating performance of the specific companies whose stocks are traded. In addition, holders of our common stock will suffer immediate dilution to the extent outstanding equity awards are exercised to purchase common stock.

RISKS RELATED TO OUR CONTROLS AND PROCEDURES AND THE INTERNAL INVESTIGATION

We have concluded that our internal control over financial reporting and our disclosure controls and procedures were not effective as of June 29, 2024 due to material weaknesses, which has adversely affected our ability to report our financial results in a timely and accurate manner and could have a material adverse impact on our business and financial condition.

We are required to evaluate the effectiveness of our disclosure controls and procedures and our internal control over financial reporting on a periodic basis and publicly disclose the results of these evaluations and related matters in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. As described in Item 9A, Controls and Procedures of this Annual Report on Form 10-K, we have identified a material weakness in the design and implementation of effective controls over the accounting for revenue recognition relating to cost recovery of material price variances. We have also identified a material weakness in the design and implementation of effective controls over the adoption of new accounting standards. As a result of these material weaknesses, our management concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of June 29, 2024.

We are engaged in developing and implementing a remediation plan, as described in Item 9A. Controls and Procedures of this Annual Report on Form 10-K, designed to address the material weaknesses, but our remediation efforts are not complete and are ongoing. Although we are working to remedy the ineffectiveness of the Company's internal control over financial reporting, there can be no assurance as to when the remediation plan will be fully developed, when it will be fully implemented or the aggregate cost of implementation. Until our remediation plan is fully implemented, our management will continue to devote time and attention to these efforts. If we do not complete our remediation in a timely fashion, or at all, or if our remediation plan is inadequate, there will continue to be an increased risk that we will be unable to timely file future periodic reports with the SEC and that our future consolidated financial statements could contain errors that will be undetected. If we are unable to report our results in a timely and accurate manner, our stock may be delisted from the NASDAQ Global Market and we will not be able to comply with the applicable covenants in our financing arrangements, including our Loan Agreement, as described in —Risks Related to Capital and Financing—“Our failure to comply with the covenants in our credit arrangements could materially and adversely affect our financial condition.” In addition, we could be subject to regulatory investigations and penalties or stockholder litigation. Any of these risks could have a material adverse impact on our business and financial condition.

If we fail to maintain proper and effective internal controls, our business and financial condition could be materially adversely impacted.

We have previously identified a material weakness in our internal control over financial reporting, and undertook remediation efforts to address the identified deficiencies and concluded cannot assure you that the material weakness was remediated as of July 3, 2021. If other we will not discover additional deficiencies in our internal control over financial reporting are discovered or occur reporting. Moreover, as discussed in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results and incur the additional costs and expenses associated therewith. Moreover, following risk factor, because of the inherent limitations of any control system, material misstatements due to error or fraud may not be prevented or detected on a timely basis, or at all. As of July 2, 2023 June 29, 2024, we are a non-accelerated filer under the Exchange Act and are not required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act). Therefore, our internal controls over financial reporting will not receive the level of review provided by the process relating to the auditor attestation included in annual reports of issuers that are subject to the auditor attestation requirements.

If we

Further and continued determinations that there are unable to provide reliable and timely financial reports deficiencies in the future, effectiveness of the Company's internal control over financial reporting could result in another restatement of our business and reputation may be further harmed. Restated consolidated financial statements, and failures in internal controls may also cause us to fail to meet additional our reporting obligations, reduce our ability to obtain financing, negatively affect investor confidence in our management and the accuracy of our financial statements and disclosures, or result in adverse publicity and concerns from investors, any of which could have a negative effect on the price of our common stock, subject us to regulatory investigations and penalties or stockholder litigation, and materially adversely impact our business, financial condition, results of operations and cash flows.

Matters relating to or arising from the subject of the Audit Committee's internal investigation, including expenses and diversion of personnel and resources, regulatory investigations, and proceedings and litigation matters, could have an adverse effect on our business, results of operations and financial condition.

We have incurred, and may continue to incur, significant expenses related to legal, accounting and other professional services in connection with matters relating to or arising from the subject of the Audit Committee's internal investigation. We have taken steps in order to remediate identified deficiencies in our internal control over financial reporting and attempt to reduce the risk of future recurrence. To the extent these steps were not successful, we may incur significant additional time and expense.

In addition, we are cooperating with the Securities and Exchange Commission (the “SEC”) regarding matters related to the internal investigation. The completion of the internal investigation did not automatically resolve the SEC's inquiries. If the SEC or any other regulator were to commence legal action against us, we could be required to pay significant penalties and become subject to injunctions, cease and desist orders or other remedies. We can provide no assurances as to the outcome of any governmental inquiry or investigation. Further, we, our officers and members of our board of directors could be named as defendants in lawsuits asserting claims arising out of the subject matter of the Audit Committee's internal investigation. As a result of any legal proceedings and any related indemnification requirements to our officers and directors, we could be required to pay monetary damages that may be in excess of our insurance coverage or may have additional penalties or other remedies imposed against us or our officers and directors.

All of these expenses, and the diversion of the attention of management and other personnel that has occurred and is expected to continue, could adversely affect our business, financial condition, results of operations and cash flows.

Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors, theft and fraud, or in informing management of all material information in a timely manner.

Management does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors or fraud. A control system is designed to give reasonable, but not absolute, assurance that the objectives of the control system are met. In addition, any control system reflects resource constraints and the benefits of controls must be considered relative to their costs. Inherent limitations of a control system may include: judgments in decision making may be faulty, breakdowns can occur simply because of error or mistake and controls can be circumvented by collusion or management override. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Matters relating to or arising from the subject of the Audit Committee's internal investigation, including expenses and diversion of personnel and resources, regulatory investigations, and proceedings and litigation matters, could have an adverse effect on our business, results of operations and financial condition.

We have incurred, and may continue to incur, significant expenses related to legal, accounting and other professional services in connection with matters relating to or arising from the subject of the Audit Committee's internal investigation in fiscal year 2022. To the extent these steps taken to remediate identified deficiencies in our internal controls over financial reporting were not successful, we may incur significant additional time and expense.

In addition, we continue to cooperate with the Securities and Exchange Commission (the "SEC") regarding matters related to the internal investigation. The completion of the internal investigation in fiscal year 2022 did not automatically resolve the SEC's inquiries. If the SEC or any other regulator were to commence legal action against us, we could be required to pay significant penalties and become subject to injunctions, cease and desist orders or other remedies. We can provide no assurances as to the outcome of any governmental inquiry or investigation. Further, we, our officers and members of our Board of Directors could be named as defendants in lawsuits asserting claims arising out of the subject matter of the Audit Committee's internal investigation. As a result of any legal proceedings and any related indemnification requirements to our officers and directors, we could be required to pay monetary damages that may be in excess of our insurance coverage or may have additional penalties or other remedies imposed against us or our officers and directors.

All of these expenses, and the diversion of the attention of management and other personnel that has occurred and is expected to continue, could adversely affect our business, financial condition, results of operations and cash flows.

LEGAL AND ACCOUNTING RISKS

We have restated certain of our prior consolidated financial statements, which has resulted in unanticipated costs and may lead to additional risks and uncertainties, including loss of investor confidence, regulatory action or litigation.

In this Annual Report on Form 10-K, we have restated or revised certain of our previously issued financial statements. This process has been time-consuming and expensive, including unanticipated costs for accounting and legal fees. The restatement and revisions also expose us to additional risks that could adversely affect our business and financial condition, such as litigation, regulatory action or loss of investor confidence. Lawsuits or regulatory investigations may invoke federal and state securities law claims, contractual claims or other claims arising from the restatement, revisions and material weaknesses in our internal control over financial reporting. We may incur substantial defense costs regardless of the outcome of any litigation or regulatory investigation, and such events might cause a diversion of our management's time and attention. If we do not prevail in any litigation or regulatory action, we could be required to pay substantial damages, penalties or settlement costs. In addition, the restatement and revisions may lead to a loss of investor confidence and have negative impacts on the trading price of our common stock.

We are involved in various legal proceedings.

In the past, we have been notified of claims relating to various matters including contractual matters, intellectual property rights or other issues arising in the ordinary course of business. In the event of such a claim, we may be required to spend a significant amount of money to defend or otherwise address the claim. Any litigation or dispute resolution, even where a claim is without merit, could result in substantial costs and diversion of resources. Accordingly, the resolution or adjudication of such disputes,

even those encountered in the ordinary course of business, could have a material effect on our business, consolidated financial conditions and results of operations.

Changes in securities laws and regulations will increase our costs and risk of noncompliance.

We are subject to additional requirements contained in the U.S. federal securities laws, including provisions of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Sarbanes-Oxley and Dodd-Frank Acts required or will require changes in some of our corporate governance, securities disclosure and compliance practices. The SEC and NASDAQ Global Market ("Nasdaq") have promulgated new rules and additional rulemaking is expected in the future. Compliance with these new rules and future rules has increased and is expected to may increase further our legal, financial and accounting costs as well as a potential risk of noncompliance. Absent significant changes in related rules, which we cannot assure, we anticipate some level of increased costs related to these new regulations to continue indefinitely. We also expect these developments to make it more difficult and more expensive to obtain director and officer liability insurance, and we may be forced to accept reduced coverage or incur substantially higher costs to obtain coverage. Likewise, these developments may make it more difficult for us to attract and retain qualified members of our Board of Directors or qualified management personnel. Further, the costs associated with the compliance with and implementation of procedures under these and future laws and related rules could have a material impact on our results of operations. In addition, the costs associated with noncompliance with additional securities laws and regulations could also impact our business.

Changes in financial accounting standards may affect our reported financial condition or results of operations as well as increase costs related to implementation of new standards and modifications to internal controls.

Our consolidated financial statements are prepared in conformity with accounting standards generally accepted in the United States, or U.S. GAAP. These principles are subject to amendments made primarily by the Financial Accounting Standards Board (FASB) and the SEC. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions which are completed before a change is announced. Changes to accounting rules or challenges to our interpretation or application of the rules by regulators may have a material adverse effect on our reported financial results or on the way we conduct business.

GENERAL RISKS

Our levels of insurance coverage may not be sufficient for potential damages, claims or losses.

We have various forms of business and liability insurance which we believe are appropriate based on the needs of companies in our industry. As a result, not all of our potential business risks or potential losses would be covered by our insurance policies. If we sustain a significant claim or loss which is not covered by insurance, our net income could be negatively impacted.

We may encounter complications with acquisitions, which could potentially harm our business.

Any current or future acquisitions may require additional equity financing, which could be dilutive to our existing shareholders, or additional debt financing, which could potentially affect our credit ratings. Any downgrades in our credit ratings associated with an acquisition could adversely affect our ability to borrow by resulting in more restrictive borrowing terms. To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The integration of acquired businesses may be further complicated by difficulties managing operations in geographically dispersed locations. The integration of acquired businesses may not be successful and could result in disruption by diverting management's attention from the core business. In addition, the integration of acquired businesses may require that we incur significant restructuring charges or other increases in our expenses and working capital requirements, which reduce our return on invested capital.

Acquisitions may involve numerous other risks and challenges including but not limited to: potential loss of key employees and customers of the acquired companies; the potential for deficiencies in internal controls at acquired companies; lack of experience operating in the geographic market or industry sector of the acquired business; constraints on available

liquidity, and exposure to unanticipated liabilities of acquired companies. These and other factors could harm our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our consolidated business and operating results.

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 1C. CYBERSECURITY

Risk Management and Strategy

We have developed and implemented cybersecurity processes to assess, identify and manage material risks from cybersecurity threats. These processes are based on the National Institute of Standards and Technology Cybersecurity Framework (NIST CSF) and are designed to protect the integrity and security of our information systems. Our cybersecurity processes are a part of our risk management system, sharing governance processes and reporting structures with other components of our enterprise-wide system. Our cybersecurity processes include security monitoring and threat hunting through a third-party managed vendor and mandatory, Company-wide employee training. Our cybersecurity processes also extend to the oversight and identification of risks associated with our vendors and customers if their computer systems interface with our information systems. Upon detection of a potentially material cybersecurity incident, such as the Previously Disclosed Cyber Incident, we activate our cyber incident procedure to investigate, contain and remediate the incident. Depending on the extent and severity of the incident, we have, and may in the future, engage third-party cybersecurity consultants to assist with our cyber incident procedure.

Risks from cybersecurity threats, including as a result of the Previously Disclosed Cyber Incident, have materially affected us, including our results of operations and financial condition. We continue to face risks from this and other cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition. See "Risk Factors – Technology Risks."

Governance

Our Board of Directors is responsible for the oversight of risk management for the Company, including the review and assessment of the Company's enterprise risk management approach and processes. Our Board of Directors has delegated certain responsibility for the oversight of risks from cybersecurity threats to the Audit Committee. At each regularly scheduled quarterly meeting, and more frequently as necessary, management provides updates to the Audit Committee and our Board of Directors regarding the risks from cybersecurity threats. These updates include information regarding cybersecurity strategies, management structure, mitigation activities and an analysis of any actual or potential cybersecurity incidents.

Our management team, including our Chief Executive Officer and Executive Vice President of Quality and Information Systems, is responsible for assessing and managing our material risks from cybersecurity threats. In particular, our EVP of Quality and Information Systems, who reports directly to our Chief Executive Officer, oversees the implementation of controls designed to prevent, detect, mitigate and recover from cybersecurity threats and cybersecurity incidents. Our current EVP of Quality and Information Systems has a Bachelor of Science degree in Mechanical Engineering and over 14 years of experience building and executing information system strategies. The other members of our management team do not have specialized information systems or cybersecurity backgrounds but have general experience managing financial, legal and operational risks. Our EVP of Quality and Information Systems, along with his team, routinely monitors the Company's information systems for cybersecurity threats and will be notified upon the occurrence of a potential cybersecurity incident.

Upon detection of a potentially material cybersecurity incident, such as the Previously Disclosed Cyber Incident, management will inform the Audit Committee and/or our Board of Directors and, if the incident is deemed material, will disclose the incident pursuant to SEC rules and regulations.

Item 2. PROPERTIES AS OF DATE OF FILING

We have manufacturing and sales operations located in the United States, Mexico, China and Vietnam. The table below lists the locations and square footage of our operating facilities:

Location	Approx. Sq. Ft.	Type of Interest (Leased/Owned)	Description of Use
Corinth, Mississippi	350,000	Leased	Manufacturing and warehouse
El Paso, Texas	80,000	Leased	Shipping and warehouse
Fayetteville, Arkansas	105,000	Leased	Manufacturing and warehouse
Oakdale, Minnesota	103,000	Leased	Manufacturing and warehouse
Spokane Valley, Washington	95,000	Leased	Sales, research, administration and manufacturing
Spokane Valley, Washington	36,000	Leased	Manufacturing
Total USA	769,000		
Juarez, Mexico	193,000	Leased	Warehouse
Juarez, Mexico	174,000	Owned	Manufacturing and warehouse
Juarez, Mexico	115,000	Owned	Manufacturing and warehouse
Juarez, Mexico	103,000	Owned	Manufacturing and warehouse
Juarez, Mexico	72,000	Leased	Manufacturing and warehouse
Juarez, Mexico	66,000	Owned	Manufacturing and warehouse
Juarez, Mexico	60,000	Owned	Manufacturing and warehouse
Juarez, Mexico	116,000	Leased	Manufacturing and warehouse
Juarez, Mexico	159,000	Leased	Manufacturing and warehouse
Total Mexico	1,058,000	899,000	
Shanghai, China	9,000	Leased	Manufacturing and warehouse
Total China	9,000	103,000	
Da Nang, Vietnam	133,000	Leased	Manufacturing and warehouse
Total Vietnam	133,000		
Grand Total	1,969,000	1,904,000	

The geographic diversity of these locations allows us to offer services near certain of our customers and major electronics markets with the additional benefit of reduced labor costs. We consider the productive capacity of our current facilities sufficient to carry on our current business. In addition, in Juarez, Mexico one of our buildings includes adjacent vacant land that could be developed into additional manufacturing and warehouse space.

All our facilities are ISO certified to ISO 9001:2015 standard and to Customs Trade Partnership against Terrorism (CTPAT).

- The Spokane, Washington facility is registered to IATF 16949 automotive standard, ISO 13485:2016 medical devices, ISO 14001:2015 environmental standard, and ISO 45001 Occupational Health and Safety Management System.
- The Juarez, Mexico facility is registered to IATF 16949 automotive standard, ISO 13485:2016 medical devices, ISO 14001:2015 environmental standard, ISO 45001 Occupational Health and Safety Management System, and has a certified ANSI/ESD S2.20 Electrostatic Discharge Program.
- The Da Nang, Vietnam facility is additionally registered to IATF 16949 automotive standard.
- The Shanghai, China facility is additionally registered to IATF 16949 automotive standard, ISO 45001 Occupational Health and Safety Management System, ISO 14001:2015 environmental standard, and has a certified ANSI/ESD S2.20 Electrostatic Discharge Control Program.
- The Oakdale, Minnesota facility is additionally registered to ISO 13485:2016 medical devices standard, AS9100D aviation, space and defense standard, and has a certified ANSI/ESD S2.20 Electrostatic Discharge Control Program, and is NADCAP certified.
- The Fayetteville, Arkansas facility is additionally registered to AS9100D aviation, space and defense standard and has a certified ANSI/ESD S2.20 Electrostatic Discharge Control Program.
- The Corinth, Mississippi facility is additionally registered to ISO 14001:2015 and ISO/IEC 80079-34 explosive atmospheres.
- The Oakdale, Minnesota; Corinth, Mississippi; Fayetteville, Arkansas and Spokane, Washington facilities are all registered with the U.S. State Department for International Traffic in Arms Regulations (ITAR).

Item 3. **LEGAL PROCEEDINGS**

We are a party to certain lawsuits or claims in the ordinary course of business. We do not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flow, although an adverse resolution against the Company in a fiscal quarter or year could have a material adverse effect on the Company's results of operations in a particular quarter or year. For further details on claims, see Note 9.8. Commitments and Contingencies in the Notes to Consolidated Financial Statements.

Item 4. **MINE SAFETY DISCLOSURES**

Not Applicable

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the NASDAQ Global Market under the symbol "KTCC." Quarterly high and low sales prices for our common stock for fiscal year 2023 2024 and fiscal year 2022 2023 were as follows:

	2023		2022		2024				2023	
	High	Low	High	Low	High	Low	High	Low	High	Low
First First										
Quarter Quarter	\$5.50	\$4.00	\$7.48	\$6.45						
Second Second										
Quarter Quarter	5.18	4.03	6.73	5.95						
Third Third										
Quarter Quarter	7.50	4.33	6.55	5.26						
Fourth Fourth										
Quarter Quarter	7.53	5.18	5.74	4.27						

High and low stock prices are based on the daily sales prices reported by the NASDAQ Stock Market. These quotations represent prices between dealers without adjustment for markups, markdowns, and commissions, and may not represent actual transactions.

Holders and Dividends

As of July 1, 2023 June 29, 2024, we had 569 561 shareholders of common stock on record. As a result of our credit agreements, we are restricted from declaring or paying dividends in cash or stock without Bank of America's prior written consent. We have not paid a cash dividend and do not anticipate payment of dividends in the foreseeable future.

Equity Compensation Plan Information

Information concerning securities authorized for issuance under our equity compensation plans is set forth in Part III, Item 12 of this Annual Report on Form 10-K, under the caption "Equity Compensation Plan Information," and that information is incorporated herein by reference.

Performance Graph

We are a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and therefore are not required to provide the performance graph required in paragraph (e) of Item 201 of Regulation S-K.

Item 6: [RESERVED]

Item 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Restatement

This Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement of the Company's previously issued consolidated financial statements as of and for the years ended July 1, 2023 and July 2, 2022. The restatement was due to errors in recording cost recovery related to material price variances in certain of the Company's facilities. These errors led to an understatement of both revenue and cost of goods sold during the impacted periods. For additional information, see Note 14 - "Restatement of Previously Issued Financial Statements" in the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K. The Company's previously issued unaudited interim consolidated statements of operations for the quarters ended March 30, 2024, December 30, 2023, September 30, 2023, April 1, 2023, December 31, 2022, October 1, 2022, April 2, 2022, January 1, 2022, and October 2, 2021 have also been restated due to these errors, and the Company's previously issued unaudited interim balance sheets as of March 30, 2024, December 30, 2023, September 30, 2023 have been revised due to errors related to the adoption of ASU 326. For additional information regarding these interim periods, see Note 15 - "Restatement and Revision of Interim Financial Information" of the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K.

Overview

Key Tronic is a leading contract manufacturer offering value-added design and manufacturing services from its facilities in the United States, Mexico, China, and Vietnam. We provide The Company provides its customers full engineering services, materials management, worldwide manufacturing facilities, assembly services, in-house testing, and worldwide distribution and unparalleled customer service. Our distribution. Its customers include some of the world's leading original equipment manufacturers, and our manufacturers. Our combined capabilities and vertical integration are proving to be a desirable offering to our expanded customer base.

Our domestic and international production capability provides our customers with benefits of improved supply-chain management, reduced inventories, lower transportation costs, and reduced product fulfillment time. We continue to make investments in all of our operating facilities to give us the production capacity, capabilities and logistical advantages to continue to win new business. The following information should be read in conjunction with the consolidated financial statements included herein and with Part II Item 1A, Risk Factors included as part of this filing.

Our mission is to provide our customers with superior manufacturing and engineering services at the lowest total cost for the highest quality products, and create long-term mutually beneficial business relationships by employing our "Trust, Commitment, Results" philosophy.

Executive Summary

During the fourth quarter of fiscal year 2023, we won new programs involving inventory control, clean energy, medical devices, sheet metal fabrication, and distribution monitoring equipment consumer products.

We reported net sales of \$588.1 million for fiscal year 2023, the highest annual revenue in the Company's history, and up 11% for 2024, down 6.3 percent from \$531.8 million for fiscal year 2022. Record annual revenue and strong earnings 2023. The decrease in fiscal year 2023 2024 was driven by successful new program ramps and increased softer demand from Mexico-based programs, and production stoppages due to a number of longstanding customer programs. cybersecurity incident that occurred in the fourth quarter, as previously reported.

Moving into fiscal 2024, year 2025, we expect revenue and earnings to rebound as production has resumed across our facilities. Additionally, the Company is beginning to realize operational efficiencies as a strong result of headcount reductions announced in the third quarter of fiscal year 2024, coupled with a favorable weakening of the Mexican Peso valuation to the US Dollar of approximately 10% beginning in June. We continue to win new programs and relatively high interest expense reduce inventories to constrain our bottom line. At be more aligned with current revenue levels.

For the same time, first quarter of fiscal year 2025, we believe global logistics problems, China-US political tensions and heightened assurance of supply continued supply-chain concerns will continue to drive the favorable trend of contract manufacturing returning to North America.

For the first quarter of fiscal year 2024, the Company expects America, as well as to report revenue in the range of \$140 million to \$150 million, our expanding Vietnam facilities. We continue to see improvement across the metrics associated with business development, including a trend of contract manufacturing returning to North America and a growing significant increase in the number of potential customers evaluating a migration of their China-based manufacturing to our facility in Vietnam. We move into fiscal year 2024 active quotes with a strong backlog and pipeline of potential new business, our inventory more in line with our revenue levels, and continuing improvement in the global supply issues and lower labor turnover. However, we are also seeing some softening in demand from several large customers and one large customer is pausing production during the next quarter to resolve certain of their design issues. Over the longer term, we are well positioned for continued growth and profitability. prospective customers.

We have continued aim to diversify our customer base by adding additional programs and customers. Our current customer relationships involve a variety of products including consumer electronics, electronic storage sheet metal fabrication, medical devices plastics, household and components, water purification products, gaming devices, specialty printers, telecommunications, industrial equipment, military supplies, computer accessories, medical, educational, irrigation, automotive, transportation management, robotics, RFID, power supply, off-road vehicle equipment, fitness equipment, HVAC controls, consumer products, home building products, material handling systems, lighting equipment, consumer security products, smart security, architectural LED lighting, power meters aerospace and smart grid, wireless power solutions, sanitizer dispensing, automotive controllers, oil defense products, recreational and gas drilling, power outdoor equipment, and wireless security, plastics.

Gross profit as a percentage of net sales was 8.1% in both fiscal year 2023 and 2022, respectively. 2024, down from 7.8 percent in 2023. During fiscal year 2023, the gross margins benefited by increased revenue levels along with some stabilization in the labor market. However, 2024, our gross margin was also adversely impacted by a cybersecurity incident late in the year, and continued increases in

Mexican wages as well as the strengthening of the Mexican Peso relative to the US Dollar. Additionally, as previously disclosed, a restructuring of our Mexico-based facility to focus on higher volume manufacturing resulted in severance expenses incurred late in the year which we expect to provide benefits to the gross profit margin in future periods. The level of gross margin is impacted by product mix, timing of the startup of new programs, facility utilization, and pricing within the electronics industry and material costs, which can fluctuate significantly from quarter-to-quarter and year-to-year.

Operating income as a percentage of net sales for fiscal year 2023 2024 was 2.8% 1.2 percent compared to 1.7% 2.7 percent for fiscal year 2022. The increase 2023. In addition to the factors discussed above, we incurred expenses related to the cybersecurity incident late in operating income as the year, and our 2023 results included a percentage of net sales was primarily driven by the gains significant gain on insurance proceeds related to losses incurred from storm damage to the claim on a lightning strike at our Company's Arkansas production facility. facility in 2022.

Net income loss for fiscal year 2023 2024 was \$2.8 million or \$0.26 per share, as compared to net income of \$5.2 million or \$0.47 per share as compared to \$3.4 million or \$0.31 per share for fiscal year 2022. 2023. Earnings for fiscal 2023 2024 continued to be adversely impacted by supply chain, transportation and logistics issues, and increased interest expense.

expense and were also impacted by the cybersecurity incident, and severance expenses.

We maintained a strong balance sheet with a current ratio of 2.3 2.8 and a debt-to-equity ratio of 0.99 0.96. Total cash used in provided by operating activities as defined on our cash flow statement was \$11.3 million \$13.8 million during fiscal year 2023, 2024, as working capital has increased we have continued to support increased revenue. focus on decreasing accounts receivable and inventory balances. We believe we maintain sufficient liquidity for our expected future operations, dependent upon executing projected cash flows from operations and potentially adding additional credit capacities through refinancing current credit agreements or pursuing additional debt structures.

RESULTS OF OPERATIONS

Comparison of the Fiscal Year Ended June 29, 2024 with the Fiscal Year Ended July 1, 2023

The following table sets forth for the periods indicated certain items of the consolidated statements of income expressed as a percentage of net sales. The financial information and discussion below should be read in conjunction with the consolidated financial statements and Footnotes contained in this Annual Report on Form 10-K.

(in thousands)	Fiscal Year Ended					
	June 29, 2024		July 1, 2023		\$ change	
	% of net sales	(Restated)	% of net sales	\$ change	% point change	
Net sales	\$ 566,942	100.0%	\$ 605,315	100.0%	\$ (38,373)	—
Cost of sales	527,063	93.0	557,843	92.2	(30,780)	0.8
Gross profit	39,879	7.0	47,472	7.8	(7,593)	(0.8)
Operating expenses:						

Research, development and engineering	8,333	1.5	9,735	1.6	(1,402)	(0.1)
Selling, general and administrative	25,219	4.4	25,715	4.2	(496)	0.2
Gain on insurance proceeds, net of losses	(431)	(0.1)	(4,301)	(0.7)	3,870	0.6
Total operating expenses	33,121	5.8	31,149	5.1	1,972	0.7
Operating income	6,758	1.2	16,323	2.7	(9,565)	(1.5)
Interest expense, net	11,945	2.1	10,023	1.7	1,922	0.4
Income (loss) before income taxes	(5,187)	(0.9)	6,300	1.0	(11,487)	(1.9)
Income tax provision (benefit)	(2,400)	(0.4)	1,143	0.2	(3,543)	(0.6)
Net income (loss)	\$ (2,787)	(0.5)%	\$ 5,157	0.9%	\$ (7,944)	(1.4)
Effective income tax rate	46.3 %		18.1 %			

Net Sales

The decrease in net sales of \$38.4 million from the prior fiscal year was primarily due to production stoppages due to the cybersecurity incident which caused the company to be unable to fulfill approximately \$15 million of revenue during the fourth quarter of fiscal year 2024, as well as softer demand from Mexico-based programs.

The following table shows the revenue by industry sectors as a percentage of revenue for fiscal years 2024 and 2023:

	Fiscal Year Ended	
	June 29, 2024	July 1, 2023
Industrial	46	42
Consumer	45	44
Communication	4	9
Medical	3	1
Gaming	1	1
Transportation	1	3
Total	100%	100%

We provide services to customers in a number of industries and produce a variety of products for our customers in each industry. Key Tronic does not target any particular industry, but rather seeks to find programs that strategically fit our vertical manufacturing capabilities. As a result, we expect to continue to see a change in the industry concentrations of our revenue over time.

Sales to foreign locations represented 22.5 percent and 14.3 percent of our total net sales in fiscal years 2024 and 2023, respectively.

Cost of Sales

Total cost of sales as a percentage of net sales was 93.0 percent in fiscal year 2024 and 92.2 percent in fiscal year 2023.

We record our inventories at net realizable value based on specific identification of inventory against current demand and recent usage. We also consider our customers' ability to pay for inventory whether or not there is a lead-time assurance agreement for a specific program. The amounts charged to expense for these inventories were approximately \$0.3 million and \$0.4 million in fiscal years 2024 and 2023, respectively.

We provide warranties on certain products we sell and estimate warranty costs based on historical experience and anticipated product returns. Warranty expense is related to workmanship claims. The amounts charged to expense are determined based on an estimate of warranty exposure. The net warranty expense was approximately \$0.3 million and \$0.3 million in fiscal years 2024 and 2023, respectively.

Gross Profit

Gross profit as a percentage of net sales was 7.0 percent in fiscal year 2024 and 7.8 percent in fiscal year 2023. During fiscal year 2024, we incurred expenses related to a cybersecurity incident late in the year of approximately \$2.3 million. Additionally, we incurred severance expenses related to a headcount reduction in our Mexico based facilities, and starting in the fourth quarter of fiscal year 2024, we are beginning to realize the operational efficiencies as a result of these headcount reductions.

Changes in gross profit margins reflect the impact of a number of factors that can vary from period to period, including product mix, start-up costs and efficiencies associated with new programs, product life cycles, sales volumes, capacity utilization of our resources, management of inventories, component pricing and shortages, end market demand for customers' products, fluctuations in and timing of customer orders, and competition within the contract manufacturing industry. These and other factors can cause variations in operating results. There can be no assurance that gross margins will not decrease in future periods.

Research, Development and Engineering

Research, development and engineering expenses (RD&E) consist principally of employee related costs, third-party development costs, program materials, depreciation, and allocated information technology and facilities costs. Total RD&E expenses were \$8.3 million and \$9.7 million in fiscal years 2024 and 2023, respectively. Total RD&E expenses as a percent of net sales was 1.5 percent in fiscal year 2024 and 1.6 percent in fiscal year 2023.

Selling, General and Administrative

Selling, general, and administrative expenses (SG&A) consist principally of salaries and benefits, advertising and marketing programs, sales commissions, travel expenses, provision for credit losses, facilities costs, and professional services. Total SG&A expenses were \$25.2 million and \$25.7 million in fiscal years 2024 and 2023, respectively. Total

SG&A expenses as a percent of net sales were 4.4 percent and 4.2 percent in fiscal years 2024 and 2023, respectively.

Interest Expense

We had net interest expense of \$11.9 million and \$10.0 million in fiscal years 2024 and 2023, respectively. The increase in interest expense is primarily related to increased interest rates due to the amended line of credit agreement, and an increase in the average balance outstanding throughout the year.

Income Tax Provision

We had an income tax benefit of approximately \$2.4 million during fiscal year 2024 and an income tax expense of approximately \$1.1 million during fiscal year 2023. The income tax benefit/expense recognized during both fiscal years 2024 and 2023 was primarily a function of U.S. and foreign taxes recognized at statutory rates, the net benefit associated with federal research and development tax credits, and the impact of foreign exchange gains in fiscal year 2023.

We continually review our requirements for liquidity domestically to fund current operations, revenue growth, and potential future acquisitions. We anticipate repatriating a portion of our unremitting foreign earnings. The estimated taxes associated with these expected repatriations are included in the income tax calculation. For further information on taxes, please review Footnote "Income Taxes" of the "Notes to Consolidated Financial Statements".

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared in accordance with generally accepted accounting principles in the United States (GAAP), we use certain non-GAAP financial measures, adjusted net income and adjusted net income per share, diluted. Beginning with the full year of fiscal year 2024, we provide these non-GAAP financial measures because we believe they provide greater transparency related to our core operations and represent supplemental information used by management in its financial and operational decision making. We exclude (or include) certain items in our non-GAAP financial measures as we believe the net result is a measure of our core business. We believe this facilitates operating performance comparisons from period to period by eliminating potential differences caused by the existence and timing of certain income and expense items that would not otherwise be apparent on a GAAP basis. Non-GAAP performance measures should be considered in addition to, and not as a substitute for, results prepared in accordance with GAAP. The non-GAAP financial measures disclosed below should be read in conjunction with the remainder of this Annual Report on Form 10-K, including the consolidated financial statements and footnotes thereto. Our non-GAAP financial measures may be different from those reported by other companies. See the table below for reconciliations of adjusted net income to the most directly comparable GAAP measure, which are GAAP net income and the computation of adjusted net income per share, diluted.

(in thousands, except per share amounts)	Twelve Months Ended	
	June 29, 2024	July 1, 2023
GAAP net income (loss)	\$ (2,787)	\$ 5,157
Cybersecurity expenses	2,340	—
Severance expenses (benefit)	945	354
Gain on insurance proceeds (net of losses)	(431)	(4,301)
Stock-based compensation expense	(444)	254
Income tax effect of non-GAAP adjustments (1)	(482)	739
Adjusted net income (loss):	<hr/> <hr/> \$ (859)	<hr/> <hr/> \$ 2,203
Adjusted net income (loss) per share — non-GAAP Diluted	\$ (0.08)	\$ 0.20
Weighted average shares outstanding — Diluted	<hr/> <hr/> 10,762	<hr/> <hr/> 10,938

(1) Income tax effects are calculated using an effective tax rate of 20%, which approximates the statutory tax rates for the presented periods.

International Subsidiaries

We offer customers a complete global manufacturing solution. Our facilities provide our customers the opportunity to have their products manufactured in the facility that best serves specific cost, product manufacturing, and distribution needs. The locations of our active foreign subsidiaries are as follows:

- Key Tronic Juarez, SA de CV owns five facilities and leases three facilities in Juarez, Mexico. These facilities include an SMT facility, an assembly and molding facility, a sheet metal fabrication facility, and assembly and warehouse facilities. This subsidiary primarily supports our U.S. operations.
- Key Tronic Computer Peripherals (Shanghai) Co., Ltd. leases one facility with SMT, assembly, global purchasing, and warehouse capabilities in Shanghai, China, which began operations in 1999. Its primary function is to provide contract manufacturing services.
- Key Tronic Vietnam leases one facility in Da Nang, Vietnam. This facility includes SMT, assembly, and warehouse capabilities. Its primary function is to provide contract manufacturing services for export.

Foreign sales (based on shipping instructions) from our worldwide operations, including domestic exports, were \$127.6 million and \$86.5 million in fiscal years 2024 and 2023, respectively. Products and manufacturing services provided by our subsidiary operations are often shipped to customers directly by the parent company.

RESULTS OF OPERATIONS

Comparison of the Fiscal Year Ended July 1, 2023 with the Fiscal Year Ended July 2, 2022

The following table sets forth for the periods indicated certain items of the consolidated statements of income expressed as a percentage of net sales. The financial information and discussion below should be read in conjunction with the consolidated financial statements and Footnotes contained in this Annual Report on Form 10-K.

	Fiscal Year Ended						Fiscal Year Ended						
	% of net sales			% of net sales			% point change			% point change			
	July 1, 2023	July 2, 2022	\$ change	July 1, 2023	July 2, 2022	\$ change	July 1, 2023	July 2, 2022	\$ change	July 1, 2023	July 2, 2022	\$ change	
(in thousands)							(in thousands)						
	(Restated)							July 1, 2023					
Net sales	Net sales							% of net sales					
Net sales	Net sales	\$588,135	100.0%	\$531,815	100.0%	\$56,320	—	\$605,315	100.0%	\$544,177	100.0%	\$61.1	100.0%
Cost of sales	Cost of sales	540,663	91.9	488,601	91.9	52,062	—	557,843	92.2	500,963	92.1	50.9	92.0
Gross profit	Gross profit	47,472	8.1	43,214	8.1	4,258	—	47,472	7.8	43,214	7.9	4.2	7.9
Operating expenses:	Operating expenses:												
Research, development and engineering	Research, development and engineering												
Research, development and engineering	Research, development and engineering	9,735	1.7	9,821	1.8	(86) (0.1)	9,735	1.6	9,821	1.8	—	—	1.8
Selling, general and administrative	Selling, general and administrative	25,715	4.4	24,598	4.6	1,117 (0.2)	25,715	4.2	24,598	4.5	—	—	4.5
Gain on insurance proceeds, net of losses	Gain on insurance proceeds, net of losses	(4,301)	(0.7)	—	(4,301)	(0.7)	(4,301)	(0.7)	—	—	—	—	—
Total operating expenses	Total operating expenses	31,149	5.4	34,419	6.4	(3,270) (1.0)	31,149	5.1	34,419	6.3	—	—	6.3
Operating income	Operating income	16,323	2.8	8,795	1.7	7,528 1.1	16,323	2.7	8,795	1.6	—	—	1.6
Interest expense, net	Interest expense, net	10,023	1.7	5,104	1.0	4,919 0.7	10,023	1.7	5,104	0.9	—	—	0.9
Income before income taxes	Income before income taxes	6,300	1.1	3,691	0.7	2,609 0.4	6,300	1.0	3,691	0.7	—	—	0.7
Income tax provision	Income tax provision	1,143	0.2	314	0.1	829 0.1	1,143	0.2	314	0.1	—	—	0.1
Net income	Net income	\$ 5,157	0.9%	\$ 3,377	0.6%	\$ 1,780 0.3	\$ 5,157	0.8%	\$ 3,377	0.6%	—	—	0.6%
Effective income tax rate	Effective income tax rate	18.1 %						8.5 %					

Net Sales

The increase in net sales of \$56.3 million \$61.1 million from the prior fiscal year was primarily due to the successful ramp of new customer programs and increased demand from existing customers. However, the Company's revenue was constrained by tightening worldwide supply chain and transportation and logistics issues, which delayed the arrival of certain key components, causing factory downtime and overtime expenses.

The following table shows the revenue by industry sectors as a percentage of revenue for fiscal years 2023 and 2022:

		Fiscal Year Ended		Fiscal Year Ended	
		Year Ended			
		July 1, July 2,			
		2023	2022		
Consumer	Consumer	45	48	44	50
Industrial	Industrial	41	41	42	—
Communication	Communication	9	7	9	8
Medical			Medical	3	—
Gaming			Gaming	1	—
Transportation	Transportation	3	1	1	—
Gaming		1	1		
Medical		1	—		
Printers	Printers	—	1	—	1
Computer and Peripheral	Computer and Peripheral	—	1	—	1
Total	Total	100%	100%	56%	53%
Total					

We provide services to customers in a number of industries and produce a variety of products for our customers in each industry. Key Tronic does not target any particular industry, but rather seeks to find programs that strategically fit our vertical manufacturing capabilities. As we continue to diversify our customer base and win new customers, we expect to continue to see a change in the industry concentrations of our revenue.

Sales to foreign locations represented 14.60% 14.3 percent and 17.64% 17.2 percent of our total net sales in fiscal years 2023 and 2022, respectively.

Cost of Sales

Total cost of sales as a percentage of net sales was 91.9 92.2 percent in fiscal year 2023 and 91.9 92.1 percent in fiscal year 2022.

We record our inventories at net realizable value based on specific identification of inventory against current demand and recent usage. We also consider our customers' ability to pay for inventory whether or not there is a lead-time assurance agreement for a specific program. The amounts charged to expense for these inventories were approximately \$427,000 and \$950,000 in fiscal years 2023 and 2022, respectively.

We provide warranties on certain products we sell and estimate warranty costs based on historical experience and anticipated product returns. Warranty expense is related to workmanship claims. The amounts charged to expense are determined based on an estimate of warranty exposure. The net warranty expense was approximately \$313,000 and \$446,000 in fiscal years 2023 and 2022, respectively.

Gross Profit

Gross profit as a percentage of net sales was 8.1 7.8 percent in fiscal years year 2023 and 7.9 percent in fiscal year 2022. During fiscal year 2023, the gross margins benefited by increased revenue levels along with some stabilization in the labor market. However, our gross margin was also adversely impacted by the strengthening of the Mexican Peso relative to the US Dollar.

Changes in gross profit margins reflect the impact of a number of factors that can vary from period to period, including product mix, start-up costs and efficiencies associated with new programs, product life cycles, sales volumes, capacity utilization of our resources, management of inventories, component pricing and shortages, end market demand for customers' products, fluctuations in and timing of customer orders, and competition within the contract manufacturing industry. These and other factors can cause variations in operating results. There can be no assurance that gross margins will not decrease in future periods.

Research, Development and Engineering

Research, development and engineering expenses (RD&E) consist principally of employee related costs, third-party development costs, program materials, depreciation, and allocated information technology and facilities costs. Total RD&E expenses were \$9.7 million and \$9.8 million in fiscal years 2023 and 2022, respectively. Total RD&E expenses as a percent of net sales was 1.7 1.6 percent in fiscal year 2023 and 1.8 percent in fiscal year 2022.

Selling, General and Administrative

Selling, general, and administrative expenses (SG&A) consist principally of salaries and benefits, advertising and marketing programs, sales commissions, travel expenses, provision for doubtful accounts, facilities costs, and professional services. Total SG&A expenses were \$25.7 million and \$24.6 million in fiscal years 2023 and 2022, respectively. Total SG&A expenses as a percent of net sales were 4.4 4.2 percent and 4.6 4.5 percent in fiscal years 2023 and 2022, respectively. This 0.2 0.3 percentage point decrease in SG&A as a percentage of net sales is primarily related to an increase in legal expenses related specifically to the SEC's review of the whistleblower complaint in fiscal year 2021.

Interest Expense

We had net interest expense of \$10.0 million and \$5.1 million in fiscal years 2023 and 2022, respectively. The increase in interest expense is primarily related to increased interest rates, an increase in the average balance outstanding on our line of credit, and financing leases.

Income Tax Provision

We had an income tax expense of approximately \$1.1 million during fiscal year 2023 and an income tax expense of approximately \$0.3 million during fiscal year 2022. The income tax expense recognized during both fiscal years 2023 and 2022 was primarily a function of U.S. and foreign taxes recognized at statutory rates, the net benefit associated with federal research and development tax credits, the impact of foreign exchange gains in fiscal year 2023, and the net benefit of carrying back the fiscal year 2021 net operating tax losses to years with higher federal tax rates in fiscal year 2022.

We continually review our requirements for liquidity domestically to fund current operations, revenue growth, and to look for potential future acquisitions. We anticipate repatriating a portion of our unremitting foreign earnings. The estimated taxes associated with these expected repatriations are included in the income tax calculation. For further information on taxes, please review Footnote "Income Taxes" of the "Notes to Consolidated Financial Statements".

International Subsidiaries

We offer customers a complete global manufacturing solution. Our facilities provide our customers the opportunity to have their products manufactured in the facility that best serves specific cost, product manufacturing, and distribution needs. The locations of our active foreign subsidiaries are as follows:

- Key Tronic Juarez, SA de CV owns five facilities and leases **four** facilities in Juarez, Mexico. These facilities include an SMT facility, an assembly and molding facility, a sheet metal fabrication facility, and assembly and warehouse facilities. This subsidiary primarily supports our U.S. operations.
- Key Tronic Computer Peripherals (Shanghai) Co., Ltd. leases one facility with SMT, assembly, global purchasing, and warehouse capabilities in Shanghai, China, which began operations in 1999. Its primary function is to provide contract manufacturing services.
- Key Tronic Vietnam leases one facility in Da Nang, Vietnam. This facility includes SMT, assembly, and warehouse capabilities. Its primary function is to provide contract manufacturing services for export.

Foreign sales (based on shipping instructions) from our worldwide operations, including domestic exports, were **\$85.9 million** **\$86.5 million** and \$93.8 million in fiscal years 2023 and 2022, respectively. Products and manufacturing services provided by our subsidiary operations are often shipped to customers directly by the parent company.

RESULTS OF OPERATIONS

Comparison of the Fiscal Year Ended July 2, 2022 with the Fiscal Year Ended July 3, 2021

To review the results of operations comparison of the fiscal year ended July 2, 2022 with the fiscal year ended July 3, 2021, please refer to our Annual Report on Form 10-K filed September 14, 2022 with the Securities and Exchange Commission or follow the link below.

<https://www.sec.gov/ix?doc=/Archives/edgar/data/719733/000071973322000063/ktcc-20220702.htm>

Capital Resources and Liquidity

Operating Cash Flow

Net cash used in provided by operating activities for fiscal year **2023** **2024** was **\$11.3 million** **\$13.8 million** compared to **\$4.9 million** net cash used in operating activities of **\$11.3 million** in fiscal year **2022**, **2023**. The additional cash used provided in fiscal year **2023** **2024** was predominately used due to a focus on collecting accounts receivable and working down inventory balances to be in line with current revenue levels.

The \$13.8 million of net cash provided by operating activities during fiscal year 2024 is primarily related to \$2.8 million of net loss adjusted for revenue growth that required additional working capital \$11.0 million of depreciation and amortization, \$15.8 million decrease in increased receivables accounts receivable, a \$32.5 million decrease in inventory, an \$8.7 million decrease in contract assets partially offset by a \$36.5 million decrease in accounts payable, a \$2.9 million decrease in accrued compensation and paying down supplier payables during the year, vacation, \$0.6 million increase in other assets and a \$8.1 million decrease in other liabilities.

The \$11.3 million of net cash used in operating activities during fiscal year 2023 is was primarily related to \$5.2 million of net income adjusted for \$9.5 million of depreciation and amortization, \$14.8 million increase in accounts receivable, a **\$17.4 million** **\$16.0**

million decrease in inventory, a \$16.0 million increase in other liabilities, partially offset by a \$5.5 million decrease in accounts payable, a \$8.0 million increase in contract assets partially offset by a **\$17.4 million decrease in inventory**, and a \$1.5 million increase in accrued compensation and vacation.

The \$4.9 million of net cash used in operating activities during fiscal year 2022 was primarily related to \$3.4 million of net income adjusted for \$7.6 million of depreciation and amortization, \$25.6 million increase in accounts receivable, a \$19.4 million increase in inventory, a \$3.6 million increase in other liabilities, partially offset by a \$28.6 million increase in accounts payable, and a \$2.8 million decrease in contract assets.

Accounts receivable fluctuates based on the timing of shipments, terms offered, and collections. We purchase inventory based on customer forecasts and orders. When those forecasts and orders change, the amount of inventory may also fluctuate. Accounts payable fluctuates with changes in inventory levels, volume of inventory purchases, negotiated supplier terms, and taking advantage of early pay discounts.

Investing Cash Flow

Cash flows used in investing activities were **\$4.5 million** **\$2.1 million** for fiscal year **2023**, **2024**. Cash flows used in investing activities were **\$8.1 million** **\$4.5 million** in fiscal year **2022**, **2023**. Our primary use of cash in investing activities during fiscal years **2023** **2024** and **2022** **2023** was purchasing equipment to support increased production levels for new programs. During fiscal year **2023**, cash flows used in investing activities also included prepayments on finance lease obligations. During fiscal year **2023**, **2024**, the source of cash provided by investing activities came from insurance claims paid for replacing equipment and facility repairs in our Arkansas facility related to a lightning strike and water damage.

Leases are often utilized when potential technical obsolescence and funding requirement advantages outweigh the benefits of equipment ownership. Capital expenditures and periodic lease payments are expected to be financed with internally generated funds as well as our revolving line of credit facility and equipment term loan.

Financing Cash Flow

Cash flows used in financing activities were **\$10.5 million** in fiscal year 2024 and cash flows provided by financing activities were **\$17.7 million** and **\$11.2 million** in fiscal years **2023** and **2022**, respectively, **year 2023**. Our primary financing activities during both fiscal year 2024 and fiscal year 2023 were proceeds from capital equipment finance leases and borrowings and repayments under our revolving line of credit facility; partially offset by facility as well as repayments on our term loans and principal payments on finance leases. Our primary financing activities during **In** fiscal year **2022** were **2024**, there was a significantly higher percentage of repayments against the borrowings on our term loans as well as borrowings and repayments under our the revolving line of credit facility. credit.

As of **July 1, 2023** **June 29, 2024**, approximately **\$4.6 million** **\$12.9 million** was available under the asset-based revolving credit facility. Due to corrections made to our financial statements as part of the restatement process described in this Annual Report, we determined that as of June 29, 2024 and July 27, 2024, we were not in compliance with

the minimum fixed charge coverage ratio of 1.00:1.00 and 1.05:1.00, respectively, required under our loan covenants. Loan Agreement for the revolving credit facility. As a result, we obtained a waiver from the lender for these events of default, which was effective as of October 9, 2024, and amended our Loan Agreement. As previously disclosed, we also had to obtain a waiver for breaches of the fixed charge coverage ratio for fiscal quarter ended March 30, 2024 and amend the Loan Agreement to covenant relief for the fixed charge coverage ratio, reducing the minimum requirement from 1.25:1.00 to 1.00:1.00 as of March 30, 2024, with increases as follows: 1.05:1.00 on July 27, 2024, 1.15:1.00 on October 26, 2024, 1.20:1.00 on January 25, 2025 and 1.25:1.00 on and after March 29, 2025. These breaches and subsequent amendments have resulted in an increase in interest rates, an increase in the availability block, which limits available borrowing under the Loan Agreement, and a shortened maturity date to September 3, 2025 (extended to December 3, 2025). We believe we are in compliance with the minimum fixed charge coverage ratio of 1.05:1.00 as of the end of August 2024 and have not yet finalized our calculation for September of 2024 to determine if we are in compliance with the minimum fixed charge coverage ratio of 1.05:1.00. In addition, we may not be able to comply with the increased minimum fixed charge coverage ratio of 1.15:1.00 as of October 26, 2024 or in future periods. If we are unable to comply with restrictive covenants on the Loan Agreement, including the fixed charge coverage ratio, we will need to negotiate additional waivers and amendments, which may further increase interest rates, limit our borrowing availability, shorten the maturity date or impose other adverse consequences. As a result, and due to the upcoming maturity of the Loan Agreement on December 3, 2025, we are in discussions with financial institutions to refinance our revolving line of credit. The terms available to us may be less favorable than the terms of our existing Loan Agreement. For additional information, see Note 1 - "Significant Accounting Policies-Liquidity" of the Notes to Consolidated Financial Statements of this Annual Report on Form 10-K and Part I, Item 1A. Risk Factors "Risks Related to Capital and Financing" —*Our failure to comply with the covenants in our credit arrangements could materially and adversely affect our financial condition* and —*Our ability to secure and maintain sufficient credit arrangements is key to our continued operations.*"

Our cash requirements are affected by the level of current operations and new programs. We believe that projected cash from operations, funds available under the revolving credit facility and potential additional debt capacity will be sufficient to meet our working and fixed capital requirements for the foreseeable future, at least twelve months beyond issuance of our financial statements, and our current asset-based senior secured revolving credit facility does not mature until December 3, 2025. The Company further notes projected cash from operations is projected to improve in the coming quarters as supply chain availability will boost additional inventory turns and existing inventory is consumed by fulfilling customer backlog. As of **July 1, 2023** June 29, 2024, we had approximately **\$3.6 million** \$4.7 million of cash held by foreign subsidiaries. If cash is to be repatriated in the future from these foreign subsidiaries, the Company would be subject to certain withholding taxes in the foreign jurisdictions. The total amount of tax payments required for the amount of foreign subsidiary cash on hand as of **July 1, 2023** June 29, 2024 would approximate **\$64,000** \$15,893.

The Company also has approximately **\$33.2 million** \$38.5 million of foreign earnings that have not been repatriated to the U.S. Of that amount, the Company estimates that **\$7.6 million** \$8.0 million is to be repatriated in the future, requiring foreign withholding taxes of \$0.8 million that is currently accrued in our deferred tax liabilities. The remaining **\$25.6 million** \$30.5 million is considered to be permanently reinvested in Mexico, China and Vietnam. If these amounts were required to be repatriated, we estimate it would create an additional \$0.8 million in foreign withholding taxes payable.

We have accrued withholding taxes for expected future repatriation of foreign earnings as discussed in Note 65 "Income Taxes" of the "Notes to Consolidated Financial Statements".

Off-Balance Sheet Arrangements and Contractual Obligations

In the normal course of business, we enter into contracts which obligate us to make payments in the future. We have certain contractual obligations that extend beyond fiscal year **2023** 2024 under lease obligations and debt arrangements.

As of **July 1, 2023** June 29, 2024, we had open purchase order commitments for materials and other supplies. Actual needs under these blanket purchase orders fluctuate with our manufacturing levels and as such cannot be broken out between fiscal years. In addition, we have contracts with many of our customers that minimize our exposure to losses for material purchased within lead-times necessary to meet customer forecasts. Purchase orders generally can be cancelled without penalty within specified ranges that are determined in negotiations with our suppliers. These agreements depend in part on the type of materials purchased as well as the circumstances surrounding any requested cancellations. We do not use off-balance sheet financing techniques other than traditional operating leases, and we have not guaranteed the obligations of any entity that is not one of our wholly owned subsidiaries.

For a summary of our lease obligations as of **July 1, 2023** June 29, 2024, please refer to Note 1513 "Leases" of the "Notes to Consolidated Financial Statements."

Statements".

For a summary of our long-term debt obligations as of **July 1, 2023** June 29, 2024, please refer to Note 4 "Long-Term Debt" of the "Notes to Consolidated Financial Statements." Statements".

Critical Accounting Policies and Estimates

Preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Note 1 "Significant Accounting Policies" of the "Notes to Consolidated Financial Statements" describes the significant accounting policies used in the preparation of our consolidated financial statements. Management believes the most complex and sensitive judgments, because of their significance to our consolidated financial statements, result primarily from the need to make estimates about effects of matters that are inherently uncertain. The most significant areas involving management judgments are described below. Actual results in these areas could differ from management's estimates.

Revenue

The Company specializes in services ranging from product manufacturing to engineering and tooling services. The first step in its process for revenue recognition is to identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations. A contract can be written, oral, or implied. The Company generally enters into manufacturing service agreements ("MSA") with its customers that outlines the terms of the business relationship between the customer and the Company. This includes matters such as warranty, indemnification, transfer of title and risk of loss, liability for excess and obsolete inventory, pricing, payment terms, etc. The Company will also bid on a program-by-program basis for customers in which an executed MSA may not be in place. In these instances, as well as when we have an MSA in place, we receive customer purchase orders for specific quantities and timing of products. As a result, the Company considers its contract with a customer to be the combination of the MSA and the purchase order. The transaction price is fixed and set forth in each purchase order. In the Company's normal course of business, there are no variable pricing components, or material amounts refunded to customers in the form of refunds or rebates.

The Company assesses whether control of the product or services promised under the contract is transferred to the customer at a point in time (shipment) or over time (as we manufacture the product). The Company is first required to evaluate whether its contracts meet the criteria for 'over-time' or 'point-in-time' recognition. The Company has determined

that for the majority of its contracts the Company is manufacturing products for which there is no alternative use due to the unique nature of the customer-specific product, IP and other contract restrictions. Further, the Company has an enforceable right to payment including a reasonable profit for performance completed to date with respect to these contracts. As a result, revenue is recognized under these contracts 'over-time' based on the input cost-to-cost method as it better depicts the transfer of control. This input method is based on the ratio of costs incurred to date as compared to the total estimated costs at completion of the performance obligation. For all other contracts that do not meet these criteria, such as manufacturing contracts for which the terms do not provide an enforceable right to payment for performance completed to date, the Company recognizes revenue when it has transferred control of the related manufactured products which generally occurs upon shipment to the customer. Revenue from engineering services is recognized over time as costs related to the services are performed, incurred, which approximates proportional performance of the service. This method is used because management considers it to be the best available measure of progress on the contracts. Revenue from scrap and excess inventory sales is recognized at the point-in-time of scrap at the customer's direction, or, if applicable, shipment of the material to the customer.

Inactive, Obsolete, and Surplus Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Inventory valuation is determined using the first-in, first-out (FIFO) method. We write down inventories that we deem inactive, obsolete, or surplus to net realizable value. The write down is calculated based upon the demand for the products that we produce to value this related inventory at net realizable value. Demand is determined by expected sales, customer purchase orders, or customer forecasts. If expected sales do not materialize, excess inventory would be the result and a write down of that inventory against earnings would occur. In the case where we have purchased material based upon a customer's forecast or purchase orders, we are usually covered by lead-time assurance agreements or purchase orders with each customer. These contracts state that the financial liability for material purchased within agreed upon lead-time and based upon the customer's forecasts, lies with the customer. If we purchase material outside the lead-time assurance agreement and the customer's forecasts do not materialize or if we have no lead-time assurance agreement for a specific program, we would have the financial liability and may have to charge inactive, obsolete or surplus inventory against earnings. We also write down inventory values related to specific customers covered by lead-time assurance agreements when those customers are experiencing financial difficulties or reimbursement is not reasonably assured.

Allowance for Doubtful Accounts Credit Losses

We value our accounts receivable net of an allowance for doubtful accounts, credit losses. As of June 29, 2024, the allowance for credit losses was approximately \$2.9 million. As of July 1, 2023, the allowance for doubtful accounts credit losses was approximately \$23,000. As the increase during fiscal year 2024 relates to the adoption of July 2, 2022, the allowance for doubtful accounts ASC 326, which was approximately \$12,000, adopted on a modified retrospective basis. This allowance is based on estimates of the portion of accounts receivable that may not be collected in the future. The estimates used are based primarily on specific identification of potentially uncollectible accounts, accounts as well as a general calculation based on the company's collection history. Such accounts are identified using publicly available information in conjunction with evaluations of current payment activity. However, if any of our customers were to develop unexpected and immediate financial problems that would prevent payment of open invoices, we could incur additional and possibly material expenses that would negatively impact earnings.

Income Taxes

Income tax expense includes U.S. and international income taxes and a provisional estimate for U.S. taxes on undistributed earnings of foreign subsidiaries. We do not record foreign withholding taxes on undistributed earnings of international subsidiaries that are deemed to be permanently reinvested. Certain income and expenses are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes. The deferred income taxes are classified as long-term assets or liabilities. The most significant areas involving management judgments include deferred income tax assets and liabilities, uncertain tax positions, and research and development tax credits. Our estimates of the realization of the deferred tax assets related to our tax credits are based upon our estimates of future taxable income which may change.

New and Future Accounting Pronouncements

See Note 1 "Significant Accounting Policies" of the "Notes to Consolidated Financial Statements."

Item 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are subject to the risk of fluctuating interest rates in the normal course of business. Our major market risk relates to our secured debt. Our asset-based senior secured revolving credit facility, line of credit facility, and equipment financing facility are secured by substantially all of our assets. The interest rates applicable to our asset-based senior secured revolving credit facility fluctuate with SOFR rates. The interest rates applicable to our asset-based secured line of credit facility fluctuate with Iterbancaria de Equilibrio Interest Rate. There was outstanding \$115.4 million \$107.1 million in borrowings under our asset-based senior secured revolving credit facility, MXN99 million (\$5.4 million USD) outstanding in borrowing under our line of credit, and \$9.9 million \$8.0 million outstanding on our equipment financing facilities as of July 1, 2023 June 29, 2024.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Liquidity" in this Annual Report on Form 10-K and Note 4 "Long-Term Debt" of the "Notes to Consolidated Financial Statements" for additional information regarding our revolving credit facility and term loans.

Foreign Currency Exchange Risk

A significant portion of our operations are in foreign locations. As a result, transactions occur in currencies other than the U.S. dollar. Exchange rate fluctuations among other currencies used by us would directly and/or indirectly affect our financial results. We may from time to time, use Mexican peso Peso forward contracts to hedge future foreign currency fluctuations for a portion of our Mexican peso Peso denominated expenses. There were no was \$12.5 million of foreign currency forward contracts outstanding as of July 1, 2023 June 29, 2024. For See Note 9 - "Derivative Financial Instruments" to the Notes to Consolidated Financial Statements for additional information regarding our derivative instruments, please refer to Note 10 "Derivative Financial Instruments" of the "Notes to Consolidated Financial Statements." instruments.

Item 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Key Tronic Corporation (the "Company") as of **June 29, 2024**, **July 1, 2023**, and **July 2, 2022**, the related consolidated statements of **income, operations, comprehensive income (loss), cash flows, and shareholders' equity and cash flows** for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of **June 29, 2024**, **July 1, 2023**, and **July 2, 2022**, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Restatement of Previously Issued Financial Statements

As discussed in Note 14 to the consolidated financial statements, the consolidated financial statements for the years ended **July 1, 2023** and **July 2, 2022**, have been restated to correct misstatements.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

As described in Notes 1 and 12 to the consolidated financial statements, the Company reported revenue of **\$588.1 million** **\$567 million** for the year ended **July 1, 2023** **June 29, 2024**, of which **\$573.4 million** **\$497 million** related to revenue recognized over time. The Company has determined that for the majority of its contracts, the Company is manufacturing products for which there is no alternative use due to the unique nature of the customer-specific product, intellectual property, and other contract restrictions. The Company has an enforceable right to payment including a reasonable profit for performance completed to date with respect to these contracts. As a result, revenue is recognized under these contracts over-time based on the input cost-to-cost method as it better depicts the transfer of control. This input method is based on the ratio of costs incurred to date as compared to the total estimated costs at completion of the performance obligation.

We identified the auditing of revenue recognized over time on contracts for manufacturing products, including the total estimated costs at completion of the performance obligation as a critical audit matter. Management's calculation includes reports with varying elements, to estimate costs incurred to date for various performance obligations. Auditing management's estimates used in the calculation of revenue recognized over time involved significant audit effort, as well as especially challenging and subjective auditor judgment when performing audit procedures and evaluating the results of those procedures.

The primary Addressing the matter involved performing procedures we performed and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures related to address this critical audit matter included:

- Testing the design, implementation, and operating effectiveness of internal controls relating to auditing revenue recognized over time on contracts for manufacturing products, including controls over the quarterly calculation total estimated costs at completion of in-process contracts, and the related contract assets performance obligation, included the following, among others:
- Evaluating the methodology of estimating costs incurred to date on in-process contracts, and testing the completeness and accuracy of the system generated reports used to estimate costs incurred, by recalculating and performing data validation procedures.
- Recalculating the expected costs on in-process contracts, vouching testing a selection of contracts to source documents, and tracing in-process orders to subsequent sales and shipping documentation within a reasonable period after year-end, identifying year-end.

- Identifying and testing significant assumptions used in the revenue calculation, and performing data validation procedures, including the ratio of costs incurred to date as compared to the total estimated costs at completion of the performance obligations.
- Comparing margins realized to trending historic margins, and comparing total revenue recognized to independent expectations of total revenues disaggregated by revenue stream.
- Performing cutoff procedures to test that revenue transactions were recorded in the appropriate period.

/s/ Moss Adams LLP

Seattle, Washington

September 26, 2023 October 15, 2024

We have served as the Company's auditor since 2021.2021.

KEY TRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

		July 1, 2023	July 2, 2022			
		June 29, 2024	June 29, 2024	July 1, 2023	July 2, 2022	
ASSETS	ASSETS					
Current assets:	Current assets:					
Current assets:						
Current assets:						
Cash and cash equivalents	Cash and cash equivalents	\$ 3,603	\$ 1,707			
Trade receivables, net of allowance for doubtful accounts of \$23 and \$12		150,600	135,876			
Cash and cash equivalents						
Cash and cash equivalents						
Trade receivables, net of credit losses of \$2,918, \$23 and \$12						
Contract assets	Contract assets	29,925	21,974			
Inventories, net		137,911	155,741			
Other		27,510	24,710			
Inventories						
Other, net of credit losses of \$1,679, \$0, and \$0						
Total current assets	Total current assets	349,549	340,008			
Property, plant and equipment, net	Property, plant and equipment, net	28,870	26,012			
Operating lease right-of-use assets, net	Operating lease right-of-use assets, net	16,202	16,731			
Other assets:	Other assets:					
Deferred income tax asset	Deferred income tax asset	12,254	10,055			
Deferred income tax asset						
Deferred income tax asset						
Other						
Other						
Other	Other	11,397	14,117			

Total other assets	Total other assets	23,651	24,172		
Total assets	Total assets	\$418,272	\$406,923		
LIABILITIES AND SHAREHOLDERS' EQUITY		LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:		Current liabilities:			
Current liabilities:					
Current liabilities:					
Accounts payable					
Accounts payable					
Accounts payable	Accounts payable	\$115,899	\$121,393		
Accrued compensation and vacation	Accrued compensation and vacation	13,351	11,836		
Current portion of debt, net		7,849	7,402		
Current portion of long-term debt					
Other	Other	14,867	23,036		
Total current liabilities	Total current liabilities	151,966	163,667		
Long-term liabilities:		Long-term liabilities:			
Term loans					
Revolving loan					
Long-term debt, net					
Long-term debt, net					
Long-term debt, net					
Operating lease liabilities	Operating lease liabilities	10,317	12,023		
Deferred income tax liability	Deferred income tax liability	274	64		
Other long-term obligations	Other long-term obligations	3,567	5,998		
Total long-term liabilities	Total long-term liabilities	135,689	118,378		
Total liabilities	Total liabilities	287,655	282,045		
Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)			
Shareholders' equity: Shareholders' equity:					
Common stock, no par value—shares authorized 25,000; issued and outstanding 10,762 and 10,762 shares, respectively					
Common stock, no par value—shares authorized 25,000; issued and outstanding 10,762, 10,762, and 10,762 shares, respectively					
Common stock, no par value—shares authorized 25,000; issued and outstanding 10,762, 10,762, and 10,762 shares, respectively					

Common stock, no par value—shares authorized 25,000; issued and outstanding 10,762, 10,762, and 10,762 shares, respectively			
Retained earnings	Retained earnings	82,986	77,829
Accumulated other comprehensive (loss) income	Accumulated other comprehensive (loss) income	(97)	(425)
Total shareholders' equity	Total shareholders' equity	130,617	124,878
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$418,272	\$406,923

See accompanying notes to consolidated financial statements.

KEY TRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME OPERATIONS
(In thousands, except per share amounts)

	Fiscal Year Ended		Fiscal Year Ended		Restated	Restated	
	July 1, 2023	July 2, 2022	June 29, 2024	July 1, 2023	July 2, 2022		
Net sales	Net sales	\$588,135	\$531,815				
Cost of sales	Cost of sales	540,663	488,601				
Gross profit	Gross profit	47,472	43,214				
Research, development and engineering expenses	Research, development and engineering expenses	9,735	9,821				
Selling, general and administrative expenses	Selling, general and administrative expenses	25,715	24,598				
Gain on insurance proceeds, net of losses	Gain on insurance proceeds, net of losses	(4,301)	—				
Total operating expenses	Total operating expenses	31,149	34,419				
Operating income	Operating income	16,323	8,795				
Interest expense, net	Interest expense, net	10,023	5,104				
Income before income taxes		6,300	3,691				
Income tax provision		1,143	314				
Net income		\$ 5,157	\$ 3,377				
Net income per share —							
Basic		\$ 0.48	\$ 0.31				
Income (loss) before income taxes							

Income tax provision (benefit)			
Net income (loss)			
Net income (loss) per share — Basic			
Weighted average shares outstanding	Weighted average shares outstanding		
— Basic	— Basic	10,762	10,762
Net income per share — Diluted		\$ 0.47	\$ 0.31
Net income (loss) per share — Diluted			
Weighted average shares outstanding	Weighted average shares outstanding		
— Diluted	— Diluted	10,938	11,063

See accompanying notes to consolidated financial statements.

KEY TRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Fiscal Year Ended		Fiscal Year Ended		
	July 1, 2023	July 2, 2022	June 29, 2024	July 1, 2023	
Comprehensive income:	Comprehensive income:				
Net income	\$5,157	\$3,377			
Net income (loss)					
Net income (loss)					
Net income (loss)					
Other comprehensive income:	Other comprehensive income:				
Unrealized gain (loss) on hedging instruments, net of tax	Unrealized gain (loss) on hedging instruments, net of tax	328	(2,497)		
Comprehensive income	\$5,485	\$ 880			
Unrealized gain (loss) on hedging instruments, net of tax					
Unrealized gain (loss) on hedging instruments, net of tax					
Comprehensive income (loss)					

Other comprehensive income for fiscal years 2024, 2023, and 2022 is reflected net of tax provision (benefit) of approximately \$(0.1) million, \$0.0 million, and \$(0.8) million, respectively.

See accompanying notes to consolidated financial statements.

KEY TRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended	
	July 1, 2023	July 2, 2022
Operating activities:		
Net income	\$ 5,157	\$ 3,377
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	9,542	7,562
Amortization of interest rate swap	328	301
Amortization of deferred loan costs	154	143
Noncash lease expense	5,712	4,261
Inventory write-down to net realizable value	427	950
Provision for warranty	313	446
Provision for doubtful accounts	37	67
Gain on disposal of assets	(21)	(12)
Gain on insurance proceeds, net of losses	(4,301)	—
Share-based compensation expense	254	293
Deferred income taxes	(1,989)	481
Changes in operating assets and liabilities		
Trade receivables	(14,760)	(25,619)
Contract assets	(7,951)	2,807
Inventories	17,403	(19,362)
Other assets	(1,684)	(5,912)
Accounts payable	(5,494)	28,569
Accrued compensation and vacation	1,515	365
Other liabilities	(15,953)	(3,624)
Cash used in operating activities	<u>(11,311)</u>	<u>(4,907)</u>
Investing activities:		
Purchases of property and equipment	(9,771)	(6,813)
Proceeds from sale of fixed assets	1,925	14
Prepayments on finance lease obligations	(188)	(1,252)
Proceeds from insurance	3,500	—
Cash used in investing activities	<u>(4,534)</u>	<u>(8,051)</u>
Financing activities:		
Payment of financing costs	(245)	(118)
Proceeds from issuance of long term debt	4,375	11,594
Repayments of long-term debt	(2,417)	(2,143)
Borrowings under revolving credit agreement	596,121	581,893
Repayments of revolving credit agreement	(575,802)	(577,703)
Principal payments on finance leases	(4,291)	(2,331)
Cash provided by financing activities	<u>17,741</u>	<u>11,192</u>
Net increase (decrease) in cash and cash equivalents	1,896	(1,766)
Cash and cash equivalents, beginning of period	<u>1,707</u>	<u>3,473</u>
Cash and cash equivalents, end of period	<u>\$ 3,603</u>	<u>\$ 1,707</u>
Supplemental cash flow information:		
Interest payments	\$ 802	\$ 5,110
Income tax payments, net of refunds	\$ 1,414	\$ 1,315
Recognition of operating lease liabilities and right-of-use assets	\$ 5,184	\$ 5,247
Recognition of financing lease liabilities and right-of-use assets	\$ 1,940	\$ 13,096

	Fiscal Year Ended		
	June 29, 2024	July 1, 2023	July 2, 2022
Operating activities:			
Net income (loss)	\$ (2,787)	\$ 5,157	\$ 3,377
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:			
Depreciation and amortization	11,038	9,542	7,562
Amortization of interest rate swap	97	328	301
Amortization of deferred loan costs	339	154	143
Noncash lease expense	5,663	5,712	4,261
Inventory write-down to net realizable value	322	427	950
Provision for warranty	320	313	446
Provision for credit losses	(84)	37	67
Gain on disposal of assets	(32)	(21)	(12)
Gain on insurance proceeds, net of losses	(431)	(4,301)	—
Share-based compensation expense	(444)	254	293
Deferred income taxes	(5,132)	(1,989)	481
Noncash accrued compensation benefit	(3,925)	—	—
Changes in operating assets and liabilities			
Trade receivables	15,818	(14,760)	(25,619)
Contract assets	8,656	(7,951)	2,807
Inventories	32,490	17,403	(19,362)
Other assets	(587)	(1,684)	(5,912)
Accounts payable	(36,505)	(5,494)	28,569
Accrued compensation and vacation	(2,917)	1,515	365
Other liabilities	(8,123)	(15,953)	(3,624)
Cash provided by (used in) operating activities	13,776	(11,311)	(4,907)
Investing activities:			
Purchases of property and equipment	(3,958)	(9,771)	(6,813)
Proceeds from sale of fixed assets	—	1,925	14
Prepayments on finance lease obligations	—	(188)	(1,252)
Proceeds from insurance	1,850	3,500	—
Cash used in investing activities	(2,108)	(4,534)	(8,051)
Financing activities:			
Payment of financing costs	(807)	(245)	(118)
Proceeds from issuance of long term debt	1,178	4,375	11,594
Repayments of long-term debt	(2,977)	(2,417)	(2,143)
Borrowings under revolving credit agreement	521,088	596,121	581,893
Repayments of revolving credit agreement	(523,931)	(575,802)	(577,703)
Principal payments on finance leases	(5,070)	(4,291)	(2,331)
Cash provided by (used in) financing activities	(10,519)	17,741	11,192
Net increase (decrease) in cash and cash equivalents	1,149	1,896	(1,766)
Cash and cash equivalents, beginning of period	3,603	1,707	3,473
Cash and cash equivalents, end of period	\$ 4,752	\$ 3,603	\$ 1,707
Supplemental cash flow information:			
Interest payments	\$ 10,269	\$ 9,256	\$ 5,110
Income tax payments, net of refunds	\$ 2,402	\$ 1,414	\$ 1,315
ASC 326 Opening Balance Sheet Adjustment	\$ 3,278	\$ —	\$ —
Recognition of operating lease liabilities and right-of-use assets	\$ 4,877	\$ 5,184	\$ 5,247
Recognition of financing lease liabilities and right-of-use assets	\$ —	\$ 1,940	\$ 13,096

See accompanying notes to consolidated financial statements.

KEY TRONIC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(In thousands)

	Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances, July 3, 2021					
Net income					
Unrealized loss on hedging instruments, net of tax					
Share-based compensation					
		Accumulated			
		Other			
		Total			
		Common Shares	Retained Stock	Common Earnings	Other Comprehensive Income (Loss)
Balances, July 3, 2021	10,762	47,181	74,452	2,072	\$ 123,705
Balances, July 2, 2022					
Balances, July 2, 2022					
Balances, July 2, 2022					
Net income	Net income	—	—	3,377	—
Unrealized gain on hedging instruments, net of tax	Unrealized gain on hedging instruments, net of tax	—	—	(2,497)	(2,497)
Share-based compensation	Share-based compensation	—	293	—	—
Balances, July 2, 2022	10,762	\$47,474	\$77,829	\$ (425)	\$ 124,878
Net income		—	5,157	—	5,157
Balances, July 1, 2023					
Net loss					
CECL opening balance sheet adjustment, net of tax					
Unrealized loss on hedging instruments, net of tax	Unrealized loss on hedging instruments, net of tax	—	—	328	328
Share-based compensation	Share-based compensation	—	254	—	—
Balances, July 1, 2023	10,762	\$47,728	\$82,986	\$ (97)	\$ 130,617
Balances, June 29, 2024					

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Business

Key Tronic Corporation and subsidiaries (the Company) is engaged in contract manufacturing for original equipment manufacturers (OEMs) and also manufactures keyboards and other input devices. The Company's headquarters are located in Spokane Valley, Washington with manufacturing operations in Oakdale, Minnesota; Fayetteville, Arkansas; Corinth, Mississippi; and foreign manufacturing operations in Juarez, Mexico; Shanghai, China; and Da Nang, Vietnam.

Due Liquidity

Historically, due to the COVID-19 pandemic, timing between the Company has seen extreme shifts in demand procurement of raw materials, production cycle and payment from its customer base, supply chain and logistics risks. The possibility of future temporary closures, as well as adverse fluctuations in customer demand, freight and expedite costs, precautionary safety expenses and labor shortages, collectability of accounts, and future supply chain disruptions during the rapidly changing COVID-19 environment can materially impact operating results. Additionally, continued adverse macroeconomic conditions and significant currency exchange fluctuations can also materially impact operating results.

Liquidity

Historically, our customers, we have financed operations and met our capital expenditure requirements primarily through cash flows provided by operations and borrowings under our credit facilities. We generated operating and net income of \$16.3 million \$6.8 million and \$5.2 \$(2.8) million respectively, during the 12-month period ended July 1, 2023 June 29, 2024 and have positive working capital of \$197.6 million \$184.2 million as of July 1, 2023 June 29, 2024. Due to the timing between the procurement of raw materials, production cycle and payment from our customers, we have relied on borrowings on our credit facilities to fund operations as the Company increased its revenues and backlog during fiscal year 2023, 2024. Based on current projections, we anticipate generating cash from operations as revenue slightly decreases increases in the first quarter of fiscal year 2024 and decreasing working capital requirements as existing backlog is manufactured and shipped. 2025.

As of July 1, 2023 June 29, 2024, we have limited additional borrowing capacity on our credit facility, which matures on December 3, 2025. We are in discussions with multiple financial institutions to extend the borrowing capacity on our credit facility. If we are unable to meet projected operating results or extend our borrowing capacity, we may need to delay the purchase of raw materials or require our customers to fund inventory raw material costs ahead of production. Other options to increase our liquidity include factoring receivables or leveraging foreign owned assets for additional borrowing capacity. We believe that projected cash from operations, funds available under our asset-based revolving credit facility and additional financing options will be sufficient to meet our working and fixed capital requirements for at least the next 12 months.

Reclassifications

Certain prior period reclassifications were made to conform with the current period presentation. These reclassifications had no effect on reported income, comprehensive income, cash flows, total assets, or shareholders' equity as previously reported.

Principles of Consolidation

The consolidated financial statements include the Company and its wholly owned subsidiaries in the United States, Mexico, China and Vietnam. Intercompany balances and transactions have been eliminated during consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include the allowance for doubtful receivables, credit losses, calculating inventory impairments related to obsolete and non-saleable inventories to value at net realizable value, deferred tax assets and liabilities, uncertain tax positions, impairment of long-lived assets, medical self-funded insurance liability, long-term incentive compensation accrual, the provision for warranty costs, and the fair value of stock appreciation rights granted under the Company's share-based compensation plan. Due to uncertainties with respect to the assumptions and estimates, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value. The Company may have cash and cash equivalents at financial institutions that are in excess of federally insured limits from time to time.

Allowance for Doubtful Accounts

Credit Losses

The Company evaluates the collectability of accounts receivable and records an allowance for doubtful accounts, credit losses, which reduces the receivables to an amount that management reasonably estimates will be collected. A specific allowance is recorded against receivables considered to be impaired based on the Company's knowledge of the financial condition of the customer. customer, and a general allowance is calculated and applied to remaining receivables based on the Company's historical collection experience. In determining the amount of the allowance, the Company considers several factors including the aging of the receivables, the current business environment and historical experience. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory valuation is determined using the first-in, first-out (FIFO) method. Customer orders are based upon forecasted quantities of product manufactured for shipment over defined periods. Raw material inventories are purchased to fulfill these customer requirements. Within these arrangements, customer demands for products frequently change, sometimes creating excess and obsolete inventories. The Company regularly reviews raw material inventories by customer for both excess and obsolete quantities. Wherever possible, the Company attempts to recover its full cost of excess and obsolete inventories from customers or, in some cases, through other markets. When it is determined that the Company's carrying cost of such excess and obsolete inventories cannot be recovered in full, a charge is taken against income for the difference between the carrying cost and the estimated realizable amount. We also reserve for inventory related to specific customers covered by lead-time assurance agreements when those customers are experiencing financial difficulties or reimbursement is not reasonably assured.

Property, Plant and Equipment

Property, plant and equipment are carried at cost and depreciated using straight-line methods over the expected useful lives of the assets. Repairs and maintenance costs are expensed as incurred.

Leases

Lease assets and liabilities are initially recognized based on the present value of lease payments over the lease term calculated using the Company's incremental borrowing rate, unless the implicit rate is readily determinable. Our incremental borrowing rate represents the rate of interest that we would have to pay to borrow on a collateralized basis over a

similar term in a similar economic environment. Lease assets also include any lease prepayments. Lease terms include options to extend or terminate the lease when it is reasonably certain that those options will be exercised. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statements of income. For further information, please refer to Footnote "Leases" of the "Notes to Consolidated Financial Statements."

Impairment of Long-lived Assets

The Company, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value.

Accrued Warranty

An accrual is made for expected warranty costs, with the related expense recognized in cost of goods sold. Management reviews the adequacy of this accrual quarterly based on historical analyses and anticipated product returns.

Self-funded Insurance

The Company self-funds its domestic employee health plans. The Company contracts with a separate administrative service company to supervise and administer the programs and act as its representative. The Company reduces its risk under this self-funded platform by purchasing stop-loss insurance coverage for high dollar individual claims. In addition, if the aggregate annual claims amount to more than 125 percent of expected claims for the plan year this insurance will also pay those claims amounts exceeding that level.

The Company estimates its exposure for claims incurred but not paid at the end of each reporting period and uses historical claims data supplied by the Company's broker to estimate its self-funded insurance liability. This liability is subject to a total limitation that varies based on employee enrollment and factors that are established at each annual contract renewal. Actual claims experience may differ from the Company's estimates. Costs related to the administration of the plan and related claims are expensed as incurred.

Revenue Recognition

The first step in its process for revenue recognition is to identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations. A contract can be written, oral, or implied. The Company generally enters into manufacturing service agreements ("MSA") with its customers that outlines the terms of the business relationship between the customer and the Company. This includes matters such as warranty,

indemnification, transfer of title and risk of loss, liability for excess and obsolete inventory, pricing, payment terms, etc. The Company will also bid on a program-by-program basis for customers in which an executed MSA may not be in place. In these instances, as well as when we have an MSA in place, we receive customer purchase orders for specific quantities and timing of products. As a result, the Company considers its contract with a customer to be the combination of the MSA and the purchase order. The transaction price is fixed and set forth in each purchase order. In the Company's normal course of business, there are no variable pricing components, or material amounts refunded to customers in the form of refunds or rebates.

The Company assesses whether control of the product or services promised under the contract is transferred to the customer at a point in time (shipment) or over time (as we manufacture the product). The Company is first required to evaluate whether its contracts meet the criteria for 'over-time' or 'point-in-time' recognition. The Company has determined that for the majority of its contracts the Company is manufacturing products for which there is no alternative use due to the unique nature of the customer-specific product, IP and other contract restrictions. The Company has an enforceable right to payment including a reasonable profit for performance completed to date with respect to these contracts. As a result, revenue is recognized under these contracts 'over-time' based on the input cost-to-cost method as it better depicts the transfer of control. This input method is based on the ratio of costs incurred to date as compared to the total estimated costs at completion of the performance obligation. For all other contracts that do not meet these criteria, such as manufacturing contracts for which the terms do not provide an enforceable right to payment for performance completed to date, the Company recognizes revenue when it has transferred control of the related manufactured products which generally occurs upon shipment to the customer. Revenue from engineering services is recognized over time as costs related to the services are **performed, incurred, which approximates proportional performance of the service. This method is used because management considers it to be the best available measure of progress on the contracts.** Revenue from scrap and excess inventory sales is recognized at the point-in-time of scrap at the customers direction, or, if applicable, shipment of the material to the customer.

Shipping and Handling Fees

The Company classifies costs associated with shipping and handling fees as a component of cost of goods sold. Customer billings related to shipping and handling fees are reported as revenue.

Research, Development and Engineering

Research, development and engineering expenses include unreimbursed contract manufacturing costs as well as design and engineering costs associated with the production of contract manufacturing programs. Research, development and engineering costs are expensed as incurred.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences and benefits attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities for a change in tax rates is recognized in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is more likely than not to be realized.

We utilize a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments based on new assessments and changes in estimates and which may not accurately forecast actual outcomes. Our policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax provision. The tax years **2003 2005** through the present remain open to examination by the major U.S. taxing jurisdictions to which we are subject. For further discussions, please refer to Footnote "Income Taxes" of the "Notes to Consolidated Financial Statements."

Derivative Instruments and Hedging Activities

The Company has previously entered into foreign currency forward contracts and an interest rate swap which are accounted for as cash flow hedges in accordance with ASC 815, *Derivatives and Hedging*. The effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (AOCI) and is reclassified into earnings in the same period in which the underlying hedged transaction affects earnings. The derivative's effectiveness represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. As of **July 1, 2023** **June 29, 2024**, the Company **did not have any** **had** outstanding foreign currency forward contracts. contracts with a notional amount of \$12.5 million.

Earnings Per Common Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing net income by the combination of other potentially dilutive weighted average common shares and the weighted average number of common shares outstanding during the period using the treasury stock method. The computation assumes the proceeds from the exercise of stock options were used to repurchase common shares at the average market price during the period. The computation of diluted earnings per common share does not assume conversion, exercise, or contingent issuance of common stock equivalent shares that would have an anti-dilutive effect on earnings per share.

Foreign Currency Transactions

The functional currency of the Company's subsidiaries in Mexico, China and Vietnam is the U.S. dollar. Realized foreign currency transaction gains and losses for local currency denominated assets and liabilities are included in cost of goods sold.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, current liabilities, and non-current operating lease liability are reflected on the balance sheets at **June 29, 2024**, **July 1, 2023**, and **July 2, 2022**, reasonably approximate their fair value. The Company had an outstanding balance on the line its lines of credit of \$112.6 million as of **June 29, 2024**, \$115.4 million as of **July 1, 2023**, and \$95.1 million as of **July 2, 2022**, with a carrying value that reasonably approximates the fair value. The Company had an outstanding balance on the its foreign term loan of \$3.4 million MXN40.5 million (\$2.2 million USD) as of **July 1, 2023** and \$4.6 million **June 29, 2024**, MXN58.2 million (\$3.4 million USD) as of **July 1, 2023**, and MXN93.3 million (\$4.6 million USD) as of **July 2, 2022**, with a carrying value that reasonably approximates the fair value. The domestic equipment term loans were \$5.8 million as of **June 29, 2024**, \$6.5 million as of **July 1, 2023**, and \$3.3 million as of **July 2, 2022**, with a carrying value that reasonably approximates the fair value.

Share-based Compensation

The Company's incentive plan may provide for equity awards to employees in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, stock awards, stock units, performance shares, performance units, and other stock-based awards. Compensation cost is recognized on a straight-line basis over the requisite employee service period, which is generally the vesting period, and is included in cost of goods sold, research, development and engineering, and selling, general, and administrative expenses. Share-based compensation is recognized only for those awards that are expected to vest, with forfeitures estimated at the date of grant based on historical experience and future expectations.

Newly Adopted and Recent Accounting Pronouncements

On December 14, 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The ASU requires entities to disclose more detailed information relating to their reconciliation of statutory tax rate to effective tax rate, income taxes paid by jurisdiction, pretax income (or loss) from continuing operations, and income tax expense (or benefit). The ASU applies to the Company's annual reporting period beginning in fiscal year 2026. The Company does not anticipate early adoption of the new disclosure standards.

In January 2021, November 2023, the FASB issued Accounting Standard Update (ASU) 2021-01, Reference Rate Reform ASU 2023-07, Segment Reporting (Topic 848) 280: Improvements to identify alternative reference rates that are more observable or transaction based Reportable Segment Disclosures (ASU 2023-07), which requires public entities to disclose information about their reportable segments' oversight and less susceptible to manipulation. significant expenses on an interim and annual basis. The ASU is effective for the annual reporting period beginning in fiscal year 2025 and for interim periods beginning in fiscal year 2026. Early adoption is permitted. The Company is currently assessing evaluating the effects guidance and its impact to the financial statements.

In September 2022, the FASB issued ASU No. 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50). This standard requires disclosure of the key terms of outstanding supplier finance programs and a roll forward of the related obligations. The new standard does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The ASU became effective for the Company July 2, 2023, except for the roll forward requirement, which becomes effective June 30, 2024. This ASU, except for the roll forward requirement, was adopted retrospectively as of July 2, 2023 and did not have a material impact on its our consolidated financial statements, statements.

In October 2021, the FASB issued ASU 2021-08 amending Business Combination: (Topic 805), which was necessary due to 2014-09, Revenue from Contracts with Customers (Topic 606). The FASB issued this ASU to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and it intends inconsistency related to adopt (1) recognition of an acquired contract liability and (2) payment terms and their effect on subsequent revenue recognized by the guidance acquirer. The Company adopted these amendments as it becomes effective. of the effective date of July 2, 2023. These amendments are to be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company plans to apply the practical expedients as needed for any future acquisitions. The practical expedients cover contracts that were modified prior to acquisition date as well as determining which date an acquirer would have to determine the standalone selling price of each performance obligation in an acquired contract. This ASU did not have a material impact on our consolidated financial statements.

In March of 2020, the FASB issued ASU 2020-03, Codification Improvements to Financial Instruments, which clarifies specific issues raised by stakeholders. Specifically, the ASU clarifies the following: 1) that all entities are required to provide the fair value option disclosures in ASC 825, Financial Instruments 2) clarifies that the portfolio exception in ASC 820, Fair

Value Measurement, applies to nonfinancial items accounted for as derivatives under ASC 815, Derivatives and Hedging; 3) clarifies that for purposes of measuring expected credit losses on a net investment in a lease in accordance with ASC 326, Financial Instruments - Credit Losses, the lease term determined in accordance with ASC 842, Leases, should be used as the contractual term; 4) clarifies that when an entity regains control of financial assets sold, it should recognize an allowance for credit losses in accordance with ASC 326; and 5) aligns the disclosure requirements for debt securities in ASC 320, Investments - Debt Securities, with the corresponding requirements for depository and lending institutions in ASC 942, Financial Services - Depository and Lending. The amendments in the ASU have various effective dates and transition requirements which are dependent on timing of adoption of ASU 2016-13. The Company is currently assessing adopted this amendment as of the effects effective date of July 2, 2023 on its a modified retrospective basis. This ASU did not have a material impact on our consolidated financial statements, and it intends to adopt the guidance as they become effective, statements.

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" and also issued subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04 and ASU 2019-05, 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. The guidance is effective for the Company beginning in the first quarter of fiscal year 2024 with early adoption permitted. The Company is currently assessing adopted this amendment as of the impact effective date of July 2, 2023, and the impacts are disclosed in opening retained earnings on its consolidated financial statements, and it intends the Consolidated Statement of Shareholders' Equity. Refer to adopt the guidance when it becomes effective further discussion in the first quarter Note 15 - "Restatement of fiscal year 2024. Interim Financial Information".

Fiscal Year

The Company operates on a 52/53 week fiscal year. Fiscal years end on the Saturday nearest June 30. As such, fiscal years 2023 2024 and 2022 2023 ended on July 1, 2023 June 29, 2024 and July 2, 2022 July 1, 2023, respectively. Fiscal years 2022, 2023 and 2023 2024 were 52 week years.

2. INVENTORIES

Net inventory Inventory as of June 29, 2024 is \$105.1 million compared to \$137.9 million as of July 1, 2023 is \$137.9 million compared to \$155.7 million and \$155.7 million as of July 2, 2022. Substantially all The components of inventories consist of the Company's inventory balances are raw materials, following (in thousands):

	June 29, 2024	July 1, 2023	July 2, 2022
	(in thousands)		
Raw materials and supplies	\$ 80,570	\$ 109,078	\$ 131,980
Work-in-process	24,529	28,833	23,761
Inventories	\$ 105,099	\$ 137,911	\$ 155,741

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	July 1, Life 2023	July 2, 2022		June 29, 2024	July 1, 2023	July 2, 2022
	(in years)	(in thousands)		(in years)	(in thousands)	
Land	Land	—	\$ 4,034	\$ 4,034		
Buildings and improvements	Buildings and improvements	3 to 30	26,459	25,841		
Equipment	Equipment	1 to 10	77,823	71,180		
Furniture and fixtures	Furniture and fixtures	3 to 5	5,418	5,286		
Total Property, Plant and Equipment			113,734	106,341		
Total property, plant and equipment						
Accumulated depreciation	Accumulated depreciation		(84,864)	(80,329)		
Property, Plant and Equipment, net			\$28,870	\$26,012		
Property, plant and equipment, net						
						Fiscal Year Ended
						July 1, 2023
Depreciation expense					\$ 4,700	\$ 4,940
						(in thousands)

	June 29, 2024	July 1, 2023	July 2, 2022	
	(in thousands)			
Depreciation expense	\$ 5,270	\$ 4,700	\$ 4,940	

4. LONG-TERM DEBT

Debt consists of the following:

	Maturity Date	Interest Rate	June 29, 2024	July 1, 2023	July 2, 2022
				(in thousands)	
Asset-based senior secured revolving credit facility (1)	December 3, 2025	9.5%	\$ 107,149	\$ 115,395	\$ 95,077
Foreign line of credit (2)	December 11, 2026	14.0%	5,403	—	—
Domestic term loan - Balboa (3)	September 19, 2030	6% to 8%	4,535	4,148	—
Foreign term loan - Banorte (4)	April 24, 2026	5.5%	\$ 2,200	\$ 3,400	\$ 4,600
Domestic term loan - Bank of America (5)	August 14, 2025	4.9%	\$ 1,277	\$ 2,316	\$ 3,305
Total debt			120,564	125,259	102,982
Less: current portion of debt			(3,123)	(3,138)	(2,190)
Less: unamortized financing costs			(1,059)	(590)	(499)
Long-term debt, net			\$ 116,382	\$ 121,531	\$ 100,293

(1) On August 14, 2020, the Company entered into a loan agreement with Bank of America ("Loan Agreement"). The Loan Agreement replaces replaced the Company's prior amended and restated credit agreement, as amended, with Wells Fargo Bank. The Loan Agreement provides for a five-year an asset-based senior secured revolving credit facility with an original availability of up to \$93 million, maturing on August 14, 2025. million.

On September 3, 2021, the Company entered into an amendment to the Company's current loan agreement with Bank of America. The amendment increases Loan Agreement, which increased the Company's current availability under the credit facility of \$93 million to \$120 million, subject to the Company's Company's borrowing base, maturing on and set the maturity date to September 3, 2026.

On August 26, 2022, the Company entered into a third amendment to the loan agreement with Bank of America. The amendment Loan Agreement, which removed the cash flow leverage ratio covenant and increased the interest rate by 25 basis points.

In the third quarter of fiscal year 2023, On May 7, 2024, the Company entered into equipment financing agreements with Ameris Bank dba Balboa Capital ("Balboa Capital") totaling \$4.4 million related a fourth amendment to the Company's existing manufacturing equipment that bears an Loan Agreement, effective as of March 29, 2024, which amendment modified debt covenant provisions to reduce the minimum requirement for the fixed charge coverage ratio from 1.25:1.00 to 1.00:1.00 as of March 30, 2024 and allow for the add back of severance expenses incurred during the quarter ended March 30, 2024. The minimum requirement for the fixed charge coverage ratio will increase as follows: 1.05:1.00 on July 27, 2024, 1.15:1.00 on October 26, 2024, 1.20:1.00 on January 25, 2025, and 1.25:1.00 on and after March 29, 2025. In addition, the amendment increased the interest rate range of 6% - 8% by 100 basis points beginning on March 29, 2024 and matures in the third quarter of fiscal 2029. Under these agreements, equal monthly payments of \$75,000 commenced in the third quarter of fiscal year 2023 and will continue through moved forward the maturity date by one year to September 3, 2025. On September 27, 2024, the Company entered into a fifth amendment to the Loan Agreement, which extended the maturity date by three months to December 3, 2025. On October 9, 2024, the Company entered into a sixth amendment to the Loan Agreement, The Amendment waived existing events of default relating to non-compliance with (a) prescribed fixed charge coverage ratios for the periods ending June 29, 2024 and July 27, 2024 and (b) delivering audited financial statements within 90 days of the equipment financing facility in Company's fiscal year-end. The Amendment increased the third quarter interest rate by 50 basis points beginning on October 9, 2024 so that the applicable margin on base rate loans is 3.50% and term SOFR loans is 4.50%. In addition, the Amendment increased the availability block, which reduces the calculated borrowing base under the Loan Agreement, from \$8 million to \$10 million, with further increases to \$11 million and \$12 million to be effective on December 31, 2024 and March 31, 2025, respectively.

As of fiscal 2029. The June 29, 2024, the Company had an outstanding balance \$4.1 under the asset-based revolving credit facility of \$107.1 million, \$0.3 million as in outstanding letters of July 1, 2023. credit and \$12.9 million available for future borrowings.

As of July 1, 2023, the Company had an outstanding balance under the asset-based revolving credit facility of \$115.4 million, \$0.3 million \$115.4 million, \$0.3 million in outstanding letters of credit and \$4.6 million \$4.6 million available for future borrowings.

As of July 2, 2022, the Company had an outstanding balance under the asset-based revolving credit facility of \$95.1 million, \$0.3 million \$95.1 million, \$0.3 million in outstanding letters of credit and \$10.8 million \$10.8 million available for future borrowings.

Generally, the interest rate applicable to loans under the Bank of America loan agreement will be, at the Company's option: (i) the base rate which is the highest of (a) the Prime Rate for such day, (b) the Federal Funds Rate for such day plus 0.50%, and (c) Term SOFR for a one month interest period as of such day, plus 1.00% (provided that in no event shall the base rate be less than zero), plus the applicable interest margin for base rate loans; or (ii) SOFR rate for an applicable interest period, plus the applicable interest margin for SOFR rate loans. As modified by the sixth amendment to the Loan Agreement, the applicable interest margin on: (x) base rate loans is 3.50% and (y) SOFR rate loans is 4.50%, resetting on a quarterly basis. If there is an event of default that is not waived under the Loan Agreement, all loans and other obligations will bear interest at a rate of an additional 2.00% on the otherwise applicable interest rates. In addition to interest charges, the Company is required to pay a fee of 0.25% per annum on the unused portion of the Credit Facility, monthly in arrears.

As of June 29, 2024, the interest rate on the asset-based revolving credit facility with Bank of America was 9.46%.

(2) On December 11, 2023, the Company entered into a loan agreement in Mexican peso with Banorte Financial Group. The agreement provides for a three-year secured line of credit up to MXN100 million, subject to the Company's borrowing base, maturing on December 11, 2026. The credit facility bears interest at Iterbancario de Equilibrio Interest Rate plus 2.75%, and as of June 29, 2024, was 13.99%. As of June 29, 2024, the Company had an outstanding balance under the revolving credit facility of MXN99 million (\$5.4 USD) and MXN1 million (\$0.1 million USD) available for future borrowings.

(3) On September 19, 2023, the Company entered into a \$1.1 million equipment financing agreement with Ameris Bank dba Balboa Capital ("Balboa Capital"). Combining with other equipment financing agreements entered in the third quarter of fiscal year 2023, a total of \$5.5 million relates to the Company's existing manufacturing equipment that bears an

interest rate range of 6% - 8% and matures in the first quarter of fiscal 2030. Under these loan agreements, equal monthly payments of \$94,000 commenced in the fourth quarter of fiscal year 2024 and will continue through the maturity of the equipment financing facility in the first quarter of fiscal 2030. The Company had an outstanding balance \$4.5 million as of June 29, 2024.

(4) On November 24, 2020, the Company entered into a \$6.0 million equipment financing facility related to the Company's existing manufacturing equipment that bears interest at 5.52% and matures on April 24, 2026. Under this loan agreement, equal monthly payments of \$100,000 commenced on May 24, 2021 and will continue through the maturity of the equipment financing facility on April 24, 2026. As of June 29, 2024, the Company had an outstanding balance of \$2.2 million. As of July 1, 2023, the Company had an outstanding balance of \$3.4 million. As of July 2, 2022, the Company had an outstanding balance of \$4.6 million.

(5) On August 14, 2020, the Company ~~also~~ entered into a \$5.0 million equipment financing facility with Bank of America relating to the Company's existing U.S. manufacturing equipment that bears interest at 4.85% and matures on August 14, 2025. Under this loan agreement, equal monthly payments of approximately \$94,000 commenced on September 14, 2020 and will continue through the maturity of the equipment financing facility on August 14, 2025. As of June 29, 2024, the Company had an outstanding balance of \$1.3 million. As of July 1, 2023, the Company had an outstanding balance of \$2.3 million. As of July 2, 2022, the Company had an outstanding balance of \$3.3 million.

Generally, the interest rate applicable to loans under the Bank of America loan agreement will be, at the Company's option: (i)(A) the base rate which is the highest of (a) the Prime Rate for such day, (b) the Federal Funds Rate for such day plus 0.50%, or (c) Term SOFR for a one month interest period as of such day, plus 1.00% (provided that in no event shall the base rate be less than zero), plus the applicable interest margin for base rate loans; and (B) SOFR rate for an applicable interest period, plus the applicable interest margin for SOFR rate loans. Depending on average daily excess borrowing availability over applicable periods under the Credit Facility, applicable interest margins on: (x) base rate loans will be 1.50-2.00%; and (y) SOFR rate loans will be 2.50-3.00%, resetting on a quarterly basis beginning in early 2021. If there is an event of default under the loan agreement, all loans and other obligations will bear interest at a rate of an additional 2.00% on the last change rates above otherwise applicable interest rates. In addition to interest charges, the Company is required to pay a fee of 0.25% per annum on the unused portion of the Credit Facility, monthly in arrears.

On November 24, 2020, the Company entered into a \$6.0 million financing facility related to the Company's existing real estate located in Mexico that bears interest at 5.52% and matures on April 24, 2026. Under this loan agreement, equal monthly payments of \$100,000 commenced on May 24, 2021 and will continue through the maturity of the financing facility on April 24, 2026. The Company had an outstanding balance of \$3.4 million and \$4.6 million as of July 1, 2023 and July 2, 2022, respectively.

The interest rates on outstanding debt as of July 1, 2023 range from 4.85% - 8.22% compared to 4.50% - 5.52% as of July 2, 2022.

Debt maturities as of ~~July 1, 2023~~ June 29, 2024 for the next five years are as follows (in thousands):

Fiscal Years Ending	Fiscal Years Ending		Fiscal Years Ending	Amount
	Ending	Amount		
2024		\$ 2,862		
2025	2025	2,959		
2026	2026	1,905		
2027	2027	116,166		
2028 - Thereafter		\$ 1,367		
2028				
2029				
2030 -				
Thereafter				
Total debt	Total debt	\$125,259		
Unamortized debt				
issuance costs		591		
Long-term debt, net of				
debt issuance costs		\$124,668		
Unamortized financing costs				
Long-term debt, net of unamortized financing costs				

The Company must comply with certain financial covenants, including a fixed charge coverage ~~ratio~~ and a cash flow ~~leverage~~ ratio. The credit agreement requires the Company to grant certain inspection rights to Bank of America, limit or restrict the Company's cash management; limit or restrict the ability of the Company to incur additional liens, make acquisitions or investments, incur additional indebtedness, engage in mergers, consolidations, liquidations, dissolutions, or dispositions, pay dividends or other restricted payments, prepay certain indebtedness, engage in transactions with affiliates, and use proceeds. Management believes the ~~As of June 29, 2024, The Company was not in compliance with all financial covenants~~ the fixed coverage charge ratio. On October 9, 2024, the Company executed a sixth amendment to the Loan Agreement which waived existing events of default as of July 1, 2023, that date.

5. INCOME TAXES

Income tax benefit consists of the following:

		Fiscal Year Ended		Fiscal Year Ended			
		July 1, 2023	July 2, 2022	June 29, 2024		July 1, 2023	July 2, 2022
		(in thousands)				(in thousands)	
Current income tax provision (benefit):	Current income tax provision (benefit):	United States	United States	\$ 998	\$(2,179)		
United States	United States						
Foreign	Foreign	2,134	2,012				
		3,132	(167)				
			1,714				
Deferred income tax provision (benefit):	Deferred income tax provision (benefit):	United States	United States	(2,130)	443		
United States	United States						
Foreign	Foreign	141	38				
		(1,989)	481				
		(4,114)					
Total income tax provision	Total income tax provision	\$ 1,143	\$ 314				

The Company has gross tax credit carryforwards of approximately ~~\$9.8~~ \$10.4 million at ~~July 1, 2023~~ June 29, 2024 consisting of federal research and development (R&D) tax credits.

Management has reviewed all deferred tax assets for purposes of determining whether a valuation allowance may be required. A valuation allowance against deferred tax assets is required if it is more likely than not that some of the deferred tax assets will not be realized. Based upon the Company's profitability, forecasted income, and evaluation of all other positive and negative evidence, management determined that it is more likely than not that the deferred tax assets will be realized.

In the fourth quarter of fiscal year 2022, the Company, with its fiscal year 2021 federal income tax return, made automatic changes in tax accounting methods that created a fiscal year 2021 tax net operating loss. This loss was carried back to the tax years ending in 2016, 2017, and 2019, resulting in a tax benefit of \$0.6 million due to the higher federal income tax rate in effect in the years ending in 2016 and 2017.

On January 27, 2021, the Company received official notice from the Vietnamese tax authorities, confirming tax benefits awarded related to the Company's principal product line in Vietnam (the "Tax Holiday"). Under the Tax Holiday, the tax rate applied to income derived from this product line will be zero percent for four years beginning with fiscal year 2021, then five percent for nine years, then ten percent for one year (as opposed to the normal twenty percent Vietnamese statutory rate).

The Company evaluated tax law changes and regulatory guidance issued through the quarter. Such changes and regulations include guidance under Sec. 162(m), Sec. 245A, Sec. 951A, foreign tax credits, and rules relating to consolidated NOL carryback claims, a new book minimum tax on certain large corporations, and an excise tax on corporate stock buybacks among other provisions. The Company evaluated the ongoing continuously evaluates impact of these tax law and regulatory changes. The Company noted no changes which did not during the current quarter or fiscal year that would have a material impact on its provision for income taxes.

Subsequent to the end of the fiscal year ending June 27, 2020, the Treasury Department issued final regulations applicable to the Company's position with respect to the U.S. taxability of foreign earnings under the global intangible low taxed income (also known as "GILTI") regime and the deductibility of interest expense under IRC Section 163(j). These regulations did not have a material impact to the Company's taxes or overall income tax positions.

The 2017 Tax Cuts and Jobs Act (TCJA) mandated that, for tax years after fiscal year 2022, certain costs incurred for research and development (R&D) activities would no longer be allowed for immediate deduction but would be capitalized and amortized over 5 years (for R&D activities performed domestically) or 15 years (for R&D activities performed abroad). The Company began capitalizing and amortizing such costs in fiscal year 2023, resulting in an increase to income taxes payable that was largely offset by the utilization of R&D credit carryovers.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, permits net operating loss (NOL) carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in years beginning in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company is taking advantage of this NOL carryback provision by carrying back the fiscal year 2021 NOL to the fiscal 2016 and 2017 years, as described above. In addition, the

CARES Act contains modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The modifications to Section 163(j) increase the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income. This modification did not have a material impact on the fiscal year 2020 or fiscal year 2021 provisions for income taxes. Also, under the CARES Act, AMT credits not previously refunded for the tax year beginning in 2018 are refundable in the tax year beginning in 2019 rather than in years beginning in 2019-2021, and taxpayers can elect to claim 100% of the AMT credits in the first taxable year beginning in 2018 by applying for a tentative refund claim on or before December 31, 2020. The Company has made this election by applying for a tentative refund claim. The Company took advantage of the deferred payment payroll taxes provision, resulting in decreased deductible payroll tax payments, and increased taxable income, in fiscal years 2020 and 2021. Other aspects of the CARES Act did not have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

In future years, repatriations of cash will generally be tax-free in the U.S. However, withholding taxes in China may still apply to any such future repatriations. Management has not changed its indefinite investment assertions regarding to the portion of accumulated earnings and profits in China that may be repatriated in the future. Accordingly, management estimates that future repatriations of cash from China may result in approximately \$0.8 million of withholding tax. There would be no offsetting foreign tax credits in the U.S. and as such, this potential liability is a direct cost associated with actual repatriations. Withholding taxes will not apply to future repatriations from Mexico or Vietnam.

The Company expects to repatriate a portion of its foreign earnings based on increased net sales growth driving additional capital requirements domestically, cash requirements for potential acquisitions and to implement certain tax strategies. The Company expects to repatriate approximately ~~\$7.6~~ \$8.0 million from China, in the future. All other unremitted foreign earnings are expected to remain permanently reinvested for planned fixed assets purchases and improvements in foreign locations.

The Company's effective tax rate differs from the federal tax rate as follows:

	Fiscal Year Ended		
	July 1, 2023		July 2, 2022
	(in thousands)		
Federal income tax provision at statutory rates	\$ 1,322	\$ 775	
State income taxes, net of federal tax effect	(25)	86	
Foreign tax rate differences	137	336	
Federal rate differences applied to net operating loss carryback	—	(593)	
Effect of income tax credits	(1,020)	(920)	
Previously unrecognized tax benefits	(75)	146	
Inflation adjustments	118	178	
Tax penalties & interest	—	179	
Global Intangible Low-Taxed Income (GILTI) tax	33	59	
Provision to return reconciliation	52	(91)	
Equity compensation shortfall	73	104	
Foreign Exchange Gains/Losses Unrealized for Tax Purposes	277	23	
Other	251	32	
Income tax provision (benefit)	\$ 1,143	\$ 314	

Prior year presentation of certain items in the above table has been adjusted to reflect current year classification.

	Fiscal Year Ended		
	June 29, 2024		July 1, 2023
	(in thousands)		
Federal income tax provision at statutory rates	\$ (1,089)	\$ 1,322	\$ 775
State income taxes, net of federal tax effect	(145)	(25)	86
Foreign tax rate differences	(71)	137	336
Net operating loss carryback	—	—	(593)
Effect of income tax credits	(929)	(1,020)	(920)
Previously unrecognized tax benefits	(232)	(75)	146
Inflation adjustments	132	118	178
Tax penalties & interest included in tax provision	—	—	179
Global Intangible Low-Taxed Income (GILTI) tax	53	33	59
Provision to return reconciliation	(68)	52	(91)
Equity compensation shortfall	51	73	104
Foreign Exchange Gains/Losses Unrealized for Tax Purposes	(126)	277	23
Other	24	251	32
Income tax provision (benefit)	\$ (2,400)	\$ 1,143	\$ 314

The domestic and foreign components of income before income taxes were:

	Fiscal Year Ended		Fiscal Year Ended		
	July 1, 2023	July 2, 2022	June 29, 2024	July 1, 2023	
	(in thousands)		(in thousands)		
Domestic	Domestic	\$ (1,086)	\$ (2,890)		
Foreign	Foreign	7,386	6,581		
Income before income taxes	Income before income taxes	\$ 6,300	\$ 3,691		

Deferred income tax assets and liabilities consist of the following at:

	July 1, 2023	July 2, 2022	June 29, 2024	June 29, 2024	July 1, 2023	July 2, 2022
			(in thousands)		(in thousands)	
Deferred tax assets: tax assets:	Deferred tax assets: tax assets:					
Tax credit carryforwards, net						
Tax credit carryforwards, net						
Tax credit carryforwards, net						
Net operating loss	Net operating loss	\$ —	\$ 486			
Tax credit carryforwards, net		6,812	7,990			
Inventory	Inventory	267	247			
Identifiable intangibles	Identifiable intangibles	308	370			
Accruals	Accruals	2,421	2,406			
PPE		1,328	1,200			
Accruals						
Accruals						
Property, plant, and equipment						
ASC 606 deferred costs	ASC 606 deferred costs	4,802	4,216			
Lease liabilities	Lease liabilities	3,775	3,671			
Interest expense deduction carryforward	Interest expense deduction carryforward	977	580			
Research and development expenses	Research and development expenses	3,860	—			
Other	Other	271	465			

Deferred income tax assets	Deferred income tax assets	\$ 24,821	\$ 21,631
Deferred tax liabilities:	Deferred tax liabilities:		
Accrued withholding tax - unremitted earnings	Accrued withholding tax - unremitted earnings	(754)	(754)
Accrued withholding tax - unremitted earnings	Accrued withholding tax - unremitted earnings		
Property, plant, and equipment	Property, plant, and equipment		
Right-of-use assets	Right-of-use assets	(3,857)	(3,663)
Tax capital lease liabilities	Tax capital lease liabilities		
ASC 606 accelerated revenue	ASC 606 accelerated revenue	(4,599)	(3,736)
Other	Other	(799)	(1,102)
Other	Other		
Deferred income tax liabilities	Deferred income tax liabilities	<u><u>\$ (12,841)</u></u>	<u><u>\$ (11,640)</u></u>
Net deferred income tax assets	Net deferred income tax assets	<u><u>\$ 11,980</u></u>	<u><u>\$ 9,991</u></u>
Balance sheet caption reported in:	Balance sheet caption reported in:		
Long-term deferred income tax asset	Long-term deferred income tax asset	\$ 12,254	\$ 10,055
Long-term deferred income tax asset	Long-term deferred income tax asset		
Long-term deferred income tax liability	Long-term deferred income tax liability	(274)	(64)
Net deferred income tax asset	Net deferred income tax asset	<u><u>\$ 11,980</u></u>	<u><u>\$ 9,991</u></u>
Net deferred income tax asset	Net deferred income tax asset		

Net deferred income tax asset

Uncertain Tax Positions:

The Company has R&D tax credits that approximate \$9.8 \$10.4 million that have 20-year carryforwards before expiring. The Company's R&D tax credits expire in various fiscal years from 2032 2033 to 2043 2044.

As of July 1, 2023 June 29, 2024, the Company had unrecognized tax benefits of \$3.0 million \$2.9 million related to its gross R&D tax credits. The unrecognized tax benefits relate to certain R&D tax credits generated from 2003 2005 to 2023 2024.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

		Fiscal Year Ended			
		July 1, 2023	July 2, 2022		
		(in thousands)			
Fiscal Year Ended				Fiscal Year Ended	
June 29, 2024		June 29, 2024		July 1, 2023	July 2, 2022
		(in thousands)			
Beginning	Beginning				
Balance	Balance	\$2,998	\$4,863		
Additions	Additions				
based on	based on				
tax	tax				
positions	positions				
related to	related to				
the current	the current				
year	year	120	286		
Adjustment	Adjustment				
to prior	to prior				
year tax	year tax				
positions &	positions &				
amended	amended				
tax returns	tax returns	(15)	(2,296)		
Lapse of	Lapse of				
statute of	statute of				
limitations	limitations	(75)	145		
Ending	Ending				
Balance	Balance	\$3,028	\$2,998		

The \$3.0 \$2.9 million of unrecognized tax benefits at the end of fiscal year 2023 2024, if recognized, would reduce the effective tax rate. Management does not anticipate any material changes to this amount during the next 12 months.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties in its income tax provision. The Company has not recognized any interest or penalties in the fiscal years presented in these financial statements, except for

\$0.2 million in fiscal year 2022. statements. The Company is subject to income tax in the U.S. federal jurisdiction, various state jurisdictions, Mexico, China and Vietnam. Certain years remain subject to examination but there are currently no ongoing exams in any taxing jurisdiction.

6. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing net income (the numerator) by the weighted-average number of common shares outstanding (the denominator) during the period. Diluted EPS is computed by including both the weighted-average number of shares outstanding and any dilutive common share equivalents in the denominator. The following table presents a reconciliation of the denominator and the number of antidilutive common share awards that were not included in the diluted earnings per share calculation. These antidilutive securities occur when equity awards outstanding have an option price greater than the average market price for the period:

	Fiscal Year Ended	
	(in thousands, except per share information)	
	July 1, 2023	July 2, 2022
Net income	\$ 5,157	\$ 3,377
Weighted average shares outstanding– basic	10,762	10,762

Effect of dilutive common stock awards	176	301
Weighted average shares outstanding – diluted	10,938	11,063
Net income per share – basic	\$ 0.48	\$ 0.31
Net income per share – diluted	\$ 0.47	\$ 0.31
Antidilutive SARs not included in diluted earnings per share	376	619

	Fiscal Year Ended (in thousands, except per share information)		
	June 29, 2024	July 1, 2023	July 2, 2022
Net income (loss)	\$ (2,787)	\$ 5,157	\$ 3,377
Weighted average shares outstanding—basic	10,762	10,762	10,762
Effect of dilutive common stock awards	—	176	301
Weighted average shares outstanding—diluted	10,762	10,938	11,063
Net income (loss) per share—basic	\$ (0.26)	\$ 0.48	\$ 0.31
Net income (loss) per share—diluted	\$ (0.26)	\$ 0.47	\$ 0.31
Antidilutive SARs not included in diluted earnings per share	515	376	619

7. STOCK OPTION STOCK-BASED COMPENSATION AND BENEFIT PLANS

The Company's incentive plan provides for equity and liability awards to employees and non-employee directors in the form of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, stock awards, stock units, performance shares, performance units, and other stock-based or cash-based awards. Compensation cost is recognized on a straight-line basis over the requisite employee service period, which is generally the vesting period, and is recorded as employee compensation expense in cost of goods sold, research, development and engineering, and selling, general and administrative expenses. Share-based compensation is recognized only for those awards that are expected to vest, with forfeitures estimated at the date of grant based on historical experience and future expectations.

In addition to service conditions, these SARs contain a performance condition. The additional performance condition is based upon the achievement of Return on Invested Capital (ROIC) goals relative to a peer group. All awards with performance conditions are measured over the vesting period and are charged to compensation expense over the requisite service period based on the number of shares expected to vest. The SARs cliff vest after a three-year period from date of grant based on the performance metric and expire five years from date of grant.

On July 29, 2022, the Company granted 145,000 SARs under the 2010 Incentive Plan to certain key employees and outside directors at a strike price of \$5.10 and a grant date fair value of \$2.09. As of July 1, 2023 June 29, 2024, 140,000 136,250 remain outstanding. The grant date fair value for the awards granted during fiscal year 2023, were estimated using the Black Scholes option valuation method with the following weighted average assumptions as of July 29, 2022:

	Fiscal Year 2023
	July 29, 2022
Expected dividend yield	—%
Risk – free Risk-free interest rate	3.01%
Expected volatility	48.56%
Expected life	4.00

On August 9, 2021, the Company granted 165,000 SARs under the 2010 Incentive Plan to certain key employees and outside directors at a strike price of \$7.17 and a grant date fair value of \$2.73. As of July 1, 2023 June 29, 2024, 140,000 136,250 remain outstanding. The grant date fair value for the awards granted during fiscal year 2022, were estimated using the Black Scholes option valuation method with the following weighted average assumptions as of August 9, 2021:

	Fiscal Year 2022
	August 9, 2021
Expected dividend yield	—%
Risk – free Risk-free interest rate	0.62%
Expected volatility	48.58%
Expected life	4.00

On July 23, 2020, The Black-Scholes option valuation model is used by the Company granted 155,000 SARs under for estimating the 2010 Incentive Plan to certain key employees and outside directors at a strike price of \$6.94 and a grant date fair value of \$2.32. As SARs. Option valuation models require the input of July 1, 2023, 130,000 remain outstanding. The grant date highly subjective assumptions, particularly for the expected term and expected stock price volatility. Changes in these assumptions can materially affect the fair value

for the awards granted during fiscal year 2021, were estimated using the Black Scholes option valuation method with the following weighted average assumptions as of July 23, 2020:

	Fiscal Year 2021
	July 23, 2020
Expected dividend yield	—%
Risk – free interest rate	0.17%
Expected volatility	42.85%
Expected life	4.00

estimates.

Share-based compensation expense is recognized only for those awards that are expected to vest, with forfeitures estimated at the date of grant based on the Company's historical experience and future expectations. This forfeiture rate will be revised, if necessary, in subsequent periods if actual forfeitures differ from the amount estimated. Share-based compensation expense for fiscal years ended June 29, 2024, July 1, 2023 and July 2, 2022 was \$(0.4) million, \$0.3 million and \$0.3 million, respectively.

The Black-Scholes option valuation model is used by the Company fiscal year 2024 amount relates to reversal of prior expense for estimating the fair value of SARs. Option valuation models require the input of highly subjective assumptions, particularly for the expected term and expected stock price volatility. Changes in these assumptions can materially affect the fair value estimates, which performance metrics were not ultimately attained.

There were no SARs exercised during fiscal year 2024, fiscal year 2023 and fiscal year 2022.

As of July 1, 2023 June 29, 2024, total unrecognized compensation expense related to nonvested share-based compensation arrangements was approximately \$0.3 million \$0.1 million. This expense is expected to be recognized over a weighted-average period of 1.90 1.0 years.

The following table summarizes the Company's Options and SARs activity for all plans from July 3, 2022 July 3, 2021 through July 1, 2023 June 29, 2024:

	SARs			Aggregate Intrinsic Value (in thousands)	Weighted Average Exercise Price	Remaining Contractual Life (in years)
		Available	SARs			
		For Grant	Outstanding			
Balances, July 3, 2021		688,084	791,250	\$	7.15	1.9
Shares authorized		—		\$	—	
SARs granted		(165,000)	165,000	\$	7.17	
SARs forfeited		197,500	(197,500)	\$	8.17	
SARs exercised						
Balances, July 2, 2022		720,584	758,750	\$	6.89	2.1
Shares authorized		—			—	
SARs granted		(145,000)	145,000		5.10	
SARs forfeited		277,500	(277,500)		7.03	
SARs exercised		—	—	—	—	
Balances, July 1, 2023		853,084	626,250	\$	6.41	2.2
Exercisable at July 1, 2023			226,250	\$	6.45	0.6

Additional information regarding SARs outstanding and exercisable as of July 1, 2023, is as follows:

Range of Exercise Prices	Number Outstanding	Weighted Avg.		Number Exercisable	Weighted Avg. Exercise Price
		Remaining Contractual Life (yrs.)	Exercise Price		
\$4.93 – \$7.43	525,000	2.1	\$6.06	120,000	\$4.93
\$7.44 – \$9.44	101,250	14.6	8.17	106,250	8.17
\$4.93 to \$9.44	626,250	2.2	\$6.41	226,250	\$6.45

	SARs Available For Grant	SARs Outstanding	Aggregate	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
			Intrinsic Value (in thousands)		
Balances, July 3, 2021	688,084	791,250	\$	7.15	1.9
SARs granted	(165,000)	165,000	\$	7.17	
SARs expired	197,500	(197,500)	\$	8.17	
Balances, July 2, 2022	720,584	758,750	\$	6.89	2.1
SARs granted	(145,000)	145,000	\$	5.10	
SARs forfeited	90,000	(90,000)	\$	6.55	
SARs expired	187,500	(187,500)	\$	7.26	
Balances, July 1, 2023	853,084	626,250	\$	6.41	2.2
SARs forfeited	137,500	(137,500)	\$	6.90	
SARs expired	101,250	(101,250)	\$	8.17	
Balances, June 29, 2024	1,091,834	387,500	\$	5.78	1.8
Exercisable at June 29, 2024			\$	4.93	0.1

The Company has defined contribution plans available to U.S. employees who have attained age 21. Company contributions to the plans were approximately \$1.3 million, \$1.1 million and \$0.9 million during fiscal years 2024, 2023 and 2022, respectively.

8. COMMITMENTS AND CONTINGENCIES

Litigation and Other Matters

The Company is party to certain lawsuits or claims in the ordinary course of business. The Company does not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on the financial position, results of operations or cash flow of the Company.

Warranties

The Company provides warranties on certain product sales. Allowances for estimated warranty costs are recorded during the period of sale. The determination of such allowances requires the Company to make estimates of product return rates and expected costs to repair or to replace the products under warranty. If actual return rates and/or repair and replacement costs differ significantly from management's estimates, adjustments to recognize additional cost of sales may be required in future periods. As of June 29, 2024, July 1, 2023, and July 2, 2022, the reserve for warranty costs was approximately \$164,000, \$29,000, and \$31,000 respectively.

Leases

Please refer to Footnote "Leases" of the "Notes to Consolidated Financial Statements" for information regarding lease commitments.

Internal Investigation

During fiscal year 2021, the Company's Audit Committee completed an internal investigation arising from a notification from an employee regarding certain alleged accounting irregularities. In January 2021, the Company determined that improper accounting resulted in an understatement of cost of goods sold and an overstatement of inventories. Subsequent to the matter identified in January 2021, additional inventory accounting errors unrelated to the investigation were also identified by management. The investigation did not result in a restatement of our previously filed financial statements. The Company is cooperating with the Securities and Exchange Commission's (the "SEC") inquiries related to the internal investigation. The Company cannot currently form an estimate of any possible loss or range of loss, including any potential monetary penalties; or other remedies potentially imposed by the SEC.

Indemnification Rights

Under the Company's bylaws, the Company's directors and officers have certain rights to indemnification by the Company against certain liabilities that may arise by reason of their status or service as directors or officers. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors and officers and former directors in certain circumstances.

9. DERIVATIVE FINANCIAL INSTRUMENTS

As of July 1, 2023, June 29, 2024, the Company did not have any outstanding foreign currency forward contracts. During contracts with a total notional amount of \$12.5 million. The maturity dates for these contracts extend through December 2024. For the fiscal year three months ended July 2, 2022, June 29, 2024, the Company entered into \$13.9 million \$12.5 million of foreign currency forward contracts and did not settle any of contracts. During the same period of the previous year, the Company did not enter or settle any foreign currency forward contracts.

For the twelve months ended June 29, 2024, the Company entered into \$19.0 million of foreign currency forward contracts and settled \$24.6 million \$6.5 million of such contracts. During the same period of the previous year, the Company did not enter into or settle any foreign currency forward contracts.

On November 6, 2019, the Company entered into an interest rate swap contract with an effective date of November 6, 2019 and a termination date of September 30, 2022, related to the borrowings outstanding under the term loan with Wells Fargo Bank. This interest rate swap contract was terminated on August 14, 2020 when the Company entered into a

loan and security agreement with Bank of America. At date of termination this interest rate swap was in a liability position of \$148,400, which ~~will be~~ was amortized to interest expense over the original term of the swap.

On November 6, 2019, the Company entered into an interest rate swap contract with an effective date of November 6, 2019 and a termination date of November 1, 2023, related to the borrowings outstanding under the line of credit with Wells Fargo Bank. This interest rate swap contract was terminated on August 14, 2020 when the Company entered into a loan and security agreement with Bank of America. At date of termination this interest rate swap was in a liability position of \$776,500, which ~~will be~~ was amortized to interest expense over the original term of the swap.

The following table summarizes the fair value of the derivative instruments in the Consolidated Balance Sheets as of June 29, 2024, July 1, 2023 and July 2, 2022 (in thousands):

Derivatives designated as hedging instruments under Subtopic 815-20	Balance Sheet Location	Fair Value		
		June 29, 2024	July 1, 2023	July 2, 2022
Foreign currency forward contracts	Other current liabilities	\$ 277	\$ —	\$ —

The following tables summarize the gain (loss) on derivative instruments, net of tax, on the Consolidated Statements of ~~Income~~ Operations for the fiscal year 2024, 2023 (in thousands):

Derivatives Designated as Hedging Instruments	Classification of Gain (Loss)		AOCI Balance as of July 2, 2022	Effective Portion Recorded In		Effective Portion Reclassified From AOCI Into Income as of July 1, 2023	AOCI Balance as of July 1, 2023			
	Reclassified from Accumulated OCI into Income (Effective Portion)			AOCI						
	Forward contracts	Cost of sales		—	79					
Interest rate swap	Interest expense		(346)	—	249		(97)			
Total			\$ (425)	\$ —	\$ 328		\$ (97)			

The following table summarizes the gain (loss) on derivative instruments, net of tax, on the Consolidated Statements of Income for the fiscal year and 2022, respectively (in thousands):

Derivatives Designated as Hedging Instruments	Classification of Gain (Loss)		AOCI Balance as of July 2, 2022	Effective Portion Recorded In		Effective Portion Reclassified From AOCI Into Income as of July 1, 2023	AOCI Balance as of July 1, 2023			
	Reclassified from Accumulated OCI into Income (Effective Portion)			AOCI						
	Forward contracts	Cost of sales		—	79					
Interest rate swap	Interest expense		(346)	—	249		(97)			
Total	Total	\$ 950	\$ (3,447)	\$ (425)	\$ 328		\$ (97)			

Derivatives Designated as Hedging Instruments	Classification of Gain (Loss)		AOCI Balance as of July 2, 2022	Effective Portion Recorded In		Effective Portion Reclassified From AOCI Into Income as of July 1, 2023	AOCI Balance as of July 1, 2023			
	Reclassified from Accumulated OCI into Income (Effective Portion)			AOCI						
	Forward contracts	Cost of sales		—	79					
Interest rate swap	Interest expense		(346)	—	249		(97)			
Total	Total	\$ 950	\$ (3,447)	\$ (425)	\$ 328		\$ (97)			

Derivatives Designated as Hedging Instruments	Classification of Gain (Loss)		AOCI Balance as of June 28, 2021	Effective Portion Recorded In		Effective Portion Reclassified From AOCI Into Income as of July 2, 2022	AOCI Balance as of July 2, 2022			
	Reclassified from Accumulated OCI into Income (Effective Portion)			AOCI						
	Forward contracts	Cost of sales		—	(3,750)					
Interest rate swap	Interest expense		(649)	—	303		(346)			
Total	Total	\$ 950	\$ (3,447)	\$ (425)	\$ 328		\$ (425)			

As of **July 1, 2023** **June 29, 2024**, the Company does not have any foreign exchange contracts with credit-risk-related contingent features. The Company is subject to the risk of fluctuating interest rates from our line of credit and foreign currency risk resulting from our China operations. The Company does not currently manage these risk exposures by using derivative instruments.

10. FAIR VALUE MEASUREMENTS

The Company has adopted ASC 820, *Fair Value Measurements*, which defines fair value, establishes a framework for assets and liabilities being measured and reported at fair value and expands disclosures about fair value measurements. There are three levels of fair value hierarchy inputs used to value assets and liabilities which include: Level 1 – inputs are quoted market prices for identical assets or liabilities; Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 – inputs are unobservable inputs for the asset or liability. There have been no changes in the fair value methodologies used at **June 29, 2024**, **July 1, 2023**, and **July 2, 2022**.

The carrying values of cash and cash equivalents, accounts receivable, contract assets, and current liabilities are reflected on the balance sheets at **June 29, 2024**, **July 1, 2023**, and **July 2, 2022** and reasonably approximate their fair value.

The Company's long-term debt, which is measured at amortized cost, primarily consists of an asset-based revolving credit facility, **lease liability**, and equipment loans. These borrowings bear interest at SOFR plus **2.5%** **4.5%** per the loan agreement. Each of these rates is a variable floating rate dependent upon current market conditions and the Company's current credit risk as discussed in Footnote "Long-Term Debt" of the "Notes to Consolidated Financial Statements."

As a result of the determinable market rates for our asset-based revolving credit facility and equipment loans, they are classified within Level 2 of the fair value hierarchy. Further, the carrying value of each of these instruments reasonably approximates their fair value as of **June 29, 2024**, **July 1, 2023**, and **July 2, 2022**.

11. ENTERPRISE-WIDE DISCLOSURES

Operating segments are defined in ASC Topic 280, *Segment Reporting* as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is its Chief Executive Officer. As of **July 1, 2023** **June 29, 2024**, the Company operates and internally manages a single operating segment, Electronics Manufacturing Services as this is the only discrete financial information that is regularly reviewed by the chief operating decision maker. This segment provides integrated electronic and mechanical engineering, assembly, sourcing and procurement, logistics, and new product testing for our customers.

Products and Services

Of the revenues for the years ended **June 29, 2024**, **July 1, 2023**, and **July 2, 2022**, contract manufacturing sales and services were **\$588.1 million** **\$566.9 million**, **\$605.3 million**, and **\$531.8 million**, **\$544.2 million** respectively.

Geographic Areas

Net sales and long-lived assets (property, plant, and equipment) by geographic area for the years ended and as of **June 29, 2024**, **July 1, 2023**, and **July 2, 2022** are summarized in the following table. Net sales set forth below are based on the shipping destination. Long-lived assets information is based on the physical location of the asset and includes property, plant and equipment, net, and operating lease right-of-use assets, net.

		Fiscal Year Ended			
		(in thousands)			
		2023	2022		
Geographic	Geographic			Fiscal Year Ended	
net sales:	net sales:			(in thousands)	
Domestic (U.S.)				Restated	
Domestic (U.S.)					Restated
Domestic (U.S.)	Domestic (U.S.)	\$ 502,274	\$ 438,018	Restated	Restated
Foreign	Foreign	\$ 85,861	\$ 93,797		
Total	Total	\$ 588,135	\$ 531,815		
Long-lived assets:	Long-lived assets:				
Long-lived assets:					
United States					
United States					
United States	United States	\$ 21,799	\$ 14,440		

Mexico	Mexico	\$ 18,203	22,473
Vietnam	Vietnam	\$ 4,547	5,228
China	China	\$ 523	601
Total	Total	\$ 45,072	\$ 42,742

Percentage of net sales made to customers located in the following countries:

		Fiscal Year Ended			
		2023	2022		
		Fiscal Year Ended		Fiscal Year Ended	
United States	United States	85%	82%	United States	77%
China	China	14	16	China	22%
Other foreign countries	Other foreign countries	—	—	Other foreign countries (a)	1%
Canada	Canada	—	—	Total	100%
Total	Total	100%	100%	Total	100%
					100%
					100%

(a) No other individual foreign country accounted for 10% or more of the foreign sales in fiscal years 2023, 2024 or 2022, 2023.

Significant Customers

The percentage of net sales to and trade accounts receivables from significant customers were as follows:

Customer A	Percentage of Net Sales			Percentage of Trade Accounts Receivable		
	Fiscal Year			Fiscal Year		
	2023	2022	2023	2022	2023	2022
Customer A	12%	12%	16%	13%		
Customer B	20%	12%	12 %	21%	16%	13%
	*	*	13 %	*	*	*

12. REVENUE

Revenue Recognition

The Company specializes in services ranging from product manufacturing to engineering and tooling services. The first step in its process for revenue recognition is to identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations. A contract can be written, oral, or implied. The Company generally enters into manufacturing service agreements ("MSA") with its customers that outlines the terms of the business relationship between the customer and the Company. This includes matters such as warranty, indemnification, transfer of title and risk of loss, liability for excess and obsolete inventory, pricing, payment terms, etc. The Company will also bid on a program-by-program basis for customers in which an executed MSA may not be in place. In these instances, as well as when we have an MSA in place, we receive customer purchase orders for specific quantities and timing of products. As a result, the Company considers its contract with a customer to be the combination of the MSA and the purchase order. The transaction price is fixed and set forth in each purchase order. In the Company's normal course of business, there are no variable pricing components, or material amounts refunded to customers in the form of refunds or rebates.

The Company assesses whether control of the product or services promised under the contract is transferred to the customer at a point in time (shipment) or over time (as we manufacture the product). The Company is first required to evaluate whether its contracts meet the criteria for 'over-time' or 'point-in-time' recognition. The Company has determined that for the majority of its contracts the Company is manufacturing products for which there is no alternative use due to the unique nature of the customer-specific product, IP and other contract restrictions. The Company has an enforceable right to payment including a reasonable profit for performance completed to date with respect to these contracts. As a result, revenue is recognized under these contracts 'over-time' based on the input cost-to-cost method as it better depicts the transfer of control. This input method is based on the ratio of costs incurred to date as compared to the total estimated costs at completion of the performance obligation. For all other contracts that do not meet these criteria, such as manufacturing contracts for which the terms do not provide an enforceable right to payment for performance completed to date, the Company recognizes revenue when it has transferred control of the related manufactured products which generally occurs upon shipment to the customer. Revenue from engineering services is recognized over time as costs related to the services are performed, incurred, which approximates proportional performance of the service. This method is used because management considers it to be the

best available measure of progress on the contracts. Revenue from scrap and excess inventory sales is recognized at the point-in-time of scrap at the customer's direction, or, if applicable, shipment of the material to the customer.

The Company's typical payment terms are 30 to 45 days and its sales arrangements do not contain any significant financing component for its customers.

The Company generally provides a warranty for workmanship on its manufacturing contracts. Although we offer warranties on our products, our warranties are considered to be assurance-type in nature and do not cover anything beyond ensuring that the product is functioning as intended. Based on the guidance in ASC 606, assurance-type warranties do not represent separate performance obligations; therefore, the primary performance obligation in the majority of our contracts is the delivery of a specific good through the purchase order submitted by our customer.

The Company elected to not disclose information about remaining performance obligations as they are part of contracts that have expected durations of one year or less.

The Company has elected to expense costs to obtain contracts as incurred as these costs are immaterial to the financial statements.

During fiscal 2024, 2023 and 2022, no revenues were recognized from performance obligations satisfied or partially satisfied in previous periods.

Contract Balances

A contract asset is recognized when the Company has recognized revenue, but has not issued an invoice for payment. Contract assets are classified separately on the condensed consolidated balance sheet and transferred to receivables when the right to payment becomes unconditional.

The following table summarizes the activity in the Company's contract assets during the twelve months ended June 29, 2024 (in thousands):

Contract Assets	
Beginning balance, July 1, 2023	\$ 29,925
Revenue recognized	497,348
Amounts collected or invoiced	(506,023)
Ending balance, June 29, 2024	\$ 21,250

The following table summarizes the activity in the Company's contract assets during the twelve months ended July 1, 2023 (in thousands):

Contract Assets	
Beginning balance, July 2, 2022	\$ 21,974
Revenue recognized	573,444
Amounts collected or invoiced	(565,493)
Ending balance, July 1, 2023	\$ 29,925

The following table summarizes the activity in the Company's contract assets during the twelve months ended July 2, 2022 (in thousands):

Contract Assets	
Beginning balance, July 3, 2021	\$ 24,781
Revenue recognized	515,831
Amounts collected or invoiced	(518,638)
Ending balance, July 2, 2022	\$ 21,974

Disaggregation of Revenue

The following table presents the Company's revenue disaggregated for the twelve months ended June 29, 2024, the twelve months ended July 1, 2023, and the twelve months ended July 2, 2022 (in thousands):

Revenue		Revenue			
Recognition	Recognition	July 1, 2023	July 2, 2022	Recognition	June 29, 2024
Over-Time	Over-Time	\$573,444	\$515,831		
Point-in-Time	Point-in-Time	14,691	15,984		
Total	Total	588,135	\$531,815		
				July 1, 2023 (Restated)	July 2, 2022 (Restated)

Revenues and associated costs from engineering design, development services and tooling, which are performed under contract of short term durations, are recognized over time as the services are performed. Revenue from engineering design, development services and tooling represented approximately 6.6% and 9.6% of total revenue in fiscal year 2023.

and 2022, respectively.

13. LEASES

The Company has several commitments under operating and financing leases for warehouses, manufacturing facilities, office buildings, and equipment with initial terms that expire at various dates during the next 1 year to 10 years.

The Company has some leases that include an extension clause. Management has considered the likelihood of exercising each extension option included and estimated the duration of the extension option, for those leases management determined to be reasonably certain, in calculating the lease term for measurement of the right of use asset and liability.

For operating leases, management assumed a discount rate of **4%** 4.0%. The weighted average discount rate is disclosed in the tables below.

The components of lease cost were as follows as of **June 29, 2024**, July 1, 2023 and July 2, 2022 (in thousands):

		Year Ended		Year
		Year Ended	Year Ended	Year Ended
		Year Ended		
Lease cost	Lease cost	Classification	July 1, 2023	July 2, 2022
Operating lease cost	Operating lease cost	Cost of sales	\$ 4,519	\$ 6,442
		Selling, general and administrative expenses	737	929
Operating lease cost	Operating lease cost	Cost of sales	\$ 3,891	\$ 2,054
		Selling, general and administrative expenses	\$ 161	\$ 64
Financing lease cost	Financing lease cost	Cost of sales	\$ 9,308	\$ 9,489
		Selling, general and administrative expenses		
Financing lease cost	Financing lease cost	Cost of sales	\$ 8,171	\$ 7,941
		Selling, general and administrative expenses		
Total lease cost				
Total lease cost				
Total lease cost	Total lease cost			
Fixed lease cost	Fixed lease cost	Cost of sales	\$ 9,308	\$ 9,489
		Selling, general and administrative expenses		
Fixed lease cost	Fixed lease cost	Cost of sales	\$ 8,171	\$ 7,941
		Selling, general and administrative expenses		
Fixed lease cost				
Fixed lease cost				
Short-term lease cost	Short-term lease cost	Cost of sales	\$ 1,137	\$ 1,548
		Selling, general and administrative expenses		
Total lease cost	Total lease cost			
Total lease cost	Total lease cost			

Amounts reported in the Consolidated Balance Sheet as of **June 29, 2024**, July 1, 2023 and July 2, 2022 were (in thousands, except weighted average lease term and discount rate):

		July 1, 2023	July 2, 2022	June 29, 2024	July 1, 2023	July 2, 2022
		June 29, 2024		June 29, 2024	July 1, 2023	July 2, 2022
Operating Leases:	Operating Leases:					
Operating lease right of use assets						

Operating lease right of use assets									
Operating lease right of use assets	Operating lease assets	\$ 16,202	\$ 16,731	\$ 15,416	\$	\$ 16,202	\$	\$ 16,731	
Operating lease liabilities (1)	Operating lease liabilities	16,202	16,731	Operating lease liabilities (1)	\$ 15,416	\$	\$ 16,202	\$	16,731
Weighted-average remaining lease term (in years)	Weighted-average remaining lease term (in years)								
Weighted-average remaining lease term (in years)									
Weighted-average remaining lease term (in years)									
Operating leases	Operating leases	4.55	5.28	3.97		4.55			5.28
Weighted-average discount rate	Weighted-average discount rate								
Weighted-average discount rate									
Weighted-average discount rate									
Operating leases	Operating leases	4.00	% 4.00	4.00%		4.00%		4.00	%
Financing Leases (2):									
Financing Leases (2):									
Financing Leases (2):									
Financing lease right of use assets									
Financing lease right of use assets									
Financing lease right of use assets	Financing lease assets	\$ 9,718	\$ 12,464	\$ 3,569	\$	\$ 9,718	\$	\$ 12,464	
Financing lease liabilities	Financing lease liabilities	8,278	11,211	Financing lease liabilities	\$ 2,128	\$	\$ 8,278	\$	11,211

Weighted-average remaining lease term (in years)	Weighted-average remaining lease term (in years)					
Weighted-average remaining lease term (in years)						
Weighted-average remaining lease term (in years)						
Financing leases						
Financing leases						
Financing leases	Financing leases	1.89	2.56	1.06	1.89	2.56
Weighted-average discount rate	Weighted-average discount rate					
Weighted-average discount rate						
Financing leases	Financing leases	9.96	% 8.82	%		
Financing leases					11.18%	9.96%
Financing leases						8.82 %

(1) For fiscal year 2023 and 2022, the The current portion of the total operating lease liabilities of \$5.1 million is classified under *Other Current Liabilities*, resulting in \$10.3 million classified under *Operating Lease Liabilities* in the *Long-term Liabilities* section of the condensed consolidated balance sheet.

(2) The total finance lease right of use assets of \$9.7 \$3.6 million is classified under *Other Long-term Assets*. The current portion of the total finance lease liabilities of \$4.7 \$1.9 million is classified under *Other Current portion of debt, net, Liabilities*, resulting in \$3.6 \$0.2 million classified in *Other Long-term Liabilities* section of the condensed consolidated balance sheet.

Other information related to leases was as follows (in thousands):

	July 1, 2023	July 2, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	5,714	4,261
Financing cash flows used in financing leases	4,291	2,331

Future lease payments under non-cancellable leases as of July 1, 2023 June 29, 2024 are as follows (in thousands):

Fiscal Years Ending	Fiscal Years Ending	Operating Leases	Finance Leases
		Leases	Leases
2024	2025	\$ 5,134	\$ 4,711
2025	2026	3,987	3,290
2026	2027	3,365	670
2027	2028	2,464	71
2028	2029	1,551	—
2029	Thereafter	1,689	—
Thereafter	Total undiscounted lease payments	18,190	8,742
Total undiscounted lease payments			

Less: present value discount	Less: present value discount	1,988	464
Total lease liabilities	Total lease liabilities	\$ 16,202	\$ 8,278

14. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In connection with the preparation of the Company's consolidated financial statements as of and for the year ended June 29, 2024, the Company concluded that cost recovery of material price variances was not being consistently recorded across its facilities. Material price variance occurs when the price the Company pays for materials exceeds the price quoted to customers, and the Company typically recovers the excess cost from customers through a sales price adjustment. Per Company policy, this cost recovery should be recorded as net sales when inventory enters the production process, however, certain of the Company's facilities were recording the cost recovery as a reduction to cost of sales. These errors resulted in an understatement of both net sales and cost of sales for the years ended July 1, 2023 and July 2, 2022 (the "impacted annual periods"). As a result, the Company has restated its consolidated statements of operations for the impacted annual periods presented herein. The nature of the restatement adjustments shown below and their impact on the previously issued consolidated statements of operations is to increase net sales and increase cost of sales to appropriately reflect these transactions as sales price adjustments.

CORRECTED CONSOLIDATED STATEMENT OF OPERATIONS (in thousands, except per share information)	Fiscal Year Ended 7/1/2023		
	As previously reported		Adjustments
			As restated
Net sales	\$ 588,135	\$ 17,180	\$ 605,315
Cost of sales	540,663	17,180	557,843
Gross profit	47,472	—	47,472
Research, development and engineering expenses	9,735	—	9,735
Selling, general and administrative expenses	25,715	—	25,715
Gain on insurance proceeds, net of losses	(4,301)	—	(4,301)
Total operating expenses	31,149	—	31,149
Operating income	16,323	—	16,323
Interest expense, net	10,023	—	10,023
Income before income taxes	6,300	—	6,300
Income tax provision	1,143	—	1,143
Net income	\$ 5,157	\$ —	\$ 5,157
Net income per share — Basic	\$ 0.48	\$ —	\$ 0.48
Weighted average shares outstanding — Basic	10,762	—	10,762
Net income per share — Diluted	\$ 0.47	\$ —	\$ 0.47
Weighted average shares outstanding — Diluted	10,938	—	10,938
CORRECTED CONSOLIDATED STATEMENT OF OPERATIONS (in thousands, except per share information)	Fiscal Year Ended 7/2/2022		
	As previously reported		Adjustments
			As restated
Net sales	\$ 531,815	\$ 12,362	\$ 544,177
Cost of sales	488,601	12,362	500,963
Gross profit	43,214	—	43,214
Research, development and engineering expenses	9,821	—	9,821
Selling, general and administrative expenses	24,598	—	24,598
Gain on insurance proceeds, net of losses	—	—	—
Total operating expenses	34,419	—	34,419
Operating income	8,795	—	8,795
Interest expense, net	5,104	—	5,104
Income before income taxes	3,691	—	3,691
Income tax provision	314	—	314
Net income	\$ 3,377	\$ —	\$ 3,377
Net income per share — Basic	\$ 0.31	\$ —	\$ 0.31
Weighted average shares outstanding — Basic	10,762	—	10,762
Net income per share — Diluted	\$ 0.31	\$ —	\$ 0.31
Weighted average shares outstanding — Diluted	11,063	—	11,063

All referenced amounts for prior periods in these financial statements and the notes herein reflect the balances and amounts on a restated basis.

15. RESTATEMENT AND REVISION OF INTERIM FINANCIAL INFORMATION

Restatement of Unaudited Consolidated Statements of Operations

In connection with the preparation of the Company's consolidated financial statements as of and for the year ended June 29, 2024, the Company concluded that cost recovery of material price variances was not being consistently recorded across its facilities. Material price variance occurs when the price the Company pays for materials exceeds the price quoted to customers, and the Company typically recovers the excess cost from customers through a sales price adjustment. Per Company policy, this cost recovery should be recorded as net sales when inventory enters the production process, however, certain of the Company's facilities were recording the cost recovery as a reduction to cost of sales. These errors resulted in an understatement of both net revenues and cost of sales for the quarters ended March 30, 2024, December 30, 2023, September 30, 2023, April 1, 2023, December 31, 2022, October 1, 2022, April 2, 2022, January 1, 2022, and October 2, 2022 (the "impacted quarterly periods"). As a result of these errors, the Company has restated its unaudited consolidated statements of operations for the impacted quarterly periods in the following tables. The unaudited consolidated balance sheets, statements of comprehensive income, shareholders' equity and cash flows for the impacted quarters were not impacted by the errors noted above and have not been restated; provided, that the unaudited consolidated balance sheets as of March 30, 2024, December 30, 2023, September 30, 2023 have been revised as a result of error related to the adoption of ASU 326 as discussed below under "Revision of Unaudited Consolidated Balance Sheets."

CORRECTED CONSOLIDATED STATEMENT OF OPERATIONS	Interim periods - fiscal year 2024 (in thousands, except per share information)					
	As restated - three months ended 9/30/23		As restated - three months ended 12/30/23		As restated - three months ended 3/30/24	
	6/29/24	6/29/24	6/29/24	6/29/24	6/29/24	6/29/24
Net sales	\$ 150,112 [1]	\$ 147,847 [2]	\$ 142,427 [3]	\$ 126,556	\$ 566,942	
Cost of sales	139,250 [1]	136,084 [2]	134,346 [3]	117,383	527,063	
Gross profit	10,862	11,763	8,081	9,173	39,879	
Research, development and engineering expenses	2,241	1,758	2,234	2,100	8,333	
Selling, general and administrative expenses	5,784	6,057	6,422	6,956	25,219	
Gain on insurance proceeds, net of losses	(431)	—	—	—	(431)	
Total operating expenses	7,594	7,815	8,656	9,056	33,121	
Operating income	3,268	3,948	(575)	117	6,758	
Interest expense, net	3,011	2,961	2,800	3,173	11,945	
Income (loss) before income taxes	257	987	(3,375)	(3,056)	(5,187)	
Income tax provision (benefit)	(78)	(97)	(1,154)	(1,071)	(2,400)	
Net income (loss)	\$ 335	\$ 1,084	\$ (2,221)	\$ (1,985)	\$ (2,787)	
Net income (loss) per share — Basic	\$ 0.03	\$ 0.10	\$ (0.21)	\$ (0.18)	\$ (0.26)	
Weighted average shares outstanding — Basic	10,762	10,762	10,762	10,762	10,762	10,762
Net income (loss) per share — Diluted	\$ 0.03	\$ 0.10	\$ (0.21)	\$ (0.18)	\$ (0.26)	
Weighted average shares outstanding — Diluted	11,003	10,889	10,762	10,762	10,762	10,762

[1] - Includes an increase of \$2,349 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[2] - Includes an increase of \$2,430 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[3] - Includes an increase of \$1,900 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

CORRECTED CONSOLIDATED STATEMENT OF OPERATIONS	Interim periods - fiscal year 2023 (in thousands, except per share information)					
	As restated - three months ended 10/1/22		As restated - three months ended 12/31/22		As restated - three months ended 4/1/23	
	6/29/23	6/29/23	6/29/23	6/29/23	6/29/23	6/29/23
Net sales	\$ 140,971 [1]	\$ 127,592 [2]	\$ 167,758 [3]	\$ 168,994 [4]	\$ 605,315	
Cost of sales	130,592 [1]	118,672 [2]	153,482 [3]	155,096 [4]	557,843	
Gross profit	10,379	8,920	14,276	13,898	47,472	
Research, development and engineering expenses	2,296	2,287	2,580	2,573	9,735	
Selling, general and administrative expenses	5,656	5,735	6,961	7,363	25,715	
Gain on insurance proceeds, net of losses	(934)	(2,710)	(396)	(261)	(4,301)	
Total operating expenses	7,018	5,312	9,145	9,675	31,149	
Operating income	3,361	3,608	5,131	4,223	16,323	
Interest expense, net	1,887	2,507	2,688	2,941	10,023	

Income before income taxes	1,474	1,101	2,443	1,282	6,300
Income tax provision	322	134	467	220	1,143
Net income	\$ 1,152	\$ 967	\$ 1,976	\$ 1,062	\$ 5,157
Net income per share — Basic	\$ 0.11	\$ 0.09	\$ 0.18	\$ 0.10	\$ 0.48
Weighted average shares outstanding — Basic	10,762	10,762	10,762	10,762	10,762
Net income per share — Diluted	\$ 0.11	\$ 0.09	\$ 0.18	\$ 0.10	\$ 0.47
Weighted average shares outstanding — Diluted	10,832	10,832	10,865	10,996	10,938

[1] - Includes an increase of \$3,708 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[2] - Includes an increase of \$3,884 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[3] - Includes an increase of \$3,205 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[4] - Includes an increase of \$6,384 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

CORRECTED CONSOLIDATED STATEMENT OF OPERATIONS	Interim periods - fiscal year 2022 (in thousands, except per share information)				
	As restated - three months ended 10/2/21	As restated - three months ended 1/1/22	As restated - three months ended 4/2/22	As restated - three months ended 7/2/22	As restated - twelve months ended 7/2/22
Net sales	\$ 133,130 [1]	\$ 136,407 [2]	\$ 140,714 [3]	\$ 133,926 [4]	\$ 544,177
Cost of sales	122,992 [1]	126,599 [2]	129,206 [3]	122,166 [4]	500,963
Gross profit	10,138	9,808	11,508	11,760	43,214
Research, development and engineering expenses	2,449	2,498	2,526	2,348	9,821
Selling, general and administrative expenses	5,595	5,659	6,193	7,151	24,598
Gain on insurance proceeds, net of losses	—	—	—	—	—
Total operating expenses	8,044	8,157	8,719	9,499	34,419
Operating income	2,094	1,651	2,789	2,261	8,795
Interest expense, net	992	1,095	1,551	1,466	5,104
Income before income taxes	1,102	556	1,238	795	3,691
Income tax provision (benefit)	287	(31)	231	(173)	314
Net income	\$ 815	\$ 587	\$ 1,007	\$ 968	\$ 3,377
Net income per share — Basic	\$ 0.08	\$ 0.05	\$ 0.09	\$ 0.09	\$ 0.31
Weighted average shares outstanding — Basic	10,762	10,762	10,762	10,762	10,762
Net income per share — Diluted	\$ 0.07	\$ 0.05	\$ 0.09	\$ 0.09	\$ 0.31
Weighted average shares outstanding — Diluted	11,052	11,057	11,062	11,071	11,063

[1] - Includes an increase of \$368 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[2] - Includes an increase of \$1,951 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[3] - Includes an increase of \$2,323 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

[4] - Includes an increase of \$7,720 over amounts previously reported in the Net Sales and Cost of Sales lines, respectively.

Revision of Unaudited Consolidated Balance Sheets

In addition, in connection with the preparation of the Company's consolidated financial statements as of and for the year ended June 29, 2024, the Company concluded that it had not recorded an immaterial adjustment related to its adoption on July 2, 2023 of ASU 2016-13 Financial Instruments - Credit Losses (ASU 326): Measurement of Credit Losses on Financial Instruments. As of July 2, 2023, the Company should have performed an assessment and recorded any adjustment as a modified retrospective adjustment through its opening retained earnings balance. The error resulted in an immaterial overstatement of accounts receivable, contract assets, other assets and retained earnings as of March 30, 2024, December 30, 2023 and September 30, 2023. Given the restatement described above, the Company elected to revise its unaudited consolidated balance sheets as of March 30, 2024, December 30, 2023 and September 30, 2023 in the following tables. The related unaudited consolidated statements of operations, statements of comprehensive income, shareholders' equity and cash flows were not materially impacted by this error and have not been revised for this matter.

As revised - as of 9/30/23	As revised - as of 12/31/23	As revised - as of 3/31/24
CORRECTED CONSOLIDATED BALANCE SHEETS (in thousands)		
ASSETS		

Current assets:				
Cash and cash equivalents	\$ 3,574	\$ 2,953	\$ 5,255	
Trade receivables, net of credit losses	<u>[1]</u> 138,463	\$ 131,913	\$ 132,663	
Contract assets	<u>[1]</u> 32,878	\$ 27,745	\$ 28,594	
Inventories		126,778	\$ 124,054	\$ 115,115
Other	<u>[1]</u> 21,700	\$ 21,382	\$ 20,994	
Total current assets		323,393	\$ 308,047	\$ 302,621
Property, plant and equipment, net		28,085	\$ 28,935	\$ 29,046
Operating lease right-of-use assets, net		15,928	\$ 18,104	\$ 16,790
Other assets:				
Deferred income tax asset	<u>[1]</u> 14,161	\$ 14,117	\$ 15,533	
Other		7,500	\$ 6,243	\$ 6,109
Total other assets		21,661	\$ 20,360	\$ 21,642
Total assets	\$ 389,067	\$ 375,446	\$ 370,099	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 101,638	\$ 91,358	\$ 82,198	
Accrued compensation and vacation		11,860	\$ 5,677	\$ 7,071
Current portion of long-term debt		2,886	\$ 3,068	\$ 3,094
Other		16,640	\$ 18,263	\$ 17,040
Total current liabilities		133,024	\$ 118,366	\$ 109,403
Long-term liabilities:				
Long-term debt, net		115,789	\$ 114,894	\$ 122,193
Operating lease liabilities		10,939	\$ 12,380	\$ 11,351
Deferred income tax liability		324	\$ 22	\$ 19
Other long-term obligations		1,201	\$ 627	\$ 336
Total long-term liabilities		128,253	\$ 127,923	\$ 133,899
Total liabilities		261,277	\$ 246,289	\$ 243,302
Commitments and contingencies (Note 9)				
Shareholders' equity:				
Common stock, no par value—shares authorized 25,000; issued and outstanding 10,762, 10,762, and 10,762 shares, respectively		47,786	\$ 47,839	\$ 47,891
Retained earnings	<u>[1]</u> 80,043	\$ 81,127	\$ 78,906	
Accumulated other comprehensive (loss) income		(39)	\$ 191	—
Total shareholders' equity		127,790	\$ 129,157	\$ 126,797
Total liabilities and shareholders' equity	\$ 389,067	\$ 375,446	\$ 370,099	

[1] - Each presented period includes a reduction for expected credit losses of \$(2,979) related to receivables, \$(1,230) related to Other, \$(25) related to Contract Assets, \$956 related to deferred income tax asset, and \$(3,278) related to Retained Earnings. These adjustments serve to reflect a modified retrospective adoption of ASC 326 - Financial Instruments, Credit Losses. The related tax-effects and subsequent inter-period adjustments are considered immaterial for presentation on an interim basis.

Item 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

Item 9A: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

It is the responsibility of our management to establish, maintain, and monitor disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. Additionally, these disclosure controls include controls and procedures that are designed to accumulate and communicate the information required to be disclosed to our Company's Chief Executive Officer and Chief Financial Officer, allowing for timely decisions regarding required disclosures.

As of the end of the period covered by this report, our management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(f) 13a-15(b).

Based on our assessment, we believe that as of **July 1, 2023** June 29, 2024, the Company's disclosure controls and procedures **are** were not effective **based on that criteria** as a result of the material weaknesses in internal control over financial reporting discussed below.

Management's Report on Internal Control over Financial Reporting

Our management has the responsibility to establish and maintain adequate internal controls over our financial reporting, as defined in Rule 13a-15(f) under the **Securities and Exchange Act of 1934**. Our internal controls are designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our external financial statements in accordance with generally accepted accounting principles (GAAP).

Due to inherent limitations of any internal control system, management acknowledges that there are limitations as to the effectiveness of internal controls over financial reporting and therefore recognize that only reasonable assurance can be gained from any internal control system. Accordingly, our internal control system may not detect or prevent material misstatements in our financial statements and projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, we have performed an assessment of the effectiveness of our internal controls over financial reporting as of **July 1, 2023** June 29, 2024. This assessment was based on the criteria established in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. Based on our assessment, **we believe** management concluded that as of **July 1, 2023**, the Company's internal control over financial reporting was not effective as of June 29, 2024 due to the material weaknesses described below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified:

The Company did not fully maintain components of the COSO framework, including elements of the control environment, risk assessment, control activities, and monitoring activities components, relating to: (i) sufficiency of processes to identify and analyze risks to the achievement of objectives across the entity, (ii) sufficiency of competent personnel with appropriate levels of knowledge, experience, and training in accounting, and internal control matters to perform assigned responsibilities and have appropriate accountability for the design and operation of internal control over financial reporting; (iii) sufficiency of procedures to select and develop control activities that contribute to the mitigation of risks, and (iv) performing ongoing evaluations to ascertain whether the components of internal control are present and functioning.

The entity level material weaknesses contributed to material weaknesses within the Company's financial close and reporting processes as follows:

- The Company did not design and implement effective **based on that criteria** controls over the adoption of new accounting standards.
- The Company did not design and implement effective controls over the accounting for revenue recognition relating to cost recovery of material price variances.

These material weaknesses resulted in the restatement of our consolidated financial statements as of and for the years ended July 1, 2023 and July 2, 2022 and our unaudited consolidated statements of operations for the quarters ended March 30, 2024, December 30, 2023, September 30, 2023, April 1, 2023, December 31, 2022, October 1, 2022, April 2, 2022, January 1, 2022 and October 2, 2021, and revision of our unaudited consolidated balance sheets as of March 30, 2024, December 30, 2023, and September 30, 2023.

As a result of this determination, management has taken, and is in the process of taking, the following actions to remediate the identified material weaknesses in its internal control over financial reporting:

- Training related to the proper accounting for material price variances
- Enhancing closing process documentation related to material price variances
- Hiring of technical accounting finance staff with US GAAP knowledge and experience; and
- Enhance closing process documentation related to adoption of new accounting standards

We will continue to assess the effectiveness of our controls and remediation efforts in connection with our future assessments of the effectiveness of internal control over financial reporting and disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal controls over financial reporting during our fourth fiscal quarter ended **July 1, 2023** June 29, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) 13a-15(f)).

Item 9B: OTHER INFORMATION

None During the fiscal year ended June 29, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K, Item 408.

Item 9C: DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

Information on the nominees for election as Directors of the Company is incorporated herein by reference from the Company's definitive proxy statement for the **2023** 2024 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act no later than 120 days after the end of the Company's **2023** 2024 fiscal year (the

"2023 "2024 Proxy Statement").

Executive Officers of the Registrant

This information is included in a separate item captioned "Executive Officers of the Registrant" in Item 1 of Part 1 of this Annual Report on Form 10-K pursuant to Instruction G(3) of Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K and is incorporated herein by reference.

Compliance with Section 16(a) of the Exchange Act:

Information under the caption "Delinquent Section 16(a) Reports" in the Company's 2023 2024 Proxy Statement is incorporated herein by this reference.

Code of Conduct

The Board of Directors has adopted a written Code of Conduct which applies to its directors and employees, including its executive officers. The Code of Conduct is available on the Company's website at www.keytronic.com. The Company intends to disclose on its website any amendments to or waivers of the Code of Conduct.

Item 11: EXECUTIVE COMPENSATION

Information appearing under the caption "Executive Compensation" in the Company's 2023 2024 Proxy Statement is incorporated herein by this reference.

Item 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth the aggregate information for the Company's equity compensation plans in effect as of July 1, 2023.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
			(c)
Equity compensation plans approved by security holders ⁽¹⁾	626,250	\$ 6.41	853,084
Equity compensation plans not approved by security holders	—	\$ —	—
Total	626,250	\$ 6.41	853,084

⁽¹⁾ Included are the 1,200,000 shares subject to the 2010 Plan, the issuance of which were approved by the shareholders at the 2010 Annual Meeting. During the 2015 Annual Meeting, an additional 1,000,000 shares were approved. As a result of the shareholder approval, the Company made the decision to amend the cash-settled SARs granted during fiscal year 2010 to stock-settled SARs effective October 21, 2011.

Information under the caption "Beneficial Ownership of Securities" and "Equity Compensation Plan Information" in the Company's 2023 2024 Proxy Statement is incorporated herein by this reference.

Item 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information appearing under the caption "Related Person Transactions" and "Directors' Independence" in the Company's 2023 2024 Proxy Statement is incorporated herein by this reference.

Item 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is Moss Adams LLP, Seattle, Washington, Auditor Firm ID: 659.

Information appearing under the caption "Principal Accountant Fees and Services" in the Company's 2023 2024 Proxy Statement is incorporated herein by this reference.

PART IV

Item 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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3. EXHIBITS

Exhibit No.	Description
3.1	Articles of Incorporation, incorporated by reference to Exhibit 3.1 to the Company's Form 10-K for the year ended July 3, 2021.
3.2	Bylaws, as amended, incorporated by reference to Exhibit 3.2 to the Company's Form 10-K for the year ended July 3, 2021
4.1	Description of the Company's securities.
10.1*	2010 Incentive Plan, incorporated by reference to Exhibit 10.36 4.1 to the Company's Form 10-K for the year ended July 3, 2010 July 3, 2021

10.1*	2010 Incentive Plan, as amended and restated October 23, 2014, incorporated by reference to Appendix A to the Company's 2014 Proxy Statement
10.2*	Form of Restricted Stock Unit Grant Notice and Agreement, submitted herewith
10.3*	Description of Employment Contract of Craig D. Gates, incorporated by reference to the Company's 1998 Proxy Statement, pages 10 and 11
10.3* 10.4*	Addenda to Employment Contract of Craig D. Gates, incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q for the quarter ended January 1, 2000
10.4* 10.5*	Addenda to Employment Contract of Craig D. Gates, incorporated by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended June 29, 2002
10.5* 10.6*	Amendment to Employment Contract of Craig D. Gates, dated August 23, 2011 incorporated by reference to Exhibit 10.40 to the Company's Form 10-K for the year ended July 2, 2011
10.6* 10.7*	Amendment to Employment Contract of Craig D. Gates, dated May 10, 2012, incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2012
10.7* 10.8*	Summary Consulting Agreement of Incentive Compensation Plan Performance Goals and Target Payments for Fiscal Year 2019 and Fiscal Years 2019 – 2021 Long Term Incentive Plan Performance Measures and Awards incorporated by reference to the Company's Form 8-K filed August 2, 2018
10.9*	Employment Contract of Brett R. Larsen, dated April 22, 2010, including the Amendment to Employment Contract, dated August 23, 2011, and the Amendment to Employment Contract, dated May 11, 2012, submitted herewith
10.8* 10.10*	Employment Contract of Anthony G. Voorhees, dated August 3, 2022, submitted herewith
10.11*	Summary of Incentive Compensation Plan Performance Goals and Target Payments for Fiscal Year 2020 and Fiscal Years 2020 – 2022 Long Term Incentive Plan Performance Measures and Awards incorporated by reference to the Company's Form 8-K filed July 30, 2019
10.9* 10.12*	Summary of Incentive Compensation Plan Performance Goals and Target Payments for Fiscal Year 2021 and Fiscal Years 2021 – 2023 Long Term Incentive Plan Performance Measures and Awards incorporated by reference to the Company's Form 8-K filed July 27, 2020
10.10* 10.13*	Summary of Incentive Compensation Plan Performance Goals and Target Payments for Fiscal Year 2022 and Fiscal Years 2022 – 2024 Long Term Incentive Plan Performance Measures and Awards incorporated by reference to the Company's Form 8-K filed August 13, 2021
10.11* 10.14*	Summary of Incentive Compensation Plan Performance Goals and Target Payments for Fiscal Year 2023 and Fiscal Years 2023 – 2025 Long Term Incentive Plan Performance Measures and Awards incorporated by reference to the Company's Form 8-K filed August 4, 2022
10.12* 10.15*	Summary of Incentive Compensation Plan Performance Goals and Target Payments for Fiscal Year 2024 and Fiscal Years 2024 – 2026 Long Term Incentive Plan Performance Measures and Awards incorporated by reference to the Company's Form 8-K filed August 17, 2023
10.16*	Summary of Incentive Compensation Plan Performance Goals and Target Payments for Fiscal Year 2025 and Fiscal Years 2025-2027 Long Term Incentive Plan Performance Measures and Awards, incorporated by reference to the Company's Form 8-K filed on September 9, 2024

10.13	10.17	Announcement that the Company has signed a letter of intent to lease a new facility in Da Nang, Vietnam
10.14	10.18	Stock Purchase Agreement, dated September 3, 2014, by and among the Company, CDR Manufacturing Inc. and the sellers signatory thereto, incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on September 9, 2014
10.15	10.19	Loan and Security Agreement, dated August 14, 2020, among the Company, Bank of America, N.A. and certain other parties, incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 17, 2020
10.16	10.20	First Amendment to Loan and Security Agreement, dated November 10, 2020, among the Company, Bank of America, N.A. and certain other parties, submitted herewith incorporated by reference to Exhibit 10.1 to the Company's Form 10-K for the year ended July 2, 2022
10.17	10.21	Second Amendment to Loan and Security Agreement, dated September 3, 2021, among the Company, Bank of America, N.A. and certain other parties, incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed September 10, 2021
10.18	10.22	Third Amendment to Loan and Security Agreement, dated August 26, 2022, among the Company, Bank of America, N.A. and certain other parties, incorporated by reference to Exhibit 10.2 submitted herewith to the Company's Form 10-K for the year ended July 2, 2022
10.23		Fourth Amendment to Loan, Guaranty and Security Agreement, dated March 29, 2024, among the Company, Bank of America, N.A., and certain other parties, incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed May 13, 2024
10.24		Fifth Amendment to Loan, Guaranty and Security Agreement, dated September 27, 2024, among the Company, Bank of America, N.A., and certain other parties, incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 1, 2024
10.25		Sixth Amendment to Loan, Guaranty and Security Agreement, dated October 9, 2024, among the Company, Bank of America, N.A., and certain other parties, incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 10, 2024
21.1		Subsidiaries of Registrant, submitted herewith
23.1		Consent of Independent Registered Public Accounting Firm - Moss Adams LLP, submitted herewith
31.1		Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer, submitted herewith
31.2		Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer, submitted herewith

32.1	Section 1350 Certification of Chief Executive Officer, submitted herewith
32.2	Section 1350 Certification of Chief Financial Officer, submitted herewith
	Policy Relating to Recovery of Erroneously Awarded Compensation, submitted herewith
97.1	
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document **
101.LAB	XBRL Taxonomy Extension Label Linkbase Document **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document **
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.INS, 101.SCH, 101.CAL, 101.DEF, 101.LAB and 101.PRE)

* Management contract or compensatory plan or arrangement

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities and Exchange Act of 1934, as amended and otherwise are not subject to liability under those sections.

Item 16: FORM 10-K SUMMARY

None

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: [September 26, 2023](#) [October 15, 2024](#)

KEY TRONIC CORPORATION

By: [/s/ Craig D. Gates](#) [Brett R. Larsen](#)

[Craig D. Gates](#), [Brett R. Larsen](#), President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Craig D. Gates Brett R. Larsen

September 26, 2023 October 15, 2024

Craig D. Gates Brett R. Larsen

Date

Director and President and Chief Executive Officer
(Principal Executive Officer)

/s/ Brett R. Larsen Anthony G. Voorhees

September 26, 2023 October 15, 2024

Brett R. Larsen Anthony G. Voorhees

Date

Executive Vice President of Administration, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

/s/ Ronald F. Klawitter

September 26, 2023 October 15, 2024

Ronald F. Klawitter, Director and Chairman of the Board

Date

/s/ Craig D. Gates

October 15, 2024

Craig D. Gates, Director

Date

/s/ James R. Bean

September 26, 2023 October 15, 2024

James R. Bean, Director

Date

/s/ Subodh K. Kulkarni

September 26, 2023 October 15, 2024

Subodh K. Kulkarni, Director

Date

/s/ Yacov A. Shamash

September 26, 2023 October 15, 2024

Yacov A. Shamash, Director

Date

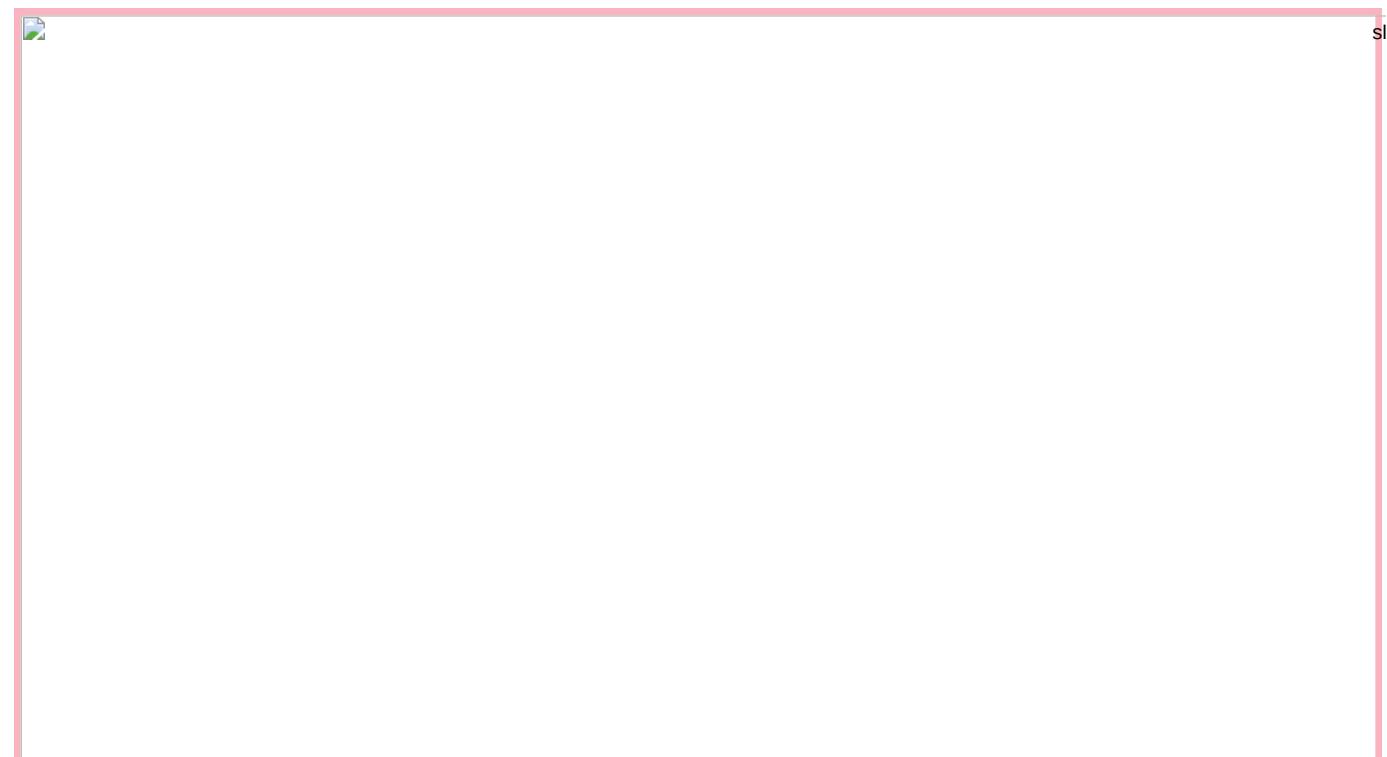
/s/ Patrick Sweeney Cheryl Beranek

September 26, 2023 October 15, 2024

Patrick Sweeney, Cheryl Beranek, Director and Chairman of the Board

Date

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Execution Version 1 FIRST AMENDMENT TO LOAN, GUARANTY RESTRICTED STOCK UNIT GRANT NOTICE AND SECURITY AGREEMENT
THIS FIRST AMENDMENT TO LOAN, GUARANTY AND SECURITY AGREEMENT (this "Amendment"), dated as of November 10, 2020, is by
and among KEY TRONIC CORPORATION, a Washington corporation ("Key Tronic"), CDR MANUFACTURING, LLC, a Kentucky limited
liability company ("CDR"), AYRSHIRE ELECTRONICS OF ARKANSAS LLC, a Kentucky limited liability company ("Ayrshire Arkansas"), and
AYRSHIRE ELECTRONICS OF MISSISSIPPI, LLC, a Kentucky limited liability company ("Ayrshire Mississippi"); and together with

Key Tronic CDR, Ayrshire Arkansas, each, a "Borrower" Corporation (the "Company"), pursuant to its Amended and collectively, the
"Borrowers"), K T SERVICES, INC., a Washington corporation ("KT"), and KEY TRONIC CHINA LTD., a Washington corporation ("KTC" together with
KT, each, a "Guarantor" and collectively, the "Guarantors"; and together with the Borrowers, each, an "Obligor" and collectively, the "Obligors"), the
financial institutions party to the Loan Agreement Restated 2010 Incentive Plan (as defined below) may be amended, restated or otherwise modified
from time to time, as lenders (collectively, the "Lenders" "Plan"), and BANK OF AMERICA, N.A., a national banking association, as agent for hereby
grants to Holder the Lenders (in such capacity, the "Agent"). RECITALS WHEREAS, the Borrowers, Guarantors, Agent and the Lenders are parties to
that certain Loan, Guaranty and Security Agreement, dated as number of August 14, 2020 (as amended, restated, amended and restated, modified, or
supplemented from time to time, including pursuant to this Amendment, the "Loan Agreement"), pursuant to which the Agent and the Lenders provide
Borrowers with certain financial accommodations. WHEREAS, the Obligors have requested that Agent and Lenders amend the Loan Agreement
as Restricted Stock Units set forth herein, which Agent and Lenders below, each Restricted Stock Unit being a notional unit representing the right to
receive one share of Common Stock, subject to adjustment as provided in the Plan (the "Restricted Stock Units"). The Restricted Stock Units are
willing subject to do, but solely on all of the terms and conditions hereafter set forth. NOW, THEREFORE, forth in consideration this Restricted Stock
Unit Grant Notice and Agreement (this "Award Agreement"), as well as all of any loan or advance or grant the terms and conditions of credit
heretofore or hereafter made to or for the account of Borrowers by Agent and Lenders, and for other good and valuable consideration, the receipt and

sufficiency Plan, all of which are hereby acknowledged, incorporated herein in their entirety. To the parties hereto hereby agree as follows: ARTICLE I DEFINITIONS Section 1.01 Defined Terms. extent that any provisions herein (or portion thereof) conflicts with any provision of the Plan, the Plan shall prevail and control. Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Loan Agreement. Section 1.02 Recitals. The Recitals above are incorporated herein same meaning as though set forth in full the Plan.

Holder:

Date of Grant: September 3, 2024

Vesting Commencement

Date: September 3, 2024

Number of Time-Vested Restricted Stock

Units:

Number of Performance-Vested Restricted

Stock Units:

Vesting Schedule:

Time-Vested Restricted

Stock Units: Except as provided below in connection with a Change in Control, and Borrower stipulates provided that Holder has not experienced a Termination of Service prior to the applicable vesting date, one-third (1/3rd) of the Time-Vested Restricted Stock Units (rounded down to the nearest whole share) will vest on each of the first three (3) anniversaries of the Vesting Commencement Date; provided, that with respect to the last such installment (which, for the avoidance of doubt, will occur on the date that is the third (3rd) anniversary of the Vesting Commencement Date), the Time-Vested Restricted Stock Units shall be 100% vested.

Performance-Vested

Restricted Stock Units: Except as provided below in connection with a Change in Control, and provided that Holder has not experienced a Termination of Service prior to the applicable vesting date, one-third (1/3rd) of the Performance-Vested Restricted Stock Units (rounded down to the nearest whole share) will vest sixty (60) days after the completion of each of fiscal years 2025, 2026, and 2027, respectively, provided that the Recitals. ARTICLE II AMENDMENT TO LOAN AND SECURITY AGREEMENT Section 2.01 Amendment to the Definition of "Eligible Accounts" in Section 1.1 of the Loan Agreement. Clause (c) of the definition of "Eligible Accounts" in Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows (c) when aggregated with other Accounts owing by the Account Debtor and its Affiliates, it exceeds 15% of the aggregate Eligible Accounts (or such higher



2 136915403_1 percentage as Agent may establish Committee has certified that EBITDA for the Account Debtor from time to time) applicable fiscal year equals or exceeds \$25,000,000 (the "**Certification**"); provided, that with respect to Accounts owed by (x) Helen of Troy and its Affiliates, the last such percentage installment, the Performance-Vested Restricted Stock Units shall be 35% (or 100% vested. In the event that the Certification for the

applicable fiscal year is completed after the sixtieth (60th) day after the completion of such higher percentage as Agent may establish for such Account Debtor from time to time) or (y) Lululemon Athletica and its Affiliates, such percentage shall be 25% (or such higher percentage as Agent may establish for such Account Debtor from time to time); provided further, that, (i) fiscal year, the aggregate Value of Accounts owed by Helen of Troy and its Affiliates which are deemed to be Eligible Accounts shall at no time exceed \$30,000,000 and (ii) the aggregate Value of Accounts owed by Lululemon Athletica and its Affiliates which are deemed to be Eligible Accounts shall at no time exceed \$20,000,000. ARTICLE IV

REPRESENTATIONS AND WARRANTIES Section 4.01 Representations and Warranties. To induce Agent and the Lenders to execute this Amendment, each Obligor hereby represents and warrants to Agent and the Lenders as follows: (a) the execution, delivery and performance of this Amendment by the Obligors has been duly authorized, and this Amendment constitutes the legal, valid and binding obligation of each Obligor enforceable against such Obligor in accordance with its terms, except as the enforceability may be limited by bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; (b) the execution, delivery and performance of this Amendment by each Obligor does not require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in full force and effect); (c) after giving effect to this Amendment, each vesting date of the representations and warranties of each Obligor in the Loan Agreement and the other Loan Documents, are true and correct in all respects (or, in the case of any representation and warranty qualified by materiality, Material Adverse Effect or any similar concept, are true and correct in all respects) with the same effect as though made on and as of the date hereof (except to the extent such representations and warranties expressly relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all respects (or, in the case of any representation and warranty qualified by materiality, Material Adverse Effect or any similar concept, are true and correct in all respects) as of such earlier date); and (d) after giving effect to this Amendment, no Event of Default or Default exists. ARTICLE V CONDITIONS TO EFFECTIVENESS

Section 5.01 Conditions Precedent to Effectiveness of Amendment. The obligation of the Agent and Lenders to enter into this Amendment is subject to the following conditions precedents: (a) This Amendment shall have been duly executed and delivered to Agent by each of the signatories thereto, and each Obligor shall be in compliance with all terms thereof. (b) Borrowers shall have paid all fees, costs, and expenses of Agent.

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3.136915403. 1 (c) Agent shall have received, all in form and substance satisfactory to Agent in its discretion, such other agreements, instruments, documents, certificates and opinions as Agent may reasonably request. ARTICLE VI
ADDITIONAL COVENANTS AND MISCELLANEOUS Section 6.01 Acknowledgment by Obligors. Each Obligor hereby represents and warrants that the execution and delivery of this Amendment and compliance by each Obligor with all of the provisions of this Amendment: (a) are within the powers and purposes of each Obligor; (b) have been duly authorized or approved by the board of directors or managers of each Obligor; and (c) when executed and delivered by or on behalf of each Obligor, will constitute valid and binding obligations of each Obligor, enforceable in accordance with their terms. Each Obligor reaffirms its obligation to pay all amounts due to Agent and Lenders under the Loan Documents in accordance with the terms thereof, as modified hereby. Section 6.02 Release. (a) In consideration of the agreements of Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Obligor, on behalf of itself and its successors, assigns, and other legal representatives (collectively, the "Releasors" and each, a "Releasee"), hereby absolutely, unconditionally and irrevocably releases, discharges and forever discharges Agent and each Lender, and their successors and assigns, and their respective present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (collectively, Agent, each Lender, and all such other Persons, the "Releasees", and each, a "Releasee"), of and from all demands, actions, causes of action, suits, damages and any and all other claims, counterclaims, and rights of set off whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or that reasonably should be known, suspected or that reasonably should be suspected, both at law and in equity (and all defenses that may arise out of the foregoing), which such Obligor or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which has arisen at any time on or prior to delayed until this Amendment for or on account of, or relating to, Loan Agreement or Certification, provided, that of the other Loan Documents or transactions thereunder. (b) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense in respect of the matter covered hereby and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release. (c) Each Obligor agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above. (d) Each Obligor, on behalf of itself and each Releasor, hereby absolutely, unconditionally, and irrevocably, covenants and agrees with and in favor of each Releasee that if New vesting date not sue (at law, in equity, in any regulatory proceeding, or otherwise) any Releasee on the basis of any Claim released, remised, and discharged by such Obligor pursuant to this Section 6. Each Borrower, for itself and each other Releasor, agrees and acknowledges that all applicable attorneys' fees and costs incurred by any Releasee as a result of any violation of the foregoing covenant shall constitute Extraordinary Expenses under the Loan Agreement.

136915403 1 Section 6.03 Effect of Amendment. The parties hereto agree and acknowledge that: (i) nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or any of the other Loan Documents other than as expressly set forth herein and further agree and acknowledge that the Loan Agreement (as modified hereby) and each of the other Loan Documents remain and continue in full force and effect and are hereby ratified and confirmed; (ii) nothing contained in this Amendment in any manner or respect requires Agent or any Lender to refund, disgorge or otherwise return any cash payments of principal, interest, fees or other amounts made by any Obligor prior to the date hereof and (iii) other than as expressly set forth herein, the obligations under the Loan Agreement and the guarantees, pledges and grants of security interests created under or pursuant to the Loan Agreement and the other Loan Documents continue in full force and effect in accordance with their respective terms and the Collateral secures and shall continue to secure the Obligors' obligations under the Loan Agreement as amended by this Amendment and any other obligations and liabilities provided for under the Loan Documents. Except to the extent expressly set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a consent or waiver of any rights, power or remedy of the Lenders or Agent under the Loan Agreement or any other Loan Document, nor constitute a consent or waiver of any provision of the Loan Agreement or any other Loan Document. No delay on the part of any Lender or Agent in exercising any of their respective rights, remedies, powers and privileges under the Loan Agreement or any of the Loan Documents or partial or single exercise thereof, shall constitute a consent to or waiver hereof. None of the terms and conditions of this Amendment may be changed, consented to, waived, modified or varied in any manner, whatsoever, except in accordance with Section 14.1 of the Loan Agreement. Upon the effectiveness hereof, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby. Section 6.04 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail (including electronically in ".pdf" format) shall be as effective as delivery of a manually executed counterpart to this Amendment. Section 6.05 Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder. Section 6.06 Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment. Section 6.07 Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof. Section 6.08 References. Any reference to the Loan Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Loan Agreement or any other Loan Document to the Loan Agreement shall be a reference to the Loan Agreement as amended hereby and as may be further amended, modified, restated, supplemented or extended from time to time. Section 6.09 Governing Law. THIS AMENDMENT AND ALL CLAIMS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO

5 136915403_1 ANY CONFLICT OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF LAWS OF ANOTHER JURISDICTION.

Section 6.12 Electronic Signatures. This Amendment may be in the form same fiscal year as the sixtieth (60th) day after the completion of an Electronic Record and may be executed using Electronic Signatures (including, without limitation, facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and applicable fiscal year (i.e., the same Amendment performance year). For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Agent of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. "Electronic Record" and "Electronic Signature" shall any Performance-Vested Restricted Stock Units that have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time. [Signature Pages Follow]

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Execution Version 1 162363368_5 THIRD AMENDMENT AND LIMITED WAIVER TO LOAN, GUARANTY AND SECURITY AGREEMENT THIS THIRD AMENDMENT AND LIMITED WAIVER TO LOAN, GUARANTY AND SECURITY AGREEMENT (this "Amendment"), dated not vested as of August 26, 2022 is by and among KEY TRONIC CORPORATION, the applicable vesting date of such Performance-Vested Restricted Stock Units shall automatically be forfeited for no consideration as of such date.

If a Washington corporation ("Key Tronic"), CDR MANUFACTURING, LLC, a Kentucky limited liability company ("CDR"), AYRSHIRE ELECTRONICS OF ARKANSAS LLC, a Kentucky limited liability company ("Ayrshire Arkansas"), and AYRSHIRE ELECTRONICS OF MISSISSIPPI, LLC, a Kentucky limited liability company ("Ayrshire Mississippi"); and together with Key Tronic, CDR, Ayrshire Arkansas, each, a "Borrower" and collectively, the "Borrowers"), K T SERVICES, INC., a Washington corporation ("KT"), and KEY TRONIC CHINA LTD., a Washington corporation ("KTC" together with KT, each, a "Guarantor" and collectively, the "Guarantors"; and together with the Borrowers, each, an "Obligor" and collectively, the "Obligors"), the financial institutions party Change in Control occurs prior to the Loan Agreement (as defined below) from time to time as lenders (collectively, the "Lenders"), and BANK OF AMERICA, N.A., a national banking association, as agent for the Lenders (in such capacity, the "Agent"). RECITALS WHEREAS, the Borrowers, Guarantors, Agent Holder's Termination of Service, and the Lenders then-unvested Restricted Stock Units granted hereunder are parties converted, assumed, substituted or replaced by a Successor Company in connection with such Change in Control pursuant to Section 14.3(a) of the Plan ("Assumed RSUs"), such Assumed RSUs will continue to vest

at the same time that certain Loan, Guaranty and Security Agreement, dated as of August 14, 2020 (as amended, restated, amended and restated, modified, or supplemented from time to time, including the underlying Restricted Stock Units would have vested pursuant to this Amendment, Award Agreement, subject to Holder's continuous service with the "Loan Agreement"), Successor Company through the applicable vesting date (except as otherwise provided below); provided, however, that if Holder experiences a Qualifying Termination during the twenty-four (24)-month period commencing on the date of such Change in Control, any Assumed RSUs that have not previously vested shall vest as of the date of such Qualifying Termination provided that Holder timely executes, delivers and does not revoke a general release of claims against the Company or any Related Company and each of their respective affiliates in a form reasonably satisfactory to the Company within sixty (60) days of such Qualifying Termination. For this purpose, the vesting date for Assumed RSUs attributable to Performance-Vested Restricted Stock Units shall be the last day of the applicable fiscal year of the

Company, and the EBITDA performance condition for such fiscal year shall be deemed satisfied as of the date of such Change in Control.

If a Change in Control occurs and the then-unvested Restricted Stock Units are not converted, assumed, substituted or replaced by a Successor Company pursuant to which Section 14.3(a) of the Agent and the Lenders provide Borrowers with certain financial accommodations. WHEREAS, the Obligors have requested Plan or otherwise, provided that Agent and Lenders agree to waive the Existing Defaults (as defined below) and amend the Loan Agreement as set forth herein, which Agent and Lenders are willing to do, but solely on the terms and conditions hereafter set forth. AGREEMENT NOW, THEREFORE, in consideration Holder has not experienced a Termination of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrowers by Agent and Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows: ARTICLE I DEFINITIONS; RECITALS Section 1.01 Defined Terms. Capitalized terms used but not defined herein shall have the respective meanings ascribed Service prior to such terms Change in Control, any unvested Restricted Stock Units will vest as of the Loan Agreement. Section 1.02 Recitals. The Recitals above are incorporated herein as though set forth date on which such Change in full and Borrower stipulates Control occurs. For this purpose, the EBITDA performance conditions applicable to the accuracy of each Performance-Vested Restricted Stock Units shall be deemed satisfied as of the Recitals. ARTICLE II AMENDMENTS TO LOAN AND SECURITY AGREEMENT Section 2.01 New Definition. The following definition is added to Section 1.1 date of such Change in Control.

Definitions: For purposes of this Award Agreement:

"EBITDA" means the EBITDA of the Loan Agreement in alphabetical order as follows:



slide2

2 162363368_5 Third Amendment Effective Date: August 26, 2022. Section 2.02 Amended Definitions. The following definitions in Section 1.1 of the Loan Agreement are hereby amended Company and restated in their entirety to read as follows: Applicable Margin: the margin set forth below, its subsidiaries on a consolidated basis as determined by the average daily Availability for the last Fiscal Quarter: Level Average Daily Availability Base Rate Loans LIBOR Loans I <\$17,500,000 2.00% 3.00% II >\$17,500,000 <\$35,000,000 1.75% 2.75% III >\$35,000,000 1.50% 2.50% Margins shall be subject to increase or decrease by Agent on the first day of the calendar month following each Fiscal Quarter end. If Agent is unable to calculate average daily Availability for a Fiscal Quarter due to Borrowers' failure to deliver any Borrowing Base Report when required hereunder, then, at the option of Agent or Required Lenders, margins shall be determined Committee. The Company currently determines EBITDA as if Level I were applicable until the first day of the calendar month following its receipt. Notwithstanding the above, all margins with respect to Loans which are FILO Loans shall be determined based on the margins set forth in the appropriate level above plus 1.00%. EBITDA: determined on a consolidated basis for Borrowers and Subsidiaries, net income, calculated before (i) interest expense, (ii) provision for income taxes, (iii) depreciation and amortization expense, (iv) gains or losses arising from the sale of capital assets, (v) gains arising from the write-up of assets, (vi) non-cash gains or losses arising from the write-down of assets, and (vii) any extraordinary gains, gains. The Committee may modify from time to time the method of determining EBITDA for purposes of this Award Agreement.

"Good Reason" means "good reason" as defined in Holder's employment agreement, offer letter or similar agreement with the Company (or with a Related Company).

"Qualifying Termination" means a Termination of Service that is due to the Company, a Related Company, or a Successor Company terminating Holder's employment or service relationship without Cause, or Holder's resignation for Good Reason.

Settlement: Upon vesting of a Restricted Stock Unit, the Company shall settle each Restricted Stock Unit by delivering to Holder one share of Common Stock for each Restricted Stock Unit that vested as soon as practicable following each vesting date (the **"Original Issuance Date"**). The shares of Common Stock issued in respect of the Restricted Stock Units may be evidenced in such manner as the Committee shall determine. Notwithstanding the foregoing, if the Original Issuance Date does not occur (i) during an "open window

period" applicable to Holder, (ii) on a date when Holder is permitted to sell shares of Common Stock pursuant to a written plan that meets the requirements of Rule 10b5-1 under the Exchange Act, as determined by the Company in accordance with the Company's then-effective policy on trading in Company securities (the **"Policy"**), or (iii) on a date when Holder is otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market, then such shares will not be delivered on such Original Issuance Date and (viii) any other items expressly approved by Agent will instead be delivered on the first business day of the next occurring "open window" period applicable to Holder pursuant to such Policy (regardless of whether Holder has experienced a Termination of Service at such time) or the next business day when Holder is not prohibited from selling shares of Common Stock on the open market, but in writing (in each case, no event later than the later of (x) December 31st of the calendar year in which the Original Issuance Date occurs (that is, the last day of Holder's taxable year in which the Original Issuance Date occurs), or (y) to the extent included permitted by Treasury Regulation Section 1.409A-1(b)(4) without penalty, the last day of the applicable two and one-half (2½)-month period described in determining net income) Treasury Regulation Section 1.409A-1(b)(4)(A).

Termination: Except as provided above in connection with a Change in Control, upon Holder's Termination of Service for any reason, any unvested Restricted Stock Units shall automatically be forfeited for no consideration as of such date.

In addition, in the event of Holder's Termination of Service for Cause, any vested Restricted Stock Units which have not been settled as of the date of such Termination of Service shall automatically be forfeited for no consideration. If any facts that would constitute Cause are discovered after Holder's Termination of Service for any reason (other than a Termination of Service for Cause), any vested Restricted Stock Units held by Holder at the time of such discovery shall automatically be forfeited for no consideration.

General Unsecured

Creditor: Holder shall have only the rights of a general unsecured creditor of the Company until shares of Common Stock are issued in respect of the Restricted Stock Units.

Transfer Restrictions: Holder shall not be permitted to sell, transfer, pledge, or otherwise encumber the Restricted Stock Units before they vest and are settled, and any attempt to sell, transfer, pledge, or otherwise

encumber the Restricted Stock Units in violation of the foregoing shall be null and void.

No Rights as a Stockholder: Neither the Restricted Stock Units nor this Award Agreement shall entitle Holder to any voting rights or other rights as a stockholder of the Company unless and until the shares of Common Stock in respect of the Restricted Stock Units have been issued in settlement thereof. Without limiting the generality of the foregoing, no dividends (whether in cash or shares of Common Stock) or dividend equivalents shall accrue or be paid with respect to any Restricted Stock Units.

Clawback Policy: The Restricted Stock Units (and any compensation paid or shares issued in respect of the Restricted Stock Units) are subject to recoupment in accordance with the Company's clawback policy, The Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any other clawback policy adopted by the Company and any compensation recovery policy otherwise required by applicable law.

Additional Terms: The Restricted Stock Units shall be subject to the following additional terms:

- Any certificates representing the shares of Common Stock delivered to Holder shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such shares are listed, and any applicable federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions as the Committee deems appropriate.

- Holder shall be the record owner of the shares of Common Stock issued in respect of the Restricted Stock Units until or unless such shares of Common Stock are repurchased or otherwise sold or transferred in accordance with the terms of the Plan, and as record owner shall generally be entitled to all rights of a stockholder with respect to the shares of Common Stock issued in respect of the Restricted Stock Units.
- On or before the issuance of shares of Common Stock in respect of the Restricted Stock Units, and at any other time as reasonably requested by the Company, Holder shall be required to satisfy applicable withholding tax obligations, if any, as

provided in Section 12 of the Plan. On or before the time Holder receives delivery of the shares of Common Stock underlying the Restricted Stock Units, and at any other time as reasonably requested by the Company in accordance with applicable tax laws, Holder hereby agrees to make adequate provision in cash for any taxes that Company or a Related Company is required by applicable federal, state, local or foreign law to withhold with respect to the Restricted Stock Units measured based on the Fair Market Value of such shares of Common Stock as of the trading day immediately preceding the day that such shares of Common Stock are vested. In satisfaction of any such tax withholding obligations, Holder may sell the portion of the shares of Common Stock to be delivered hereunder necessary to satisfy the tax withholding obligations either through a voluntary sale or through a mandatory sale arranged by the Company, provided Holder completes such election on a form prescribed by the Company (as well as any such other form, letter or instruction as the Company may reasonably require to effectuate such a sell-to-cover election).

- This Award Agreement does not confer upon Holder any right to continue as an employee or service provider of the Company or any Related Company.
- Holder understands that the Restricted Stock Units are intended to be exempt from Section 409A of the Code as a "short term deferral" to the greatest extent possible and the Restricted Stock Units will be administered and interpreted in accordance with such intent. In no event whatsoever shall the Company or any Related Company be liable for any additional tax, interest or penalties that may be imposed on Holder as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A of the Code).
- This Award Agreement shall be construed and interpreted in accordance with the laws of the State of Washington, without regard to the principles of conflicts of law thereof.
- Holder agrees that the Company may deliver by email all documents relating to the Plan or the Restricted Stock Units (including, without limitation, a copy of the Plan) and all other documents that the Company is required to deliver to its

security holders (including, without limitation, disclosures that may be required by the Securities and Exchange Commission). Holder also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it shall notify Holder by email or such other reasonable manner as then determined by the Company.

- This Award Agreement and the Plan constitute the entire understanding and agreement of the parties hereto and supersede all prior negotiations, discussions, correspondence, communications, understandings, and agreements (whether oral or written and whether express or implied) between the Company and Holder relating to the subject matter of this Award Agreement. Without limiting the foregoing, to the extent Holder has entered into an employment or similar agreement with the Company or any Related Company, and the terms noted in such employment or similar agreement are inconsistent with or conflict with this Award Agreement, then the terms of this Award Agreement will supersede and be deemed to amend and modify the inconsistent or conflicting terms set forth in such employment or similar agreement.

* * *

THE UNDERSIGNED HOLDER ACKNOWLEDGES RECEIPT OF THIS AWARD AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS UNDER THIS AWARD AGREEMENT, AGREES TO BE BOUND BY THE TERMS

OF BOTH THIS AWARD AGREEMENT AND THE PLAN.

KEY TRONIC CORPORATION

HOLDER

By:

Signature

Signature

Title:

Print Name:

Date:

Date:

KEY TRONIC CORPORATION

AMENDED AND RESTATED 2010 INCENTIVE PLAN

KEY TRONIC CORPORATION

2010 INCENTIVE PLAN

(As Amended and Restated Effective October 23, 2014)

SECTION 1. PURPOSE

The purpose of the Key Tronic Corporation 2010 Incentive Plan, as amended and restated, is to attract, retain and motivate employees, officers, directors, consultants, agents, advisors and independent contractors of the Company and its Related Companies by providing them the opportunity to acquire a proprietary interest in the Company and to align their interests and efforts to the long-term interests of the Company's shareholders.

SECTION 2. DEFINITIONS

Certain capitalized terms used in the Plan have the meanings set forth in Appendix A.

SECTION 3. ADMINISTRATION

3.1 Administration of the Plan

- (a) The Plan shall be administered by the Board or the Compensation Committee, which shall be composed of two or more directors, each of whom is a "non-employee director" within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act, or any successor definition adopted by the Securities and Exchange Commission; an "outside director" within the meaning of Section 162(m) of the Code; or any successor provision thereto; and an "independent director" as defined under the applicable stock exchange listing standards.
- (b) Notwithstanding the foregoing, the Board may delegate concurrent responsibility for administering the Plan, including with respect to designated classes of Eligible Persons, to different committees consisting of two or more members of the Board, subject to such limitations as the Board deems appropriate, except with respect to grants of Awards to Participants who are subject to Section 16 of the Exchange Act or Awards granted pursuant to Section 15 of the Plan. Members of any committee shall serve for such term as the Board may determine, subject to removal by the Board at any time. To the extent consistent with applicable law, the Board may authorize one or more senior executive officers of the Company to grant Awards to designated classes of Eligible Persons, within limits specifically prescribed by the Board; provided, however, that no such officer shall have or obtain authority to grant Awards to himself or herself or to any person subject to Section 16 of the Exchange Act.
- (c) All references in the Plan to the "Committee" shall be, as applicable, to the Board, the Compensation Committee or any other committee or any officer to whom authority has been delegated to administer the Plan.

3.2 Administration and Interpretation by Committee

- (a) Except for the terms and conditions explicitly set forth in the Plan and to the extent permitted by applicable law, the Committee shall have full power and exclusive authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board or a committee composed of members of the Board, to (i) select the Eligible Persons to whom Awards may from time to time be granted under the Plan; (ii) determine the type or types of Award to be granted to each Participant under the Plan; (iii) determine the number of shares of Common Stock to be covered by each Award granted under the Plan; (iv) determine the terms and conditions of any Award granted under the Plan; (v) approve the forms of notice or agreement for use under the Plan; (vi) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Common Stock or other property or canceled or suspended; (vii) interpret and administer the Plan and any instrument evidencing an Award, notice or agreement executed or entered into under the Plan; (viii) establish such rules, regulations and subplans as it shall deem appropriate for the proper administration and operation of the Plan; (ix) delegate ministerial duties to such of the Company's employees as it so determines; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.
- (b) In no event, however, shall the Committee have the right, without shareholder approval, to (i) lower the price of an Option after it is granted, except in connection with adjustments provided in Section 14.1; (ii) take any other action that is treated as a repricing under generally accepted accounting principles; or (iii) cancel an Option at a time

when its strike price exceeds the Fair Market Value of the underlying stock, in exchange for cash or another option, restricted stock, or other equity award, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction.

(c) The effect on the vesting of an Award of a Company-approved leave of absence or a Participant's reduction in hours of employment or service shall be determined by the Compensation Committee, whose determination shall be final.

(d) Decisions of the Committee shall be final, conclusive and binding on all persons, including the Company, any Participant, any shareholder and any Eligible Person. A majority of the members of the Committee may determine its actions.

SECTION 4. SHARES SUBJECT TO THE PLAN

4.1 Authorized Number of Shares

Subject to adjustment from time to time as provided in Section 14.1, a maximum of 2,200,000 shares of Common Stock shall be available for issuance under the Plan. Shares issued under the Plan shall be drawn from authorized and unissued shares.

4.2 Share Usage

(a) Shares of Common Stock covered by an Award shall not be counted as used unless and until they are actually issued and delivered to a Participant. If any Award lapses, expires, terminates or is canceled prior to the issuance of shares thereunder or if shares of Common Stock are issued under the Plan to a Participant and thereafter are forfeited to or otherwise reacquired by the Company, the shares subject to such Awards and the forfeited or reacquired shares shall again be available for issuance under the Plan. Any shares of Common Stock (i) tendered by a Participant or retained by the Company as full or partial payment to the Company for the purchase price of an Award or to satisfy tax withholding obligations in connection with an Award, or (ii) covered by an Award that is settled in cash, or in a manner such that some or all of the shares of Common Stock covered by the Award are not issued, shall be available for Awards under the Plan. The number of shares of Common Stock available for issuance under the Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional shares of Common Stock or credited as additional shares of Common Stock subject to or paid with respect to an Award.

(b) The Committee shall also, without limitation, have the authority to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company.

(c) Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Substitute Awards under the Plan. Substitute Awards shall not reduce the number of shares authorized for issuance under the Plan. In the event that an Acquired Entity has shares available for awards or grants under one or more preexisting plans not adopted in contemplation of such acquisition or combination, then, to the extent determined by the Board or the Compensation Committee, the shares available for grant pursuant to the terms of such preexisting plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to holders of common stock of the entities that are parties to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the number of shares of Common Stock authorized for issuance under the Plan; provided, however, that Awards using such available shares shall not be made after the date that awards or grants could have been made under the terms of such preexisting plans, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Related Company prior to such acquisition or combination. In the event that a written agreement between the Company and an Acquired Entity pursuant to which a merger or consolidation or statutory share exchange is completed is approved by the Board and that agreement sets forth the terms and conditions of the substitution for or assumption of outstanding awards of the Acquired Entity, those terms and conditions shall be deemed to be the action of the Committee without any further action by the Committee, except as may be required for compliance with Rule 16b-3 under the Exchange Act, and the persons holding such awards shall be deemed to be Participants.

SECTION 5. ELIGIBILITY

An Award may be granted to any employee, officer or director of the Company or a Related Company whom the Committee from time to time selects. An Award may also be granted to any consultant, agent, advisor or independent contractor for bona fide services rendered to the Company or any Related Company that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

SECTION 6. AWARDS

6.1 Form, Grant and Settlement of Awards

The Committee shall have the authority, in its sole discretion, to determine the type or types of Awards to be granted under the Plan. Such Awards may be granted either alone or in addition to or in tandem with any other type of Award. Any Award settlement may be subject to such conditions, restrictions and contingencies as the Committee shall determine.

6.2 Evidence of Awards

Awards granted under the Plan shall be evidenced by a written, including an electronic, instrument that shall contain such terms, conditions, limitations and restrictions as the Committee shall deem advisable and that are not inconsistent with the Plan.

6.3 Dividends and Distributions

Participants may, if the Committee so determines, be credited with dividends or dividend equivalents paid with respect to shares of Common Stock underlying an Award in a manner determined by the Committee in its sole discretion. The Committee may apply any restrictions to the dividends or dividend equivalents that the Committee deems appropriate. The Committee, in its sole discretion, may determine the form of payment of dividends or dividend equivalents, including cash, shares of Common Stock, Restricted Stock or Stock Units. Notwithstanding the foregoing: (a) the right to any dividends or dividend equivalents declared and paid on the number of shares underlying an Option or a

Stock Appreciation Right may not be contingent, directly or indirectly, on the exercise of the Option or Stock Appreciation Right, and must comply with or qualify for an exemption under Section 409A; (b) any dividends or dividend equivalents declared and paid on Restricted Stock must comply with or qualify for an exemption under Section; and (c) if any Award for which dividends or dividend equivalents have been granted has its vesting, payment or grant dependent on the achievement of one or more performance goals, then the dividends or dividend equivalents shall accrue and be paid only to the extent the Award becomes vested or payable.

SECTION 7. OPTIONS

7.1 Grant of Options

The Committee may grant Options, which shall be nonqualified stock options that are not intended to qualify as "incentive stock options" as that term is defined for purposes of Section 422 of the Code or any successor provision.

7.2 Option Exercise Price

Options shall be granted with an exercise price per share not less than 100% of the Fair Market Value of the Common Stock on the Grant Date, except in the case of Substitute Awards. Notwithstanding the foregoing, the Committee may grant nonqualified stock options with an exercise price per share of less than the Fair Market Value of the Common Stock on the Grant Date if the Option meets all the requirements for Awards that are considered "deferred compensation" within the meaning of Section 409A.

7.3 Term of Options

Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be ten years from the Grant Date.

7.4 Exercise of Options

(a) The Committee shall establish and set forth in each instrument that evidences an Option the time at which, or the installments in which, the Option shall vest and become exercisable, any of which provisions may be waived or modified by the Committee at any time.

(b) To the extent an Option has vested and become exercisable, the Option may be exercised in whole or from time to time in part by delivery to or as directed or approved by the Company of a properly executed stock option exercise agreement or notice, in a form and in accordance with procedures established by the Committee, setting forth the number of shares with respect to which the Option is being exercised, the restrictions imposed on the shares purchased under such exercise agreement or notice, if any, and such representations and agreements as may be required by the Committee, accompanied by payment in full as described in Section 7.5. An Option may be exercised only for whole shares and may not be exercised for less than a reasonable number of shares at any one time, as determined by the Committee.

7.5 Payment of Exercise Price

The exercise price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option exercise price and the number of shares purchased. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Committee for that purchase, which forms may include:

(a) cash;

(b) check or wire transfer;

(c) having the Company withhold shares of Common Stock that would otherwise be issued on exercise of the Option that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(d) tendering (either actually or, so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, by attestation) shares of Common Stock owned by the Participant that have an aggregate Fair Market Value equal to the aggregate exercise price of the shares being purchased under the Option;

(e) so long as the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and to the extent permitted by law, delivery of a properly executed exercise agreement or notice, together with irrevocable instructions to a brokerage firm designated or approved by the Company to deliver promptly to the Company the aggregate amount of proceeds to pay the Option exercise price and any withholding tax obligations that may arise in connection with the exercise, all in accordance with the regulations of the Federal Reserve Board; or

(f) such other consideration as the Committee may permit.

7.6 Effect of Termination of Service

(a) The Committee shall establish and set forth in each instrument that evidences an Option whether the Option shall continue to be exercisable, and the terms and conditions of such exercise, after a Termination of Service, any of which provisions may be waived or modified by the Committee at any time.

(b) If the exercise of the Option following a Participant's Termination of Service, but while the Option is otherwise exercisable, would be prohibited solely because the issuance of Common Stock would violate the registration requirements under the Securities Act or similar requirements under the laws of any state or foreign jurisdiction, then the Option shall remain exercisable until the earlier of (i) the Option Expiration Date and (ii) the expiration of a period of three months (or such longer period of time as determined by the Committee in its sole discretion) after the Participant's Termination of Service during which the exercise of the Option would not be in violation of such Securities Act or other requirements.

SECTION 8. STOCK APPRECIATION RIGHTS

8.1 Grant of Stock Appreciation Rights

The Committee may grant Stock Appreciation Rights to Participants at any time on such terms and conditions as the Committee shall determine in its sole discretion. An SAR may be granted in tandem with an Option or alone ("freestanding"). The grant price of a tandem SAR shall be equal to the exercise price of the related Option. The grant price of a freestanding SAR shall be established in accordance with procedures for Options set forth in Section 7.2. An SAR may be exercised upon such terms and conditions and for such term as the Committee determines in its sole discretion; provided, however, that, subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the SAR, the maximum term of a freestanding SAR shall be ten years, and in the case of a tandem SAR, (a) the term shall not exceed the term of the related Option and (b) the tandem SAR may be exercised for all or part of the shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option, except that the tandem SAR may be exercised only with respect to the shares for which its related Option is then exercisable.

8.2 Payment of SAR Amount

Upon the exercise of an SAR, a Participant shall be entitled to receive payment in an amount determined by multiplying: (a) the difference between the Fair Market Value of the Common Stock on the date of exercise over the grant price of the SAR by (b) the number of shares with respect to which the SAR is exercised. At the discretion of the Committee as set forth in the instrument evidencing the Award, the payment upon exercise of an SAR may be in cash, in shares, in some combination thereof or in any other manner approved by the Committee in its sole discretion.

8.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive any other terms, conditions or restrictions on any SAR under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 9. STOCK AWARDS, RESTRICTED STOCK AND STOCK UNITS

9.1 Grant of Stock Awards, Restricted Stock and Stock Units

The Committee may grant Stock Awards, Restricted Stock and Stock Units on such terms and conditions and subject to such repurchase or forfeiture restrictions, if any, which may be based on continuous service with the Company or a Related Company or the achievement of any performance goals, as the Committee shall determine in its sole discretion, which terms, conditions and restrictions shall be set forth in the instrument evidencing the Award.

9.2 Vesting of Restricted Stock and Stock Units

Upon the satisfaction of any terms, conditions and restrictions prescribed with respect to Restricted Stock or Stock Units, or upon a Participant's release from any terms, conditions and restrictions of Restricted Stock or Stock Units, as determined by the Committee, (a) the shares covered by each Award of Restricted Stock shall become freely transferable by the Participant, and (b) Stock Units shall be paid in shares of Common Stock or, if set forth in the instrument evidencing the Awards, in cash or a combination of cash and shares of Common Stock. Any fractional shares subject to such Awards shall be paid to the Participant in cash.

9.3 Waiver of Restrictions

The Committee, in its sole discretion, may waive the repurchase or forfeiture period and any other terms, conditions or restrictions on any Restricted Stock or Stock Unit under such circumstances and subject to such terms and conditions as the Committee shall deem appropriate.

SECTION 10. PERFORMANCE AWARDS

10.1 Performance Shares

The Committee may grant Awards of Performance Shares, designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares and the terms and conditions of each such Award. Performance Shares shall consist of a unit valued by reference to a designated number of shares of Common Stock, the value of which may be paid to the Participant by delivery of shares of Common Stock or, if set forth in the instrument evidencing the Award, of such property as the Committee shall determine, including, without limitation, cash, shares of Common Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. Notwithstanding the foregoing, the amount to be paid under an Award of Performance Shares may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

10.2 Performance Units

The Committee may grant Awards of Performance Units, designate the Participants to whom Performance Units are to be awarded and determine the number of Performance Units and the terms and conditions of each such Award. Performance Units shall consist of a unit valued by reference to a designated amount of property other than shares of Common Stock, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, shares of Common

Stock, other property, or any combination thereof, upon the attainment of performance goals, as established by the Committee, and other terms and conditions specified by the Committee. Notwithstanding the foregoing, the amount to be paid under an Award of Performance Units may be adjusted on the basis of such further consideration as the Committee shall determine in its sole discretion.

SECTION 11. OTHER STOCK OR CASH-BASED AWARDS

Subject to the terms of the Plan and such other terms and conditions as the Committee deems appropriate, the Committee may grant other incentives payable in cash or in shares of Common Stock under the Plan.

SECTION 12. WITHHOLDING

The Company may require the Participant to pay to the Company or a Related Company, as applicable, the amount of (a) any taxes that the Company or a Related Company is required by applicable federal, state, local or foreign law to withhold with respect to the grant, vesting or exercise of an Award ("tax withholding obligations") and (b) any amounts due from the Participant to the Company or to any Related Company ("other obligations"). Notwithstanding any other provision of the Plan to the contrary, the Company shall not be required to issue any shares of Common Stock or otherwise settle an Award under the Plan until such tax withholding obligations and other obligations are satisfied.

The Committee may permit or require a Participant to satisfy all or part of the Participant's tax withholding obligations and other obligations by (a) paying cash to the Company or a Related Company, (b) having the Company or the Related Company, as applicable, withhold an amount from any cash amounts otherwise due or to become due from the Company or a Related Company to the Participant, (c) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested, in the case of Restricted Stock) having a Fair Market Value equal to the tax withholding obligations and other obligations, or (d) surrendering a number of shares of Common Stock the Participant already owns having a value equal to the tax withholding obligations and other obligations. The value of the shares so withheld or surrendered may not exceed the employer's minimum required tax withholding rate.

SECTION 13. ASSIGNABILITY

No Award or interest in an Award may be sold, assigned, pledged (as collateral for a loan or as security for the performance of an obligation or for any other purpose) or transferred by a Participant or made subject to attachment or similar proceedings otherwise than by will or by the applicable laws of descent and distribution, except to the extent that the Participant designates one or more beneficiaries on a Company-approved form who may exercise the Award or receive payment under the Award after the Participant's death. During a Participant's lifetime, an Award may be exercised only by the Participant. Notwithstanding the foregoing, the Committee, in its sole discretion, may permit a Participant to assign or transfer an Award without consideration subject to such terms and conditions as the Committee shall specify.

SECTION 14. ADJUSTMENTS

14.1 Adjustment of Shares

(a) In the event, at any time or from time to time, a stock dividend, stock split, spin-off, combination or exchange of shares, recapitalization, merger, consolidation, statutory share exchange, distribution to shareholders other than a normal cash dividend, or other change in the Company's corporate or capital structure results in (i) the outstanding shares of Common Stock, or any securities exchanged therefor or received in their place, being exchanged for a different number or kind of securities of the Company or (ii) new, different or additional securities of the Company or any other company being received by the holders of shares of Common Stock, or (iii) in the event of the declaration of a dividend payable in cash that has a material effect on the price of issued shares, then the Committee shall make proportional adjustments in (A) the maximum number and kind of securities available for issuance under the Plan; (B) the maximum numbers and kind of securities set forth in Section 15.3; and (C) the number and kind of securities that are subject to any outstanding Award and the per share price of such securities. The determination by the Committee, as to the terms of any of the foregoing adjustments, shall be conclusive and binding.

(b) The adjustments described in Section 14.1, if any, and any determinations or interpretations made by the Committee as to whether any adjustment shall be made, including any determination of whether a distribution is other than a normal cash dividend or is a cash dividend that will have a material effect on the price of issued shares, and the terms of any of the foregoing adjustments, shall be conclusive and binding.

(c) Notwithstanding the foregoing, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services rendered, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, outstanding Awards. Also notwithstanding the foregoing, a dissolution or liquidation of the Company or a Company Transaction shall not be governed by this Section 14.1 but shall be governed by Section 14.2 or Section 14.3, respectively.

14.2 Dissolution or Liquidation

To the extent not previously exercised or settled, and unless otherwise determined by the Committee in its sole discretion, Awards shall terminate immediately prior to the dissolution or liquidation of the Company. To the extent a vesting condition, forfeiture provision or repurchase right applicable to an Award has not been waived by the Committee, the Award shall be forfeited immediately prior to the consummation of the dissolution or liquidation.

14.3 Change in Control

Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise in the instrument evidencing the Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, in the event of a Change in Control:

(a) All outstanding Awards, other than Performance Shares, Performance Units and other Awards that are subject to vesting based on the achievement of specified performance goals, shall become fully vested and exercisable or payable, and all applicable restrictions or forfeiture provisions shall lapse, immediately prior to the Change in Control and shall terminate at the effective time of the Change in Control; provided, however, that with respect to a Change in Control that is a Company Transaction in which such Awards could be converted, assumed, substituted for or replaced by the Successor Company, such Awards shall become fully and immediately vested and exercisable, and all applicable restrictions or forfeiture provisions shall lapse, only if and to the extent such Awards are not converted, assumed, substituted for or replaced by the Successor Company. If and to the extent that the Successor Company converts, assumes, substitutes for or replaces an Award, the vesting restrictions and/or forfeiture provisions applicable to such Award shall not be accelerated or lapse, and all such vesting restrictions and/or forfeiture provisions shall continue with respect to any shares of the Successor Company or other consideration that may be received with respect to such Award.

(b) For the purposes of Section 14.3(a), an Award shall be considered converted, assumed, substituted for or replaced by the Successor Company if, following the Company Transaction, the Award confers the right to purchase or receive, for each share of Common Stock subject to the Award immediately prior to the Company Transaction, the consideration (whether stock, cash or other securities or property) received in the Company Transaction by holders of Common Stock for each share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the Company Transaction is not solely common stock of the Successor Company, the Committee may, with the consent of the Successor Company, provide for the consideration to be received pursuant to the Award, for each share of Common Stock subject thereto, to be solely common stock of the Successor

Company substantially equal in fair market value to the per share consideration received by holders of Common Stock in the Company Transaction. The determination of such substantial equality of value of consideration shall be made by the Committee, and its determination shall be conclusive and binding.

(c) All Performance Shares or Performance Units or other Awards that are subject to vesting based on the achievement of specified performance goals that are earned and outstanding as of the date the Change in Control is determined to have occurred and for which the payout level has been determined shall be payable in full in accordance with the payout schedule pursuant to the instrument evidencing the Award. Any remaining outstanding Performance Shares or Performance Units or other Awards that are subject to vesting based on the achievement of specified performance goals (including any applicable performance period) for which the payout level has not been determined shall be prorated at the target payout level up to and including the date of such Change in Control and shall be payable in full at the target level in accordance with the payout schedule pursuant to the instrument evidencing the Award.

(d) Notwithstanding the foregoing, the Committee, in its sole discretion, may instead provide, in the event of a Change in Control that is a Company Transaction, that a Participant's outstanding Awards shall terminate upon or immediately prior to such Company Transaction and that such Participant shall receive, in exchange therefor, a cash payment equal to the amount (if any) by which (x) the value of the per share consideration received by holders of Common Stock in the Company Transaction or, in the event the Company Transaction is one of the transactions listed under subsection (c) in the definition of Company Transaction or otherwise does not result in direct receipt of consideration by holders of Common Stock, the value of the deemed per share consideration received, in each case as determined by the Committee in its sole discretion, multiplied by the number of shares of Common Stock subject to such outstanding Awards (to the extent then vested and exercisable or whether or not then vested and exercisable, as determined by the Committee in its sole discretion) exceeds (y) if applicable, the respective aggregate exercise price or grant price for such Awards.

(e) For the avoidance of doubt, Agent has not approved nothing in this Section 14.3 requires all outstanding Awards to be treated similarly.

14.4 Further Adjustment of Awards

Subject to Sections 14.2 and 14.3, the Committee shall have the discretion, exercisable at any addbacks which require the approval time before a sale, merger, consolidation, statutory share exchange, reorganization, liquidation, dissolution or change of Agent prior to the Third Amendment Effective Date. Investment Grade Accounts Formula Amount: 90% control of the Value of Investment Grade Eligible Accounts. Long-Dated Account Debtors: each of Company, as defined by the following Account Debtors, so long Committee, to take such further action as such Account Debtor maintains a credit rating of at least BBB- it determines to be necessary or higher by S&P or Baa3 or higher by Moody's: (i) Honeywell International Inc. and its wholly owned subsidiaries, (ii) Amphenol Corporation, (iii) Baker Hughes Company, (iv) Trane Technologies PLC, (v) Nidec Corporation, and (vi) other Persons approved by Agent in its Permitted Discretion. Section 2.03 Amended Definition of "Eligible Accounts". Clause (a) of the definition of "Eligible Accounts" in Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows: (a) (i) advisable with respect to Eligible Long-Dated Accounts, it is unpaid Awards. Such authorized action may include (but shall not be limited to) establishing, amending or waiving the type, terms, conditions or duration of, or restrictions on, Awards so as to provide for more than 60 days after earlier, later, extended or additional time for exercise, lifting restrictions and other modifications, and the original due date, or more than 120 days after the original invoice



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3 162363368 5 date, and (ii) Committee may take such actions in other Accounts, if Participants, to certain categories of Participants or only to individual Participants. The Committee may take such action before or after granting Awards to which the action relates and before or after any public announcement with respect to such sale, merger, consolidation, statutory share exchange, reorganization, liquidation, dissolution or change of control that unpaid the reason more than 60 days after such action.

14.5 No Limitations

The grant of Awards shall in no way affect the original due date, Company's right to adjust, reclassify, reorganize or more than 90 days after otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

14.6 Fractional Shares

In the original invoice date; Section 2.04 Amendment to Section 10.3.2 of the Loan Agreement. Section 10.3.2 of the Loan Agreement is hereby amended and restated in its entirety to read as follows: 10.3.2 [Reserved] Section 2.05 Agreement Regarding Interest Rate. Notwithstanding any provision event of any Loan Document to the contrary, the parties agree that the terms set forth on Appendix A shall apply to the credit facility contemplated by the Credit Agreement. For the avoidance of doubt, to the extent provisions adjustment in the Loan Agreement apply to Loans number of shares covered by any Award, each such Award shall cover only the number of full shares resulting from such adjustment, and other extensions of credit under the credit facility, and any fractional shares resulting from such provisions are not specifically addressed by Appendix A, the Loan Agreement provisions shall continue to apply. ARTICLE III REPRESENTATIONS AND WARRANTIES Section 3.01 Representations and Warranties. To induce Agent and the Lenders to execute this Amendment, each Obligor hereby represents and warrants to Agent and the Lenders as follows: (a) the execution, delivery and performance of this Amendment by the Obligors has been duly authorized, and this Amendment constitutes the legal, valid and binding obligation of each Obligor enforceable against such Obligor in accordance with its terms, except as the enforceability may be limited by bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity; (b) the execution, delivery and performance of this Amendment by each Obligor does not require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in full force and effect); (c) after giving effect to this Amendment, each of the representations and warranties of each Obligor in the Loan Agreement and the other Loan Documents, are true and correct in all respects (or, in the case of any representation and warranty qualified by materiality, Material Adverse Effect or any similar concept, are true and correct in all respects) with the same effect as though made on and as of the date hereof (except to the extent such representations and warranties expressly relate to a specific earlier date, in which case such representations and warranties adjustment shall be true and correct in all respects (or, in the case of any representation and warranty qualified by materiality, Material Adverse Effect or any similar concept, are true and correct in all respects) as of such earlier date); and (d) after giving effect to this Amendment, no Event of Default or Default exists. ARTICLE IV EXISTING EVENTS OF DEFAULT/LIMITED WAIVER As of the Third Amendment Effective Date, certain Events of Default have occurred and are continuing as a result of Borrowers' failure to maintain a Cash Flow Leverage Ratio of no greater than 6.00:1.00 as required under disregarded.

14.7 Section 10.3.2 of the Loan Agreement, resulting in Events of Default under Section 11.1(c) of the Loan Agreement (the "Existing Defaults"). Subject to the satisfaction of the conditions to effectiveness set forth in Article V below, the Agent and Lenders hereby waive the Existing Defaults. The

foregoing waiver is a one-time waiver and applies only to the specified circumstance and

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4 162363368 5 does not modify or otherwise affect the Borrowers' obligations to comply with such provision of the Loan Agreement or Notwithstanding

Loan Documents in any other instance. For the avoidance

of doubt, Agent and Lenders waive only the Existing Defaults that have occurred as of the Third Amendment Effective Date. The foregoing limited waiver shall not be deemed or otherwise construed to constitute a waiver of any other provision or to prejudice any right, power or remedy which the Agent may now have or may have in the future under or in connection with the Loan Agreement or any other Loan Document, all of which rights, powers and remedies are hereby expressly reserved by the Agent. By virtue of the waiver in the immediately preceding sentence, the Borrowers hereby affirm and agree that no other Event of Default has occurred as a result of the Existing Defaults. The agreements and consents set forth in this Article IV are limited Plan extent specifically set forth above and no other terms, covenants or provisions of the Loan Documents are intended to be affected hereby. For the avoidance of doubt, the effectiveness of Article IV of this Amendment is subject to Article V of this Amendment. ARTICLE V CONDITIONS TO EFFECTIVENESS Section 5.01 Conditions Precedent to Effectiveness of Amendment. The obligation of the Agent and Lenders to enter into this Amendment is subject to the following conditions precedents contrary. The Amendment shall have been duly executed and delivered to Agent by each of the signatories thereto, and each Obligor shall be in compliance with all terms thereof. (b) Agent shall have received, all in form and substance satisfactory to Agent in its discretion, such other agreements, instruments, documents, certificates and opinions as Agent may reasonably request. ARTICLE VI ADDITIONAL COVENANTS AND MISCELLANEOUS Section 6.01 Acknowledgment by Obligors. Each Obligor hereby represents and warrants that the execution and delivery of this Amendment and compliance by each Obligor with all of the provisions of this Amendment: (a) are within the powers and purposes of each Obligor; (b) have been duly authorized or approved by the board of directors or managers of each Obligor; and (c) when executed and delivered by or on behalf of each Obligor, will constitute valid and binding obligations of each Obligor, enforceable in accordance with their terms. Each Obligor reaffirms its obligation to pay all amounts due to Agent and Lenders under the Loan Documents in accordance with the terms thereof, as modified hereby. Section 6.02 Release. (a) In consideration of the agreements of Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Obligor, on behalf of itself and its successors, assigns, and other legal representatives (collectively, the "Releasors" and each, a "Releasee"), hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender, and their successors and assigns, and their respective present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (collectively, Agent, each Lender, and all such other Persons, the "Releasees", and each, a "Releasee"), of and from all demands, actions, causes of action, suits, damages and Plan and all other claims, counterclaims, and rights of set off whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or that reasonably should be known, suspected or that reasonably should be suspected, both at law and in equity (and all defenses that may arise out of the foregoing), which such Obligor or any of its successors, assigns, or other legal representatives may now or



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5 162363368 5 hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which has arisen at any time on or prior to the date of this Amendment for or on account of, or relating to the Loan Agreement or any of the other Loan Documents or transactions thereunder. (b) Each Obligor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense in respect of the matter covered thereby and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release. (c) Each Obligor agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above. (d) Each Obligor, on behalf of itself and each Releasor, hereby absolutely, unconditionally, and irrevocably, covenants and agrees with and in favor of each Releasee that it will not sue (at law, in equity, in any regulatory proceeding, or otherwise) any Releasee on the basis of any Claim released, remised, and discharged by such Obligor adjustments made 5.02. Each Borrower¹⁴ to Awards that are considered "deferred compensation" within the meaning of Section 409A shall be made in compliance with the requirements of Section 409A and (b) any adjustments made pursuant to this Section 14 to Awards that are not considered "deferred compensation" subject to Section 409A shall be made in such a manner as to ensure that after such adjustment the Awards either (i) continue not to be subject to Section 409A or (ii) comply with the requirements of Section 409A.

SECTION 15. CODE SECTION 162(m) PROVISIONS

Notwithstanding any other provision of the Plan to the contrary, if the Committee determines, at the time Awards are granted to a Participant who is, or is likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Section 15 is applicable to such Award.

15.1 Performance Criteria

(a) If an Award is subject to this Section 15, then the lapsing of restrictions thereon and the distribution of cash, shares of Common Stock or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one or any combination of the following "performance criteria" for itself the Company as a whole or any business unit of the Company, as reported or calculated by the Company: cash flows (including, but not limited to, operating cash flow, free cash flow or cash flow return on capital); working capital; earnings per share; book value per share; operating income (including or excluding depreciation, amortization, extraordinary items, restructuring charges or other

expenses); revenues; operating margins; return on assets; return on equity; debt; debt plus equity; market or economic value added; stock price appreciation; total shareholder return; cost control; strategic initiatives; market share; net income; return on invested capital; improvements in capital structure; revenue growth rate; or customer satisfaction, employee satisfaction, services performance, subscriber, cash management or asset management metrics (together, the "**Performance Criteria**").

(b) Such performance goals also may be based on the achievement of specified levels of Company performance (or performance of an applicable affiliate or business unit of the Company) under one or more of the Performance Criteria described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder.

(c) The Committee may provide, at the time it establishes performance goals for any such Award, that any evaluation of performance shall include or exclude any one or more of the following events that occurs during a performance period: (i) asset write-downs; (ii) litigation or claim judgments or settlements; (iii) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (iv) any reorganization and restructuring programs; (v) extraordinary nonrecurring items as described in Accounting Standards Codification 225-20 and/or in Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's annual report to shareholders for the applicable year; (vi) acquisitions or divestitures; (vii) foreign exchange gains and losses; and (viii) gains and losses on asset sales. To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that satisfies the requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

15.2 Compensation Committee Certification; Adjustment of Awards

(a) After the completion of each other Releasor, agrees performance period, the Compensation Committee shall certify the extent to which any performance goal established under this Section 15 has been satisfied, and acknowledges that all applicable attorneys' fees and costs incurred by any Releasee the amount payable as a result thereof, prior to payment, settlement or vesting, as applicable, of any violation of the foregoing covenant shall constitute Extraordinary Expenses under the Loan Agreement. Award subject to this Section 6.03 Effect of Amendment. The parties hereto agree and acknowledge that: (i) nothing contained in this Amendment in any manner or respect limits or terminates any of the provisions of the Loan Agreement or any of the other Loan Documents other than as expressly set forth herein and further agree and acknowledge that the Loan Agreement (as modified hereby) and each of the other Loan Documents remain and continue in full force and effect and are hereby ratified and confirmed; (ii) nothing contained in this Amendment in any manner or respect requires Agent or any Lender to refund, disgorge or otherwise return any cash payments of principal, interest, fees or other amounts made by any Obligor prior to the date hereof and (iii) other than as expressly set forth herein, the obligations under the Loan Agreement and the guarantees, pledges and grants of security interests created under or pursuant to the Loan Agreement and the other Loan Documents continue in full force and effect in accordance with their respective terms and the Collateral secures and shall continue to secure the Obligors' obligations under the Loan Agreement as amended by this Amendment and any other obligations and liabilities provided for under the Loan Documents. Except to the extent expressly set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a consent or waiver of any rights, power or remedy of the Lenders or Agent under the Loan Agreement or any other Loan Document, nor constitute a consent or waiver of 15.

(b) Notwithstanding any provision of the Loan Agreement or Plan other than Section 14, with respect to any other Loan Document. No delay on Award that is subject to this Section 15, the part of any Lender or Agent in exercising any of their respective rights, remedies, powers Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and privileges under the Loan Agreement or any Committee may not waive the achievement of the Loan Documents or partial or single exercise thereof, shall constitute a consent to or waiver thereof. None applicable performance goals except in the case of the terms and conditions of this Amendment may be changed, consented to, waived, modified death or varied in any manner, whatsoever, except in accordance with Section 14.1 Disability of the Loan Agreement. Upon the effectiveness hereof, each reference in the Loan Agreement Covered Employee.

15.3 Limitations

Subject to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Loan Agreement as amended hereby. Section 6.04 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Amendment by telecopy or electronic mail (including electronically in ".pdf" format) shall be as effective as delivery of a manually executed counterpart to this Amendment.



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6 162363368 5 Section 6.05 Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder. Section 6.06 Captions. Section captions used in this Amendment are for convenience only, and shall not affect the construction of this Amendment. Section 6.07 Entire Agreement. This Amendment embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof. Section 6.08 References. Any reference to the Loan Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Amendment shall be deemed to include this Amendment unless the context shall otherwise require. Reference in any of this Amendment, the Loan Agreement or any other Loan Document to the Loan Agreement shall be a reference to the Loan Agreement as amended hereby and as may be further amended, modified, restated, supplemented or extended adjustment time, time as provided in 6.09 Governing Law. THIS AMENDMENT AND ALL CLAIMS SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF LAWS OF ANOTHER JURISDICTION. Section 6.10 Electronic Signatures. This Amendment 14.1, no Covered Employee granted Awards other than Performance Units or other cash-based awards subject to this Section 15, in form of an Electronic Record aggregate in any calendar year period with respect to more than the following: (a) 600,000 shares for Options or SARs; (b) 300,000 shares for Restricted Stock, Restricted Stock Units or Performance Shares; may be executed using Electronic Signatures (including, without limitation, facsimile and .pdf) and shall be considered an original, and (c) 300,000 shares for other stock-based Awards. The maximum dollar value payable with respect to Performance Units or other awards payable in cash subject to this Section 15 granted to any Covered Employee in the aggregate in any one calendar year is \$2,000,000.

The Committee shall have the same legal effect, validity and enforceability power to impose such other restrictions on Awards subject to this Section 15 as a paper record. This Amendment it may be executed in as many counterparts as deem necessary or convenient, including both paper and electronic counterparts, but appropriate to ensure that such Awards satisfy all such counterparts are one and requirements for "performance-based compensation" within the same Amendment. For meaning of Section 162(m)(4)(C) of the avoidance Code, or any successor provision thereto.

SECTION 16. RECOVERY OF COMPENSATION

Notwithstanding any other provision of doubt, the authorization Plan to the contrary, Awards granted under this paragraph may include, without limitation, use or acceptance by the Agent of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. "Electronic Record" and "Electronic Signature" Plan shall have be subject to the meanings assigned to them, respectively, by 15 USC §7006, applicable requirements of: (a) the Company's incentive compensation recovery policy as it may be amended from time to time. [Signature Pages Follow]







162363368 5 APPENDIX A Terms Applicable time, (b) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (c) similar applicable requirements under the laws of any other jurisdiction, (d) any compensation recovery policies adopted by the Company, Term SOFR Loans 1. Defined Terms. The following definitions are added implement any such requirements, and (e) any other compensation recovery policies as may be adopted from time to time by the Credit Agreement and Company, all as determined by the Committee in its discretion to be applicable to a Participant.

SECTION 17. AMENDMENT AND TERMINATION

17.1 Amendment, Suspension or Termination

The Board or the Compensation Committee may amend, suspend or terminate the Plan or any portion of the Plan at any time and in such respects as it shall deem advisable; provided, however, that, to the extent required by applicable law, regulation or stock exchange rule, shareholder approval shall be required for any amendment to the Plan; and provided, further, that any amendment that requires shareholder approval may be made only by the Board. Subject to Section 17.3, the Committee may amend the terms are already defined of any outstanding Award, prospectively or retroactively.

17.2 Term of the Plan

Unless sooner terminated as provided herein, the Plan shall terminate ten years from the Restatement Effective Date. After the Plan is terminated, no future Awards may be granted, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

17.3 Consent of Participant

The amendment, suspension or termination of the Plan or a portion thereof or the amendment of an outstanding Award shall not, without the Participant's consent, materially adversely affect any rights under any Award theretofore granted to the Participant under the Plan. Notwithstanding the foregoing, any adjustments made pursuant to Section 15 shall not be subject to these restrictions.

SECTION 18. GENERAL

18.1 No Individual Rights

No individual or Participant shall have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment of Participants under the Plan. Furthermore, nothing in the Credit Agreement, Plan or any Award granted under the following supersede Plan shall be deemed to constitute an employment contract or confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Related Company or limit in any way the right of the Company or any Related Company to terminate a Participant's employment or other relationship at any time, with or without cause.

18.2 Issuance of Shares

(a) Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the opinion of the Company's counsel, such existing terms: Base Rate: issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the Securities Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(b) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any day, state or foreign jurisdiction, any shares of Common Stock, security or interest in a per annum rate equal security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made.

(c) As a condition to the greater exercise of an Option or any other receipt of Common Stock pursuant to an Award under the Plan, the Company may require (a) the Prime Rate Participant to represent and warrant at the time of any such exercise or receipt that such shares are being purchased or received only for the Participant's own account and without any present intention to sell or distribute such day; shares and (b) such other action or agreement by the Federal Funds Rate Participant as may from time to time be necessary to comply with federal, state and foreign securities laws. At the option of the Company, a stop-transfer order against any such shares may be placed on the official stock books and records of the Company, and a legend indicating that such shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concluded in by counsel for the Company) stating that such day, plus 0.50%; transfer is not in violation of any applicable law or (c) Term SOFR for a one month interest period as of such day, plus 1.00%; provided, that in no event shall regulation, may be stamped on stock certificates to ensure exemption from registration. The Committee may also require the Base Rate be less than 0%. CME: CME Group Benchmark Administration Limited. Conforming Changes: with respect Participant to use, administration of or conventions associated with SOFR, Term SOFR or any proposed Successor Rate, as applicable, any conforming changes execute and deliver to the definitions of Base Rate, SOFR, Term SOFR and Interest Period, timing and frequency of determining rates and making payments of interest and Company a purchase agreement or such other technical, administrative or operational matters (including, for the avoidance of doubt, the definitions of Business Day or U.S. Government Securities Business Day, timing of borrowing

requests or prepayment, conversion or continuation notices, and length of lookback periods) agreement as may be appropriate, in Agent's discretion, use by the Company at such time that describes certain terms and conditions applicable to the shares.

(d) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the adoption issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

18.3 Indemnification

Each person who is or shall have been a member of the Board, the Compensation Committee or another committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Section 3, shall be indemnified and implementation held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in settlement thereof, with the Company's approval, or paid by such person in satisfaction of any judgment in any such claim, action, suit or proceeding against such person; provided, however, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it on such person's own behalf, unless such loss, cost, liability or expense is a result of such person's own willful misconduct or except as expressly provided by statute.

The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's articles of incorporation or bylaws, as a matter of law, or otherwise, or of any power that the Company may have to indemnify or hold harmless.

18.4 No Rights as a Shareholder

Unless otherwise provided by the Committee or in the instrument evidencing the Award or in a written employment, services or other agreement, no Award, other than a Stock Award or Restricted Stock Award, shall entitle the Participant to any cash dividend, voting or other right of a shareholder unless and until the date of issuance under the Plan of the shares that are the subject of such Award.

18.5 Compliance with Laws and Regulations

The Plan and Awards granted under the Plan are intended to be exempt from the requirements of Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable rate(s) to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to the Plan or any Award granted under the Plan, it is intended that the Plan and any Awards granted under the Plan comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of the Plan or any Award granted under the Plan to permit the administration thereof by Agent contrary, the Plan and any Award granted under the Plan shall be interpreted, operated and administered in a manner substantially consistent with market practice (or, if Agent determines that adoption such intentions. Without limiting the generality of the foregoing, and notwithstanding any portion other provision of such market practice is not administratively feasible the Plan or that no market practice for any Award granted under the administration of such rate exists, in such other manner of administration as Agent determines is reasonably necessary in connection with Plan to the administration of any Loan Document). Daily Simple SOFR: contrary, with respect to any applicable determination date, payments and benefits under the secured overnight financing rate published Plan or any Award granted under the Plan to which Section 409A applies, all references in the Plan or any Award granted under the Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i) of the Code. In addition, if the Participant is a "specified employee," within the meaning of Section 409A, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under the Plan or any Award granted under the Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i) of the Code, shall not be paid to the Participant during such period, but shall instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the FRBNY website (or first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any successor source satisfactory other provision of the Plan to Agent). FRBNY: the Federal Reserve Bank contrary, the Committee, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify the Plan and any Award granted under the Plan so that the Award qualifies for exemption from or complies with Section 409A; provided, however, that the Committee makes no representations that Awards granted under the Plan shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to Awards granted under the Plan.

18.6 Participants in Other Countries or Jurisdictions

Without amending the Plan, the Committee may grant Awards to Eligible Persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of New York. Notice the Committee, be necessary or desirable to foster and promote achievement of Borrowing: notice by Borrower Agent the purposes of the Plan and shall have the authority to adopt such modifications, procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company or any Related Company may operate or have employees to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, meet the requirements that permit the Plan to operate in a qualified or tax-efficient manner, comply with applicable foreign laws or regulations and meet the objectives of the Plan.

18.7 No Trust or Fund

The Plan is intended to constitute an "unfunded" plan. Nothing contained herein shall require the Company to segregate any monies or other property, or shares of Common Stock, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant shall have any rights that are greater than those of a Borrowing, in form satisfactory to Agent. Notice general unsecured creditor of Conversion/Continuation: notice by Borrower Agent for conversion or continuation the Company.

18.8 Successors

All obligations of a Loan as a Term SOFR Loan, in form satisfactory to Agent. Relevant Governmental Body: the Federal Reserve Board and/or FRBNY, or a committee officially endorsed or convened by Company under the Federal Reserve Board and/or FRBNY. Scheduled Unavailability Date: as defined in Section (g) below. SOFR: the secured

overnight financing rate as administered by FRBNY (or a successor administrator). SOFR Adjustment: (a) Plan with respect to Daily Simple SOFR, 0.11448%; and (b) with respect to Term SOFR, 0.11448% for a one month Interest Period, 0.26161% for a three month Interest Period and 0.42826% for a six month Interest Period.



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18.9 **Severability**

If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such Interest Period, with a term equivalent jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

18.10 **Choice of Law and Venue**

The Plan, all Awards granted thereunder and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Washington without giving effect to principles of conflicts of law. Participants irrevocably consent to the nonexclusive jurisdiction and venue of the state and federal courts located in the State of Washington.

18.11 **Legal Requirements**

The granting of Awards and the issuance of shares of Common Stock under the Plan are subject to all applicable laws, rules and regulations and to such Interest Period (or if such rate is not published prior to 11:00 a.m. on approvals by any governmental agencies or national securities exchanges as may be required.

APPENDIX A

DEFINITIONS

As used in the determination date, Plan,

"Acquired Entity" means any entity acquired by the applicable Term SOFR Screen Rate on Company or a Related Company or with which the U.S. Government Securities Business Day immediately prior thereto), plus the SOFR Adjustment for such Interest Period; and (b) for Company or a Related Company merges or combines.

"Award" means any interest calculation relating to a Base Rate Loan on any day, a fluctuating rate Option, Stock Appreciation Right, Stock Award, Restricted Stock, Stock Unit, Performance Share, Performance Unit, cash-based award or other incentive payable in cash or in shares of interest equal to the Term SOFR Screen Rate with a term of one month commencing that day; provided, that in no event shall Term SOFR be less than 0%. Term SOFR Loan: a Loan that bears interest based on clause (a) of the definition of Term SOFR. Term SOFR Screen Rate: the forward-looking SOFR term rate administered by CME (or any successor administrator satisfactory to Agent) and published on the applicable Reuters screen page (or such other commercially available source providing such quotations Common Stock as may be designated by Agent the Committee from time to time). U.S. Government time.

"Board" means the Board of Directors of the Company.

"Cause," unless otherwise defined in the instrument evidencing an Award or in a written employment, services or other agreement between the Participant and the Company or a Related Company, means: (a) conviction of a felony or misdemeanor involving moral turpitude; (b) engaging in illegal business practices or other practices contrary to the written policies of the Company; (c) misappropriation of assets of the Company; (d) continual or repeated insobriety or drug use; (e) continual or repeated absence for reasons other than disability or sickness, (f) fraud; (g) embezzlement; or (h) violation of the Company's written conflict of interest policies, in each case as determined by the Committee, whose determination shall be conclusive and binding.

"Change in Control," unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means the occurrence of any of the following events:

(a) an acquisition by any Entity of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of either (1) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities Business Day"); provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any Business Day, except acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege where the security being so converted was not acquired directly from the Company by the party exercising the conversion privilege, (ii) any day acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Related Company, or (iv) any acquisition by any Entity pursuant to a transaction that meets the conditions of clauses (i), (ii) and (iii) set forth in the definition of Company Transaction;

(b) a change in the composition of the Board during any two-year period such that the individuals who, as of the beginning of such two-year period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition, any individual who becomes a member of the Board subsequent to the beginning of the two-year period, whose election, or nomination for election by the Company's shareholders, was approved by a vote

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of at least two-thirds of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; and provided further, however, that any such individual whose initial assumption of office occurs as a result of or in connection with an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be considered a member of the Incumbent Board; or

(c) consummation of a Company Transaction.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time.

"**Committee**" has the meaning set forth in Section 3.1.

"**Common Stock**" means the common stock, no par value, of the Company.

"**Company**" means Key Tronic Corporation, a Washington corporation.

"**Company Transaction**," unless the Committee determines otherwise with respect to an Award at the time the Award is granted or unless otherwise defined for purposes of an Award in a written employment, services or other agreement between the Participant and the Company or a Related Company, means consummation of:

(a) a merger or consolidation of the Company with or into any other company;

(b) a statutory share exchange pursuant to which the Company's outstanding shares are acquired or a sale in one transaction or a series of transactions undertaken with a common purpose of all or substantially all of the Company's outstanding voting securities; or

(c) a sale, lease, exchange or other transfer in one transaction or a series of related transactions undertaken with a common purpose of all or substantially all of the Company's assets,

excluding, however, in each case, a transaction pursuant to which

(i) the Entities who are the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Company Transaction will beneficially own, directly or indirectly, at least 50% of the outstanding shares of common stock, and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, of the Successor Company in substantially the same proportions as their ownership, immediately prior to such Company Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities;

(ii) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, a Related Company or a Successor Company) will beneficially own, directly or indirectly, 40% or more of, respectively, the outstanding shares of common stock of the Successor Company or the combined voting power of the outstanding voting securities of the Successor Company entitled to vote generally in the

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election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Company Transaction; and

(iii) individuals who were members of the Incumbent Board will, immediately after the consummation of the Company Transaction, constitute at least a majority of the members of the board of directors of the Successor Company.

Where a series of transactions undertaken with a common purpose is deemed to be a Company Transaction, the date of such Company Transaction shall be the date on which the **Securities Industry** last of such transactions is consummated.

"Compensation Committee" means the Compensation and **Financial Markets Association, New York Stock Exchange Administration Committee of the Board** or **FRBNY** any duly authorized subcommittee thereof.

"Covered Employee" means a "covered employee" as that term is defined for purposes of Section 162(m)(3) of the Code or any successor provision.

"Disability," unless otherwise defined by the Committee from time to time for purposes of the Plan, means a period of disability during which a Participant qualifies for benefits under the Company's then-current long-term disability plan or, in the case of a Participant who is not **open** an employee of the Company, means a period of disability during which such Participant, if he or she were an employee of the Company, would qualify for **business because** benefits under the **day is a legal holiday under New York law** Company's then-current long-term disability plan.

"Eligible Person" means any person eligible to receive an Award as set forth in Section 5.

"Entity" means any individual, entity or **U.S. federal law. 2. Terms Applicable group** (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to **Term SOFR Loans. Commencing time.**

"Fair Market Value" means the closing price for the Common Stock on any given date during regular trading, or if not trading on that date, such price on the **Third Amendment Effective** last preceding date on which the Common Stock was traded, unless determined otherwise by the Committee using such methods or procedures as it may establish.

"Grant Date" means the **following provisions shall apply** later of (a) the date on which the Committee completes the corporate action authorizing the grant of an Award or such later date specified by the Committee and (b) the date on which all conditions precedent to an Award have been satisfied, provided that conditions to the **Credit Agreement** exercisability or vesting of Awards shall not defer the Grant Date.

"Incumbent Board" has the meaning set forth in the definition of "Change in Control."

"Option" means a right to purchase Common Stock granted under Section 7.

"Option Expiration Date" means the last day of the maximum term of an Option.

"Outstanding Company Common Stock" has the meaning set forth in the definition of "Change in Control."

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"Outstanding Company Voting Securities" has the meaning set forth in the definition of "Change in Control."

"Parent Company" means a company or other entity that, as a result of a Company Transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries.

"Participant" means any Eligible Person to whom an Award is granted.

"Performance Award" means an Award of Performance Shares or Performance Units granted under Section 10.

"Performance Criteria" has the meaning set forth in Section 15.1.

"Performance Share" means an Award of units denominated in shares of Common Stock granted under Section 10.1.

"Performance Unit" means an Award of units denominated in cash or property other than shares of Common Stock granted under Section 10.2.

"Plan" means the Key Tronic Corporation 2010 Incentive Plan (As Amended and Restated Effective _____, 2014).

"Related Company" means any entity that is directly or indirectly controlled by, in control of or under common control with the Company.

"Restatement Effective Date" means the date the Plan as amended and restated is approved by shareholders entitled to vote at the 2014 annual meeting of shareholders of the Company (including any adjournments or postponements thereof).

"Restricted Stock" means an Award of shares of Common Stock granted under Section 9, the rights of ownership of which are subject to restrictions prescribed by the Committee.

"Restricted Stock Unit" means a Stock Unit subject to restrictions prescribed by the Committee.

"Retirement," unless otherwise defined in the instrument evidencing the Award or in a written employment, services or other Loan Documents: (a) Unavailability agreement between the Participant and the Company or a Related Company, means "Retirement" as defined for purposes of LIBOR Loans, the Plan by the Committee or, if not so defined, means Termination of Service on or after the later of (i) the date a Participant attains age 65 and (ii) the fifth anniversary of the date the Participant commenced employment or a service relationship with the Company.

"Section 409A" means Section 409A of the Code.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Stock Appreciation Right" or "SAR" means a right granted under Section 8.1 to receive the excess of the Fair Market Value of a specified number of shares of Common Stock over the grant price.

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"Stock Appreciation Right Expiration Date" means the last day of the maximum term of a Stock Appreciation Right.

"Stock Award" means an Award of shares of Common Stock granted under Section 9, the rights of ownership of which are not subject to restrictions prescribed by the Committee.

"Stock Unit" means an Award denominated in units of Common Stock granted under Section 9.

"Substitute Awards" means Awards granted or shares of Common Stock issued by the Company in substitution or exchange for awards previously granted by an Acquired Entity.

"Successor Company" means the surviving company, the successor company or Parent Company, as applicable, in connection with a Company Transaction.

"Termination of Service" means a termination of employment or service relationship with the Company or a Related Company for any reason, whether voluntary or involuntary, including by reason of death, Disability or Retirement. Any request/question as to whether and when there has been a Termination of Service for the purposes of an Award and the cause of such Termination of Service shall be determined by the Company's chief human resources officer or other person performing that function or, with respect to directors and executive officers, by the Compensation Committee, whose determination shall be conclusive and binding. Transfer of a new LIBOR Loan Participant's employment or service relationship between the Company and any Related Company shall not be considered a Termination of Service for purposes of an Award. Unless the Compensation Committee determines otherwise, a Termination of Service shall be deemed to occur if the Participant's employment or service relationship is with an entity that has ceased to be a Related Company. A Participant's change in status from an employee of the Company or a Related Company to a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company or a change in status from a nonemployee director, consultant, advisor or independent contractor of the Company or a Related Company to an employee of the Company or a Related Company, shall not be considered a Termination of Service.

"Vesting Commencement Date" means the Grant Date or such other date selected by the Committee as the date from which an Award begins to vest.

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Consultant Agreement

This Consultant Agreement (the "Agreement") is entered into by and between Key Tronic Corporation ("Company") and Craig D. Gates ("Consultant"). Consultant and Company (jointly, the "Parties"), agree to the obligations set forth in this Agreement, effective as of June 30, 2024 (the "Effective Date"):

WHEREAS, Consultant is resigning as an employee with Company, and Consultant's employment with Company is therefore being terminated, effective June 29, 2024 (the "Termination Date");

WHEREAS, Company wishes to engage Consultant as a consultant for a period of time following the Termination Date;

WHEREAS, the Parties agree that entry into this Agreement is contingent upon Consultant remaining employed with the Company through the Termination Date. If Consultant voluntarily terminates his employment prior to the Termination Date or is terminated by Company for Cause (as such term is defined in Consultant's Employment Agreement, dated October 27, 1994, as amended from time to time (the "Employment Agreement")) prior to the Termination Date, this Agreement will be null and void.

THEREFORE, in consideration of the mutual agreements and promises contained herein, the Parties agree as follows:

1. Consultant Representations

(a) Consultant agrees to perform the consulting services described in Exhibit A (the "Services") hereunder in good faith and according to high professional standards, relying on his experience, knowledge, judgment, and techniques. Consultant will comply with all applicable federal, state and local laws.

(b) During the Term (as defined below), Consultant shall provide the Services from his own office space but may need to travel from time to time to provide the Services.

2. Compensation Agreement.

(a) As compensation for the Services performed, during the Term, Company shall remit to Consultant the amount of \$10,000 per month; provided, however, that such amount shall be pro-rated for the month in which Consultant ceases to perform the Services, by multiplying \$10,000 by a fraction with the numerator equal to the number of business days during the month prior to the termination of the Services, and the denominator equal to the total number of business days during the month in which the termination of the Services occurs. Compensation shall be paid in arrears on the last day of each month of the Term, subject to Consultant submitting an itemized invoice every month that includes the number of hours worked and lists the services provided.

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(b) In addition, Company shall reimburse Consultant for reasonable and customary pre-approved, out-of-pocket business or travel expenses actually incurred by Consultant in order to perform the Services, in accordance with Company's expense reimbursement procedures, as amended from time to time.

(c) Consultant and Company acknowledge that Consultant's Stock Appreciation Rights listed on Exhibit B shall remain outstanding during the Term (subject to the terms of, and the expiration date and earlier termination set forth in, the Company's Amended and Restated 2010 Incentive Plan and the applicable award notice and Stock Appreciation Rights Agreement).

(d) Consultant and Company acknowledge that Consultant's long-term incentive plan awards listed on Exhibit C shall remain outstanding (subject to the terms of, and the expiration date and earlier termination set forth in, the Amended and Restated Key Tronic Corporation Long-Term Incentive Plan and the applicable award notice and Stock Appreciation Rights Agreement).

3. Intellectual Property.

(a) Consultant acknowledges that during the term of the Services, Consultant may have access to and become acquainted with proprietary business, technical and financial and other non-public information (including, but not limited to, customer information, computer programs, technical drawings, algorithms, know-how, formulas, tools, methodologies, processes, ideas, inventions (whether patentable or not),

schematics, product development plans, forecasts, technical, marketing and business strategies and initiatives) used by Company in connection with the operation of its business (collectively, "**Confidential Information**"). Consultant agrees that Consultant shall not obtain any right, title or interest in any Confidential Information by virtue of this Agreement and the activities contemplated hereunder.

(b) Consultant acknowledges that Consultant may be expected to do creative work in connection with the performance of the Services under this Agreement which may lead to inventions, discoveries, developments, procedures, ideas, innovations, systems, programs, know-how, knowledge, technology, processes, methods, procedures, works of authorship, information, lists and other work product (collectively, the "**Work Product**"). Consultant acknowledges and agrees that Company is and shall be the sole and exclusive owner of all right, title and interest in and to the Work Product, including all copyrights and other intellectual property rights therein. In furtherance of the foregoing, Consultant shall create all Work Product as work made for hire as defined in Section 101 of the Copyright Act of 1976. To the extent the Work Product does not qualify as, or otherwise fails to be, work made for hire, Consultant shall, and hereby does, (i) assign, transfer, and otherwise convey to Company, irrevocably and in perpetuity, all right, title and interest in and to the Work Product, including all copyrights and other intellectual property rights therein; and (ii) irrevocably waive any and all claims Consultant may now or hereafter have in any jurisdiction to moral rights or rights of droit moral with respect to the Work Product.

(c) To the extent that Work Product includes advice, programming or other technology or materials that are or have been created or obtained by Consultant previous to this Agreement or are of generic applicability to Consultant's business (the "**Standard Advice**"), such Standard Advice is not meant to be included within the reference to Work Product, and instead Company's rights in such Standard Advice are limited to use thereof.

4. Confidentiality.

(a) Consultant agrees that Consultant will not disclose any Confidential Information, directly or indirectly, or use any Confidential Information in any manner, either during the term of this Agreement or at any time thereafter. All files, records, documents, blueprints, specifications, information, letters, notes, media lists, original artwork/creative, notebooks and similar items relating to the business of Company, whether prepared by Consultant or otherwise coming into Consultant's possession, shall remain the exclusive property of Company.

(b) With respect to Confidential Information received by Consultant, Consultant shall: (i) hold the Confidential Information in strict confidence and restrict disclosure solely to directors, officers and employees of Company who need to know such information and to those other individuals approved by Company to receive such Confidential Information; (ii) use the Confidential Information in the course of the performance of, and as necessary to perform, the Services and then solely to benefit Company; (iii) notify Company immediately in the event Consultant becomes aware of any loss, unauthorized use or improper disclosure of Confidential Information; and (iv) use the same degree of care to protect the Confidential Information as is used to protect Consultant's proprietary information, but in no case less than strictly preserving the secrecy of all Confidential Information.

(c) The foregoing obligations of Consultant shall not apply to any portion of the Confidential Information which: (i) is or becomes known publicly through no fault of Consultant; (ii) is learned by Consultant from a third party entitled to disclose it; (iii) is already known to Consultant before receipt from the discloser (and such knowledge has been promptly disclosed to Company); or (iv) must be disclosed by operation of law. Consultant shall promptly notify Company of any such request for disclosure (by operation of law) in order to allow Company full opportunity to seek the appropriate protective orders. In any such event, Consultant will use its reasonable efforts in cooperation with Company, or otherwise, to avoid or minimize the required disclosure of any Confidential Information.

(d) Upon completion of the Services, Consultant shall promptly return to Company or destroy any Confidential Information that it is not otherwise expressly entailed or required to maintain, including copies, reproductions or any other materials containing, summarizing or reflecting any Confidential Information, without retaining copies. In complying with the preceding obligation, a new Loan bearing interest Consultant shall delete all electronic files on any computers within the Recipient's operation or control containing, summarizing or reflecting any Confidential Information.

(e) Consultant shall neither disclose to Company, nor use nor bring with Consultant at Term SOFR; provided, any time, any confidential information, trade secrets and/or proprietary information from any

of Consultant's former employers or clients or others to whom Consultant owes any duty. If Consultant a party to any non-disclosure, non-solicitation or non-compete agreement of any kind, Consultant shall provide a copy of such agreement to Company upon the signing of this Agreement.

(f) In compliance with 18 U.S.C. § 1833(b) ("Section 1833(b)(1)"), as established by the Defend Trade Secrets Act of 2016, Consultant is given notice of the following immunities listed in Sections 1833(b)(1) and (2) (Immunity From Liability For Confidential Disclosure Of A Trade Secret To The Government Or In A Court Filing): (1) IMMUNITY.—An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. (2) USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT.—An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any LIBOR Loan outstanding document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

(g) Nothing in this Section 4 prohibits Consultant from (i) discussing or disclosing information about unlawful acts in the workplace, such as harassment, discrimination, retaliation, wage and hour violations, sexual assault, or any other conduct that Consultant has a reason to believe is unlawful or against a clear mandate of public policy, in each case without regard to whether the conduct occurred on or of the Third Amendment Effective Date Company's premises; (ii) reporting possible violations of applicable law or regulation to any governmental agency or entity; or (iii) making other disclosures that are protected under the whistleblower provisions of applicable law or regulation.

5. Use of Name. Neither this Agreement nor the performance of the Services hereunder shall be considered to create a joint venture or partnership between Company and Consultant. Except with respect to Consultant's role as a member of the Board of Directors of the Company, neither Company nor Consultant will utilize the other in any way without the other's written consent, such as, but not limited to, use of a party's logo or use of a party's name in press releases. Except with respect to Consultant's role as a member of the Board of Directors of the Company, under no circumstances shall either party employ the other's name in such a manner as to create the impression that the relationship created or intended between them is anything other than what is described in this Agreement.

6. Relationship Not Exclusive. The parties acknowledge and agree that this Agreement is non-exclusive and that either party may enter into similar services arrangements with other firms, consultants and clients, subject to the provisions of this Agreement.

7. Non-Compete, Non-Solicitation. In further consideration of the remuneration to be paid to Consultant hereunder, Consultant acknowledges that Sections 6, 7, 11 and 12 of the Employment Agreement shall continue to bear interest apply in accordance with the terms thereof.

8. Breach of Agreement. The Parties agree that, in the event of any breach of this Agreement, the non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. Without prejudice to any rights and remedies otherwise available,

the non-breaching party shall be entitled to equitable relief by way of injunction in the event of a breach of any provision of this Agreement. The Parties also agree (a) to waive any right to require that either Party post any type of bond or security and (b) that the breaching Party shall pay all costs, including attorney's fees, incurred by the other Party by reason of the breaching Party's breach.

9. Independent Contractor. The Parties agree that Consultant is an independent contractor (not an employee or other agent) of Company pursuant to applicable law and that Consultant will not be considered an employee of Company for any purpose. Consultant further acknowledges that nothing in this Agreement shall create an employer-employee relationship, partnership, agency or joint venture relationship between Consultant and Company for any purpose. Consultant agrees and acknowledges that Consultant shall not be entitled to and Company will not provide Consultant with any benefits that may be afforded from time to time to Company employees, including vacation pay, sick leave, retirement benefits, health or disability benefits, or other benefits of any kind. As an independent contractor, Consultant understands and agrees that Company will not make any deductions whatsoever from any payments under this Agreement, and Consultant will be solely responsible for and shall pay any taxes with respect to payments made to Consultant pursuant to this Agreement. For example, Company will not (a) withhold FICA (Social Security) from its payments to Consultant, (b) make state or federal unemployment insurance contributions on behalf of Consultant, or (c) withhold state and federal income taxes from its payments to Consultant. Company will not provide insurance coverage of any kind for Consultant in connection with the Services or this Agreement, including Worker's Compensation insurance or disability insurance. Consultant will be liable for Consultant's own debts, obligations, acts and omissions. Consultant shall be solely responsible for the manner and hours in which Services are performed and is solely responsible for all taxes, withholdings and other statutory, regulatory or contractual obligations of any sort. Consultant agrees to indemnify Company from any and all claims, damages, liability, settlement, attorneys' fees and expenses, as incurred, on account of the foregoing or any breach of this Agreement, including Consultant's classification as an independent contractor. Such indemnification obligation includes, but is not limited to, any obligation imposed upon Company (i) to withhold or pay any taxes of any kind, including, without limitation, any income taxes, Social Security taxes and/or Medicare taxes (FICA), SDI premiums, unemployment insurance premiums, or any other type of employment related taxes, or (ii) to provide coverage or benefits under any of Company's benefit plans, in each case in connection with compensation of any kind received by Consultant. Consultant agrees to assist Company in contesting any claim or assertion that Consultant is not properly classified under other applicable law, as an independent contractor, and to cooperate fully in the defense of any such claim or claims regarding misclassification brought against Consultant.

10. Term. This agreement shall commence on the Effective Date and will continue for twenty-four (24) months (the "Term") and end on the last day of the Term. Notwithstanding the foregoing Term, a party may terminate this Agreement any time after providing thirty (30) days' advanced written notice to the other party. The rights and obligations accruing prior to termination as set forth herein (such as, but not limited to, the duty of confidentiality) shall, however, survive the termination as specified in this Agreement.

11. Entire Understanding. This document constitutes the entire understanding and agreement of the parties, and any and all prior agreements, understandings and representations, including the Employment Agreement (except as expressly set forth herein and therein) are hereby terminated and canceled in their entirety and are of no further force and effect. For the avoidance of doubt, Consultant shall not be entitled to severance pursuant to the Employment Agreement.

12. Choice of Law. This Agreement shall be governed by the laws of the State of Washington without giving effect to principles of conflict of laws and shall benefit and be binding upon the Parties and their successors and assigns. The Parties hereby consent to jurisdiction in the State of Washington and agree that the courts within Washington shall have exclusive jurisdiction over any issues regarding the enforcement of this Agreement.

13. Modification or Amendment. No amendment, change or modification of this Agreement shall be valid unless in writing signed by the parties hereto.

14. Acknowledgment by Consultant. Consultant represents to Company that he is knowledgeable and sophisticated as to business matters, including the subject matter of this Agreement, that he has read this Agreement and that he understands its terms. Consultant acknowledges that, before assenting to the terms of this Agreement, Consultant has been given a reasonable time to review it, to consult with counsel of his choice, and to negotiate at LIBOR until arm's length with Company as to the end contents.

In Witness Whereof, the parties, by their duly authorized representatives, have executed this Agreement as of this June 20, 2024.

Craig D. Gates Key Tronic Corporation

/s/ Craig D. Gates By: /s/ Brett R. Larsen

Craig D. Gates Name: Brett R. Larsen

Title: Executive Vice President of

Administration, Chief Financial Officer and Treasurer

Exhibit A

- Consulting services to the Company in areas of your expertise, including but not limited to, providing technical advice and strategy support to the Company

Exhibit B

- 25,000 Stock Appreciation Rights granted on July 26, 2019
- 25,000 Stock Appreciation Rights granted on July 23, 2020
- 25,000 Stock Appreciation Rights granted on August 9, 2021
- 25,000 Stock Appreciation Rights granted on July 29, 2022

Exhibit C

- Fiscal Years 2022-2024 Long-Term Incentive Plan Award granted on August 9, 2021
- Fiscal Years 2023-2025 Long-Term Incentive Plan Award granted on July 29, 2022
- Fiscal Years 2024-2026 Long-Term Incentive Plan Award granted on August 10, 2023

EMPLOYMENT CONTRACT

THIS AGREEMENT is made and entered into as of April 22, 2010, by and between Brett R. Larsen, hereinafter referred to as "Employee", and Key Tronic Corporation, which has its principal place of business at 4424 N. Sullivan Road, Spokane Valley, Washington, a Washington corporation, hereinafter referred to as "Employer".

RECITALS

WHEREAS, Employer is engaged in the business of contract manufacturing, maintaining its principal office at 4424 N. Sullivan Road, Spokane Valley, Washington; and

WHEREAS, Employee and Employer wish for the Employee to accept the position of Vice President of Finance and Controller; and

WHEREAS, Employee and Employer now desire to enter into a written employment contract between the parties;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained herein, the parties hereto agree as follows:

1. **EMPLOYMENT.** Employer hereby employs Employee as its Vice President of Finance and Controller, to exercise all ordinary and necessary duties as defined by the President and CEO of Employer, and Employee hereby accepts and agrees to such employment, subject to the general supervision of the Employer's President and CEO and Board of Directors. Subject to the provisions of Section 9 of this Agreement, Employer reserves the right to change Employee's duties from time to time as Employer deems necessary and appropriate as the business of Employer evolves. Employer may, in its discretion, increase Employee's salary or other benefits without having to amend this Agreement and unless specified in writing such changes in salary or benefits will not modify the term or termination provisions of this Agreement. Employee recognizes that Employee's employment is at will. During the course of employment, both Employee and Employer have the right to terminate Employee's employment at any time, subject to the provisions of Section 9 of this Agreement.

2. **BEST EFFORTS OF EMPLOYEE.** Employee agrees that Employee will at all times fully, industriously, and to the best of Employee's ability, experience, and talent, perform all of the duties that may be required of and from Employee pursuant to the express and implicit terms hereof, to the satisfaction of Employer in the exercise of its sole discretion. Such duties shall be rendered at the business address of Employer and at such other place or places Employer and Employee shall, in good faith determine, as the interest, needs, business or opportunity of Employer

may require. Employee shall comply with all current Interest Period. (b) References Employer policies, rules and regulations as adopted from time to LIBOR Loans, Etc. time and all specific directions of Employer.

3. **COMPENSATION OF EMPLOYEE.** Employer shall pay Employee, and Employee shall accept from Employer, effective as of February 22, 2010, as full compensation for Employee's services hereunder, \$5,769.23 bi-weekly, paid in accordance with Employer's regular payroll policies.

Employee shall be eligible to participate in the **Loan Documents**. (i) References benefits set forth below during the term of his employment pursuant to **LIBOR Loans, LIBOR, any eurocurrency loans or rate, or the administration or terms thereof**, of the respective benefit plans. Employee acknowledges that Employer may change its benefit plans in its sole discretion.

a. Coverage for Employee and Employee's dependents under Employer's group medical and group dental plans to the extent the same are provided to other employees.

b. Participation in bonus incentive plans as may be offered by Employer to its key employees from time to time.

c. Other company provided benefits such as holidays, sick leave, and group insurance benefits as adopted by Employer and generally made available to employees of Employer.

4. **VACATION.** Employee shall receive vacation during each year of employment in accordance with Employer's then existing personnel policy. Unused vacation time from each year may accumulate in accordance with Employer's then existing personnel policy.

5. **OTHER EMPLOYMENT.** Employee shall devote his full time, attention, knowledge, and skills to the business and interests of Employer, and Employer shall be entitled to all benefits, profits, or other **matters relating thereto** issues arising from or incident to all work, services, and advice of Employee. Employee shall not, during the term hereof, be interested directly or indirectly, in **the Loan Documents that are not specifically addressed** any manner, as partner, officer, director, stockholder, advisor, employee, or in any other capacity in any other business similar to Employer's business. Nothing contained herein shall be deemed to prevent or limit Employee from acquiring stock or other securities of any corporation whose stock or securities are owned or are traded on any public exchange, or from investing in real estate.

6. **TRADE SECRETS.** Employee shall not at any time, or in any manner, either directly or indirectly, use, divulge, disclose, or communicate to any person, firm, or corporation, in any manner whatsoever, any information containing any matters affecting or relating to the business of Employer, including all information without limiting the generality of the foregoing, regarding any of its customers, the price it obtains or has obtained from the sale of its products, or any other information concerning the business of Employer, its manner of operation, plans, processes, or other data, without regard to whether all of the foregoing matters will be deemed confidential, material, or important, the parties hereto stipulating that as between them, the same are important, material, and confidential, and gravely affect the effective and successful conduct of the business of Employer, and Employer's good will. Any breach of the terms of this paragraph shall be a breach of this Agreement.

7. **TRADE SECRETS AFTER TERMINATION OF EMPLOYMENT.** All the terms of Section 6 shall remain in full force and effect for the period of three (3) years after the termination of Employee's employment for any reason. Employee cannot offer employment to current at

time of termination) employees of Key Tronic or induce them to leave Key Tronic for a period of one (1) year after termination.

8. AGREEMENTS OUTSIDE OF CONTRACT. This Contract contains the complete agreement concerning the employment arrangement and separation provisions between the parties and shall, as of the effective date hereof, supersede all other written or oral agreements between the parties. The parties stipulate that neither of them have made any representation with respect to the subject matter of this Agreement, or any representations including the execution and delivery hereof except such representations as are specifically set forth in writing herein, and each of the parties hereto acknowledges that such party has relied upon such party's own judgment in entering into this Agreement. The parties hereto further acknowledge that any representations that may have heretofore been made by either of them to the other are of no effect and that neither of them has relied thereon in connection with this Agreement.

9. TERMINATION.

a) Employer's Board of Directors, its President or CEO may, in their discretion, terminate Employee's employment at any time for any reason or for no reason. After such termination, Employer shall pay Employee for Employee's accumulated unused vacation and, subject to the provisions below, Employer shall continue to pay Employee's base salary only in effect prior to termination for a period of twelve (12) months after termination. Also, for the period during which any salary payments are being made, Employer will provide, through COBRA, group medical and dental plan coverage for Employee and Employee's dependents as such plans are then generally offered to employees of Employer. Employee may elect to continue group medical coverage at the termination of severance benefits, for the balance of any COBRA period, at Employee's sole expense. Employee shall not be entitled to receive any payments under any bonus, profit sharing or other incentive compensation plan of Employer unless Employee is employed by Employer on the date such payments are due to be paid.

b) No severance benefits will be provided if Employee elects to terminate his employment or is terminated for cause. For purposes of this Agreement, "Cause" means (i) conviction of a felony or misdemeanor involving moral turpitude; (ii) engaging in illegal business practices or other practices contrary to the written policies of the Company; (iii) misappropriation of assets of the Company; (iv) continual or repeated insobriety or drug use; (v) continual or repeated absence for reasons other than disability or sickness, (vi) fraud; (vii) embezzlement; (viii) violation of the Company's written conflict of interest policies; and (ix) material breach of this Agreement.

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c) All severance benefits including, but not limited to, the continuation of salary payments in whole or in part, and all other payments made on Employee's behalf for group medical and dental coverage will terminate immediately upon Employee's employment by a third party at a base salary equal to or greater than the base salary then being paid Employee by Employer. If Employee is paid a base salary by a third party lower than that being paid by Employer, Employer shall continue to pay the difference for the remainder of the period set forth in Section 9(a) above, but Employer's obligation to continue payments for medical and dental coverage will terminate immediately upon employment by a third party.

d) Any outstanding stock options held by Employee at termination of employment shall be treated as provided for under the company Stock Option Plan by which options were granted.

e) The provisions of Sections 6, 7, 9, 10, 11, 12 and 16 shall survive the termination of this Agreement.

10. REMEDIES. Any breach or evasion of any of the terms of this Agreement by either party hereto will result in immediate and irreparable injury to the other party and will authorize recourse to injunctive relief and/or specific performance, as well as to all other legal or equitable remedies to which such injured party may be entitled hereunder.

11. COVENANT NOT TO COMPETE. In order to protect the value of Employer's business and of Employer's stock, Employee covenants and agrees that Employee will not, either directly or indirectly, own, manage, operate, join, control, or participate in the ownership, management, operation or control of any business which engages in any business similar to, or which competes with Employer, for a period of one year after the termination of Employee's employment.

Employee further covenants and agrees that Employee will not, during the period of noncompetition, lend Employee's credit or money for the purpose of establishing or operating any such business described hereinabove, nor give advice, either directly or indirectly, to any person, firm, association, corporation, or other business entity engaged in or engaging in such business; provided however, that Employee may trade, sell, or otherwise deal in publicly-traded securities for Employee's benefit.

12. **RESTRICTIVE COVENANTS.** The parties believe that the restrictive covenants contained in Sections 5, 6, 7 and 11 of this Agreement are reasonable. However, if any court having jurisdiction shall, at any time, hold such covenants to be unenforceable or unreasonable, whether as to scope, territory, or period of time as specified, then such court shall declare or determine the scope, territory, or period of time which it deems reasonable.

13. **SEVERABILITY.** Except as otherwise provided in this Agreement, if any term or provision of this Agreement shall to any extent be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be effected

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thereby, and each term and provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law.

14. **CHOICE OF LAW.** It is the intention of the parties hereto that this Agreement and the performance hereunder and all suits and special proceedings hereunder be construed in accordance with and pursuant to the laws of the State of Washington.

15. **BINDING EFFECT.** This agreement shall bind Employer and its successors, assigns, agents, and representatives.

16. **ATTORNEY'S FEES.** If any action is commenced to enforce any of the provisions of this Agreement, the prevailing party shall, in addition to its other remedies, be entitled to recover reasonable attorney's fees.

17. **ADVICE OF COUNSEL.** Employee acknowledges that Employee has had the opportunity to consult with counsel of his own choosing in the negotiation and preparation of this agreement; that employee has carefully read and fully understands its contents and its legal effect; and that employee enters into this agreement freely, voluntarily and without coercion.

IN WITNESS WHEREOF, the undersigned parties to this Agreement hereinabove expressed, have entered into this Agreement without reservation and have read the terms herein.

EMPLOYEE: EMPLOYER:

Key Tronic Corporation

/s/ Brett R. Larsen

Brett R. Larsen

By: /s/ Craig D. Gates

Craig D. Gates

Its: President and CEO

WITNESS:

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AMENDMENT TO EMPLOYMENT CONTRACT

RECITALS

WHEREAS, KEY TRONIC CORPORATION the ("Employer") and Brett R. Larsen (the "Employee") desire to amend Employee's April 22, 2010 Employment Contract (the "Contract");

WHEREAS, said amendment is based upon the mutual desires of the Employer and the Employee;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and the grant of long term incentive awards to Employee pursuant to the Employer's Long Term Incentive Plan, the Contract is hereby amended as follows:

- 1 The last sentence of Section 9(a) of the Contract is amended to read in full as follows:

"Unless the applicable plan provides otherwise, Employee shall not be entitled to receive any payments under any bonus, profit sharing or other incentive compensation plan of Employer unless Employee is employed by Employer on the date such payments are due to be paid.

1. The following Section 9f is added to the Contract:

"f) The Employer's obligation to pay severance benefits hereunder is conditioned upon the Employee executing, delivering and not revoking during any applicable revocation period a release of claims within sixty (60) days following Employee's termination in the form provided by Employer. If the conditions with respect to the release of claims are satisfied, then Employer will pay severance benefits attributable to the sixty day period following Employee's termination on the sixty first (61st) day following Employee's termination and the remaining severance payments will thereafter be made on Employer's normal payroll payment schedule."

1. The following Section 18 is added to the Contract:

18. Compliance With Laws and Regulations

This Contract and all severance benefits are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to this Contract and any severance benefits, it is intended that this Contract and any severance benefits shall comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of this Contract to the contrary, this Contract shall be interpreted, operated and administered in a manner consistent with such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Contract to the contrary, with respect to any severance benefits to which Section 409A applies,

all references to **Term SOFR Loans and Term SOFR, as applicable**, the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i). In addition, general references if the Participant is a "specified employee," within the meaning of Section 409A, then to **Loans** the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under this Contract during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Participant during such period, but shall instead be accumulated and **interest rates, their administration** paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any other provision of this Contract to the contrary, the Employer, to the extent it deems

necessary or advisable in its sole discretion, reserves the right, but shall not be required, to unilaterally amend or modify this Contract so that severance benefits qualify for exemption from or comply with Section 409A; provided, however, that Employer makes no representations that severance benefits under this Contract shall be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to severance benefits under this Contract."

Except as provided in this modification, the other terms and related matters conditions set out in the Contract remain in full force and effect.

EMPLOYER: EMPLOYEE:

KEY TRONIC CORPORATION BRETT R. LARSEN

By: /s/ Craig D. Gates By: /s/ Brett R. Larsen

Craig D. Gates

Its: President & CEO Name: Brett R. Larsen

Date: August 23, 2011 Date: August 23, 2011

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AMENDMENT TO EMPLOYMENT CONTRACT

R E C I T A L S

WHEREAS, KEY TRONIC CORPORATION(the "Employer") and Brett R. Larsen (the "Employee") desire to amend Employee's April 22, 2010 Employment Contract, as amended (the "Agreement");

WHEREAS, said amendment is based upon the mutual desires of the Employer and the Employee;

NOW, THEREFORE, in consideration of the mutual covenants contained therein, the following amendment to the Agreement is executed. Except as provided in this amendment, the other terms and conditions set out in the Agreement remain in full force and effect.

1. Section 9 a) of the Agreement is hereby amended to read in full as follows:

9. TERMINATION

a) Employer's Board of Directors, its President or CEO may, in their discretion, terminate Employee's employment at any time for any reason or for no reason. After such termination, Employer shall pay Employee for Employee's accumulated unused vacation and, subject to the provisions below, Employer shall continue to pay Employee's base salary only in effect prior to termination for a period of twelve (12) months after termination. The foregoing notwithstanding, if such termination occurs after a Change in Control, Employer shall continue to pay Employee's base salary only in effect prior to termination for a period of twenty-four (24) months after termination. Also, for the period during which any salary payments are being made, Employer will provide, through COBRA, group medical and dental plan coverage for Employee and Employee's dependents as such plans are then generally offered to employees of Employer. Employee may elect to continue group medical coverage at the termination of severance benefits, for the balance of any COBRA period, at Employee's sole expense. Unless the applicable plan provides otherwise, Employee shall not be entitled to receive any payments under any bonus, profit sharing or other incentive compensation plan of Employer unless Employee is employed by Employer on the date such payments are due to be paid."

1. The following sentence is added at the end of Section 9 b) of the Agreement:

"The foregoing notwithstanding, in the event Employer changes the substantive responsibilities and duties of Employee in such a way as to constitute a demotion, Employee shall have the option of terminating Employee's employment without loss of severance benefits, the same as if Employer had terminated the employment."

1. A new Section 9 f) is added to the Agreement to read in full as follows:

"f. As used herein, a Change in Control shall be deemed to include Term SOFR Loans occur if any of the following shall occur: (A) any "person" (as such term is used in Section 13(d) and Term SOFR, as applicable. (ii) Any requirement for Borrowers to compensate Lenders for losses in 14(d)(2) of the Credit Agreement resulting from any continuation, conversion, payment or prepayment of any Loan on a day Exchange Act), other than the last day of Company, any Interest Period shall be deemed to include Term SOFR Loans. (c) Interest Rates. Agent does not warrant or accept responsibility, nor shall it have any liability with respect to, administration, submission Subsidiary or any other matter related to any reference rate referred to herein or in employee benefit plan of the Credit Agreement, nor with respect to any rate (including, for the avoidance of doubt, the selection of such rate and any related spread or other adjustment) that is an alternative, replacement or successor to such rate (including any Successor Rate), Company or any component thereof, Subsidiary, is or becomes the effect "beneficial owner" (as defined in Rule 13d-3 of any

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the Exchange Act), directly or indirectly, of securities of the foregoing, Company representing forty percent (40%) or of any Conforming Changes. The Agent and its



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162363368 5 affiliates or other related entities may engage in transactions or other activities that affect any reference rate referred to herein, or any alternative, successor or replacement rate (including, without limitation, any Successor Rate) (or any component of any more [redacted] foregoing) or combined voting power of the Company's then-outstanding securities (other than as a result of an acquisition by [redacted] related spread or other adjustments thereto, in each case, in a manner adverse to such person or securities directly from [redacted] Obligors. Agent may select information source(s) in its discretion to ascertain any reference rate referred to herein or any alternative, successor or replacement rate (including any Successor Rate), or any component thereof, in each case pursuant to the terms hereof, and shall have no liability to any Lender, Obligor or other Person for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise, and whether at law or in equity) for any error or other act or omission related to or affecting the selection, determination or calculation of any rate (or component thereof) provided by such information source or service. (d) Borrowings, Conversions, Continuations and Prepayments of Term SOFR Loans. In addition to any other borrowing or prepayment requirements set forth in the Credit Agreement: (i) Notice of Borrowing of Term SOFR Loans. For any Borrowing, conversion or continuation of a Term SOFR Loan, Borrower Agent shall deliver a Notice of Borrowing or Notice of Conversion/Continuation, as applicable, to Agent by 11:00 a.m. at least two Business Days prior to the requested funding date. Notices received by Agent after such time shall be deemed received on the next Business Day. Each such notice shall be irrevocable and must specify (A) the amount [redacted] Company [redacted] requested funding date (which must be a Business Day), (C) whether such Borrowing, conversion or continuation is to be made as a Term SOFR Loan, and (D) the applicable Interest Period (which shall be deemed to be one month if not specified). (ii) Interest Periods. Borrowers shall select an interest period ("Interest Period") [redacted] first purchase [redacted] one, three or six months (in each case, subject to availability) to apply to each Term SOFR Loan; provided, that (a) the Interest Period shall begin on the date the Loan is made or continued as, or converted into, a Term SOFR Loan and shall expire one, three or six months thereafter, as applicable; (b) if any Interest Period begins on the last day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month at its end, or if such corresponding day falls after the last Business Day of the end month, then the Interest Period shall expire on the end month's last Business Day; and if any Interest Period would otherwise expire on a day that is not a Business Day, the period shall expire on the next Business Day; and (c) no Interest Period shall extend beyond the maturity date of the credit facility. (iii) Voluntary Prepayment of Term SOFR Loans. Term SOFR Loans may be prepaid from time to time, without penalty or premium, Common Stock [redacted] notice [redacted] tender or exchange offer (other than a tender or exchange offer made by the Company or any Subsidiary), (C) the approval by the Company's shareholders [redacted] prepayment, a merger or consolidation, a statutory share exchange, a sale or disposition of all or substantially all the Company's assets or a plan of liquidation or dissolution of the Company, or (D) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason. Agent [redacted] delivered [redacted] [redacted] three Business Days prior to prepayment a majority [redacted] thereof, unless the election or nomination for the election by the Company's shareholders of each new director was approved by a vote of at least two-thirds (2/3) [redacted] Loan; provided, that no directors then still in office who were directors at the beginning of the period.

EMPLOYER: Key Tronic Corporation **EMPLOYEE:**

By: /s/ Craig D. Gates By: /s/ Brett R. Larsen

Name: Craig D. Gates Name: Brett R. Larsen

Title: President & CEO

Date: May 11, 2012 Date: May 11, 2012

EMPLOYMENT CONTRACT

THIS AGREEMENT is made and entered into as of August 3, 2022, by and between Anthony G. Voorhees, hereinafter referred to as "Employee", and Key Tronic Corporation, which has its principal place of business at N. 4424 Sullivan Road, Spokane Valley, Washington, a Washington corporation, hereinafter referred to as "Employer".

RECITALS

WHEREAS, Employer is engaged in the business of contract manufacturing, maintaining its principal office at 4424 N. Sullivan Road, Spokane Valley, Washington; and

WHEREAS, Employee and Employer wish for the Employee to accept the position of Vice President of Finance and Controller; and

WHEREAS, Employee and Employer now desire to enter into a written employment contract between the parties;

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained herein, the parties hereto agree as follows:

1. **EMPLOYMENT.** Employer hereby employs Employee as its Vice President of Finance and Controller, to exercise all ordinary and necessary duties as defined by the President and CEO of Employer, and Employee hereby accepts and agrees to such notice shall be required for payments effected through sweeps from the Dominion Account. (iv) Conforming Changes. Agent may make Conforming Changes from time to time with respect to SOFR, Term SOFR or any Successor Rate. Notwithstanding anything employment, subject to the contrary in any Loan Document, any amendment implementing such changes shall be effective without further action or consent of any other party to any Loan Document. Agent shall post each amendment to Borrower Agent and Lenders promptly after it becomes effective.



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162363368_5 (v) Deemed Term SOFR Loans. Notwithstanding the above, unless otherwise requested in a Notice of Borrowing or Notice of Conversion/Continuation, any request for a Borrowing shall be a request to fund a Term SOFR Loan with an Interest Period of one month and the termination of any Interest Period shall be deemed a request by Borrower general supervision of the continuation Employer's President and CEO and Board of such Borrowing as a Term SOFR Loan with an Interest period of one month. (e) Interest. Directors. Subject to the provisions of Section 9 of this Agreement, Employer reserves the Credit right to change Employee's duties from time to time as Employer deems necessary and appropriate as the business of Employer evolves. Employer may, in its discretion, increase Employee's salary or other benefits without having to amend this Agreement with respect and unless specified in writing such changes in salary or benefits will not modify the term or termination provisions of this Agreement. Employee recognizes that Employee's employment is at will. During the course of employment, both Employee and Employer have the right to default interest, each Term SOFR Loan shall bear interest terminate Employee's employment at Term SOFR for any time, subject to the applicable Interest Period, plus provisions of Section 9 of this Agreement.

2. **BEST EFFORTS OF EMPLOYEE.** Employee agrees that Employee will at all times fully, industriously, and to the Applicable Margin. Interest on each Term SOFR Loan best of Employee's ability, experience, and talent, perform all of the duties that may be required of and from Employee pursuant to the express and implicit terms hereof, to the satisfaction of Employer in the exercise of its sole discretion. Such duties shall be due and payable in arrears on each Interest Payment Date rendered at the business address of Employer and at such other times place or places Employer and Employee shall, in such manner good faith determine, as specified in the Credit Agreement. (f) Computations. Computations interest, needs, business or opportunity of interest Employer may require. Employee shall comply with all current Employer policies, rules and regulations as adopted from time to time and all specific directions of Employer.

3. **COMPENSATION OF EMPLOYEE.** Employer shall pay Employee, and Employee shall accept from Employer, effective as of November 8, 2021, as full compensation for Base Rate Loans (including Base Rate Loans determined by reference to Term SOFR) shall be computed for actual days elapsed, based on a year of 365 or 366 days, as applicable. All other interest, as well as fees and other charges calculated on a per annum basis, shall be computed for actual days elapsed, based on a year of 360 days. Each determination by Agent of an interest rate or fee shall be conclusive and binding for all purposes, absent manifest error. (g) Inability to Determine Rates; Successor Rates. (i) Inability to Determine Rate. If in connection with any request for a Term SOFR Loan or a conversion to or continuation thereof, as applicable, (A) Agent determines (which determination shall be conclusive absent manifest error) that (I) no Successor Rate has been determined Employee's services hereunder, \$8,885.89 bi-weekly, paid in accordance with Employer's regular payroll policies.

Employee shall be eligible to participate in the benefits set forth below during the term of his employment pursuant to the terms of the respective benefit plans. Employee acknowledges that Employer may change its benefit plans in its sole discretion.

a. Coverage for Employee and Employee's dependents under Employer's group medical and group dental plans to the extent the same are provided to other employees.

b. Participation in bonus incentive plans as may be offered by Employer to its key employees from time to time.

c. Other company provided benefits such as holidays, sick leave, and group insurance benefits as adopted by Employer and generally made available to employees of Employer.

4. **VACATION.** Employee shall receive vacation during each year of employment in accordance with Employer's then existing personnel policy. Unused vacation time from each year may accumulate in accordance with Employer's then existing personnel policy.

5. **OTHER EMPLOYMENT.** Employee shall devote his full time, attention, knowledge, and skills to the business and interests of Employer, and Employer shall be entitled to all benefits, profits, or other issues arising from or incident to all work, services, and advice of Employee. Employee shall not, during the term hereof, be interested directly or indirectly, in any manner, as partner, officer, director, stockholder, advisor, employee, or in any other capacity in any other business similar to Employer's business. Nothing contained herein shall be deemed to prevent or limit Employee from acquiring stock or other securities of any corporation whose stock or securities are owned or are traded on any public exchange, or from investing in real estate.

6. **TRADE SECRETS.** Employee shall not at any time, or in any manner, either directly or indirectly, use, divulge, disclose, or communicate to any person, firm, or corporation, in any manner whatsoever, any information containing any matters affecting or relating to the business of Employer, including all information without limiting the generality of the foregoing, regarding any of its customers, the price it obtains or has obtained from the sale of its products, or any other information concerning the business of Employer, its manner of operation, plans, processes, or other data, without regard to whether all of the foregoing matters will be deemed confidential, material, or important, the parties hereto stipulating that as between them, the same are important, material, and confidential, and gravely affect the effective and successful conduct of the business of Employer, and Employer's good will. Any breach of the terms of this paragraph shall be a breach of this Agreement.

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7. **TRADE SECRETS AFTER TERMINATION OF EMPLOYMENT.** All the terms of Section 2(g)(ii), 6 shall remain in full force and effect for the circumstances under Section 2(g)(ii)(A) or period of three (3) years after the Scheduled Unavailability Date has occurred (as applicable), or (II) adequate and reasonable means do not otherwise exist for determining Term SOFR termination of Employee's employment for any requested Interest Period with respect reason. Employee cannot offer employment to current (current at time of termination) employees of Key Tronic or induce them to leave Key Tronic for a proposed Term SOFR Loan or in connection with an existing or proposed Base Rate Loan, or (B) Agent or Required Lenders determine that for any reason Term SOFR for any requested Interest Period with respect to a proposed Term SOFR Loan does not adequately period of one (1) year after termination.

8. **AGREEMENTS OUTSIDE OF CONTRACT.** This Contract contains the complete agreement concerning the employment arrangement and fairly reflect separation provisions between the cost to such Lenders of funding such Loan, Agent will promptly so notify Borrowers parties and

Lenders. Thereafter, (1) the obligation of Lenders to make, maintain or convert Base Rate Loans to Term SOFR Loans shall be suspended (to the extent as of the affected Term SOFR Loans effective date hereof, supersede all other written or Interest Periods), and (2) in oral agreements between the event parties. The parties stipulate that neither of a determination described in the preceding sentence them have made any representation with respect to the Term SOFR component subject matter of Base Rate, this Agreement, or any representations including the utilization of execution and delivery hereof except such component representations as are specifically set forth in determining Base Rate shall be suspended, in writing herein, and each case until Agent (or, in the case of a determination by Required Lenders described above, until Agent upon instruction of Required Lenders) revokes such notice. Upon receipt of such notice, (x) Borrowers may revoke any pending request for a Borrowing, conversion or continuation of Term SOFR Loans (to the extent of the affected Term SOFR Loans or Interest Periods) or, failing parties hereto acknowledges that will be deemed to such party has relied upon such party's own judgment in entering into this Agreement. The parties hereto further acknowledge that any representations that may have converted such request into a request for Base Rate Loans, and (y) any outstanding Term SOFR Loans shall convert to Base Rate Loans at the end heretofore been made by either of their respective Interest Periods. (ii) Successor Rates. Notwithstanding anything them to the contrary in any Loan Document, if Agent determines (which determination shall be conclusive absent manifest error), or Borrower Agent or Required Lenders notify Agent (with, in the case other are of the Required Lenders, a copy to Borrower Agent) that Borrowers or Required Lenders (as applicable) have determined, that:



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162363368_5 (A) adequate no effect and reasonable means do not exist for ascertaining one, three and six month interest periods of Term SOFR, including because the Term SOFR Screen Rate is not available or published on a current basis, and such circumstances are unlikely to be temporary; or (B) CME or any successor administrator of the Term SOFR Screen Rate or a Governmental Authority having jurisdiction over Agent, CME or such administrator with respect to its publication of Term SOFR, in each case acting in such capacity, has made a public statement identifying a specific date after which one, three and six month interest periods of Term SOFR or the Term SOFR Screen Rate shall or will no longer be made available, or permitted to be used for determining the interest rate of U.S. dollar denominated syndicated loans, or shall or will otherwise cease, provided, that at the time of such statement, there is no successor administrator satisfactory to Agent that will continue to provide such interest periods of Term SOFR after such specific date (the latest date on which one, three and six month interest periods of Term SOFR or the Term SOFR Screen Rate are no longer available permanently or indefinitely, "Scheduled Unavailability Date"); then, on a date and time determined by Agent (any such date, "Term SOFR Replacement Date"), which date shall be at the end of an Interest Period or on the relevant interest payment date, as applicable, for interest calculated and, solely with respect to clause (b) above, no later than the Scheduled Unavailability Date, Term SOFR will be replaced hereunder and under any other applicable Loan Document with Daily Simple SOFR plus the SOFR Adjustment for any payment period for interest calculated that can be determined by Agent, in each case, without any amendment to, or further action or consent of any other party to any Loan Document ("Successor Rate"). If the Successor Rate is Daily Simple SOFR plus the SOFR Adjustment, all interest will be payable on a monthly basis. Notwithstanding anything to the contrary herein, (1) if Agent determines that neither of them has relied thereon in connection with this Agreement.

9. TERMINATION.

a) Employer's Board of Directors, its President or CEO may, in their discretion, terminate Employee's employment at any time for any reason or for no reason. After such termination, Employer shall pay Employee for Employee's accumulated unused vacation and, subject to the alternatives provisions below, Employer shall continue to pay Employee's base salary only in clauses (I) and (II) above is available on or effect prior to termination for a period of twelve (12) months after termination. The foregoing notwithstanding, if such termination occurs after a Change in Control, Employer shall continue to pay Employee's base salary only in effect prior to termination for a period of twenty-four (24) months after termination. Also, for the Term SOFR Replacement Date period during which any salary payments are being made, Employer will provide, through COBRA, group medical and dental plan coverage for Employee and Employee's dependents as such plans are then generally offered to employees of Employer. Employee may elect to continue group medical coverage at the termination of severance benefits, for the balance of any COBRA period, at Employee's sole expense. Unless the applicable plan provides otherwise, Employee shall not be entitled to receive any payments under any bonus, profit sharing or (2) other incentive compensation plan of Employer unless Employee is employed by Employer on the date such payments are due to be paid.

b) No severance benefits will be provided if Employee elects to terminate his employment or is terminated for cause. For purposes of this Agreement, "Cause" means (i) conviction of a felony or misdemeanor involving moral turpitude; (ii) engaging in illegal business practices or other practices contrary to the events or circumstances written policies of the type described Company; (iii) misappropriation of assets of the Company; (iv) continual or repeated insobriety or drug use; (v) continual or repeated absence for reasons other than disability or sickness, (vi) fraud; (vii)

embezzlement; (viii) violation of the Company's written conflict of interest policies; and (ix) material breach of this Agreement. The foregoing notwithstanding, in the event Employer

changes the substantive responsibilities and duties of Employee in such a way as to constitute a demotion, Employee shall have the option of terminating Employee's employment without loss of severance benefits, the same as if Employer had terminated the employment.

c) All severance benefits including, but not limited to, the continuation of salary payments in whole or in part, and all other payments made on Employee's behalf for group medical and dental coverage will terminate immediately upon Employee's employment by a third party at a base salary equal to or greater than the base salary then being paid Employee by Employer. If Employee is paid a base salary by a third party lower than that being paid by Employer, Employer shall continue to pay the difference for the remainder of the period set forth in Section (g)(ii)(A) or (B) 9(a) above, ~~have occurred~~ but Employer's obligation to continue payments for medical and dental coverage will terminate immediately upon employment by a third party.

d) Any outstanding stock options held by Employee at termination of employment shall be treated as provided for under the company Stock Option Plan by which options were granted.

e) The provisions of Sections 6, 7, 9, 10, 11, 12, 16 and 18 shall survive the termination of this Agreement.

f) The Employer's obligation to pay severance benefits hereunder is conditioned upon the Employee executing, delivering and not revoking during any applicable revocation period a release of claims within sixty (60) days following Employee's termination in the form provided by Employer. If the conditions with respect to the Successor Rate release of claims are satisfied, then Employer will pay severance benefits attributable to the sixty day period following employee's termination on the sixty first (61st) day following Employee's termination and the remaining severance payments will thereafter be made on Employer's normal payroll payment schedule.

g) As used herein, a Change in effect Control shall be deemed to occur if any of the following shall occur: (A) any "person" (as such term is used in Section 13(d) and 14(d)(2) of the Exchange Act), other than the Company, any Subsidiary or any employee benefit plan of the Company or any Subsidiary, is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then-outstanding securities (other than as a result of an acquisition by any such person of securities directly from the Company); (B) the first purchase of Common Stock pursuant to a tender or exchange offer (other than a tender or exchange offer made by the Company or any Subsidiary); (C) the approval by the Company's shareholders of a merger or consolidation, a statutory share exchange, a sale or disposition of all or substantially all the Company's assets or a plan of liquidation or dissolution of the Company; or (D) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors cease for any reason to constitute at least a majority thereof, unless the election or nomination for the election by the Company's shareholders of each new director was approved by a vote of at least two-thirds (2/3) of the directors then still in ~~each case, Agent~~ office who were directors at the beginning of the period.

10. **REMEDIES.** Any breach or evasion of any of the terms of this Agreement by either party hereto will result in immediate and ~~Borrower~~ Agent irreparable injury to the other party and will authorize recourse to injunctive relief and/or specific performance, as well as to all other legal or equitable remedies to which such injured party may ~~amend~~ be entitled hereunder.

11. **COVENANT NOT TO COMPETE.** In order to protect the Credit Agreement solely value of Employer's business and of Employer's stock, Employee covenants and agrees that Employee will not, either directly or indirectly, own, manage, operate, join, control, or participate in the ownership, management, operation or control of any business which engages in any business similar to, or which competes with Employer, for a period of one year after the termination of Employee's employment.

Employee further covenants and agrees that Employee will not, during the period of noncompetition, lend Employee's credit or money for the purpose of replacing Term SOFR establishing or operating any such business described hereinabove, nor give advice, either directly or indirectly, to any person, firm, association, corporation, or other business entity engaged in or engaging in such business; provided however, that Employee may trade, sell, or otherwise deal in publicly-traded securities for Employee's benefit.

12. **RESTRICTIVE COVENANTS.** The parties believe that the restrictive covenants contained in Sections 5, 6, 7 and 11 of this Agreement are reasonable. However, if any court having jurisdiction shall, at any time, hold such covenants to be unenforceable or unreasonable, whether as to scope, territory, or period of time as specified, then current Successor Rate such court shall declare or determine the scope, territory, or period of time which it deems reasonable.

13. **SEVERABILITY.** Except as otherwise provided in this Agreement, if any term or provision of this Agreement shall to any extent be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be effected thereby, and each term and provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law.

14. **CHOICE OF LAW.** It is the intention of the parties hereto that this Agreement and the performance hereunder and all suits and special proceedings hereunder be construed in accordance with and pursuant to the laws of the State of Washington.

15. **BINDING EFFECT.** This agreement shall bind Employer and its successors, assigns, agents, and representatives.

16. **ATTORNEY'S FEES.** If any action is commenced to enforce any of the provisions of this Agreement, the prevailing party shall, in addition to its other remedies, be entitled to recover reasonable attorney's fees.

17. **ADVICE OF COUNSEL.** Employee acknowledges that Employee has had the opportunity to consult with counsel of his own choosing in the negotiation and preparation of

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this agreement; that employee has carefully read and fully understands its contents and its legal effect; and that employee enters into this agreement freely, voluntarily and without coercion.

18. **COMPLIANCE WITH LAWS AND REGULATIONS.** This Contract and all severance benefits are intended to be exempt from the requirements of Section 409A of the Internal Revenue Code to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A is applicable to this Contract and any severance benefits, it is intended that this Contract and any severance benefits shall comply with the deferral, payout and other limitations and restrictions imposed under Section 409A. Notwithstanding any other provision of any Interest Period, relevant interest payment date or payment period for interest calculated, as applicable, with an alternative benchmark rate giving due consideration this Contract to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative benchmarks and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such benchmarks, which adjustment or method for calculating such adjustment the contrary, this Contract shall be published on an information service selected by Agent from time to time in its discretion interpreted, operated and may be periodically updated. For the avoidance of doubt, any such proposed rate and adjustments shall constitute a Successor Rate. Any such amendment shall become effective at 5:00 p.m. on the fifth Business Day after Agent posts such proposed amendment to all Lenders and Borrowers unless, prior to such time, Required Lenders deliver to Agent written notice that Required Lenders object to the amendment.



162363368_5 Agent will promptly (in one or more notices) notify Borrowers and Lenders of implementation of any Successor Rate. A Successor Rate shall be applied administered in a manner consistent with market practice; provided, that such intentions. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Contract to the contrary, with respect to any severance benefits to which Section 409A applies, all references to the termination of the Employee's employment or service are intended to mean the Employee's "separation from service," within the meaning of Section 409A(a)(2)(A)(i). In addition, if the Employee is a "specified employee," within the meaning of Section 409A, then to the extent market practice necessary to avoid subjecting the Employee to the imposition of any additional tax under Section 409A, amounts that would otherwise be payable under this Contract during the six-month period immediately following the Employee's "separation from service," within the meaning of Section 409A(a)(2)(A)(i), shall not be paid to the Employee during such period, but shall instead be accumulated and paid to the Employee (or, in the event of the Participant's death, the Employee's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Employee's separation from service or the Employee's death. Notwithstanding any other provision of this Contract to the contrary, the Employer, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but shall not administratively feasible be required, to unilaterally amend or modify this Contract so that severance benefits qualify for Agent, the Successor Rate exemption from or comply with Section 409A; provided, however, that Employer makes no representations that severance benefits under this Contract shall be applied in a manner as otherwise reasonably determined by Agent. Notwithstanding anything else herein, if at any time any Successor Rate as so determined would otherwise be less than 0%, exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to severance benefits under this Contract.

IN WITNESS WHEREOF, the Successor Rate will be deemed undersigned parties to be 0% for all purposes of this Agreement hereinabove expressed, have entered into this Agreement without reservation and have read the Loan Documents. terms herein.

EMPLOYEE: EMPLOYER:

Key Tronic Corporation

/s/ Anthony G. Voorhees

Anthony G. Voorhees

By: /s/ Craig D. Gates

Craig D. Gates

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Its: President and CEO

WITNESS:

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Exhibit 21

Subsidiaries of Registrant

1. KT Services, Inc.
100% owned subsidiary
Incorporated in the State of Washington
2. Key Tronic Juarez, SA de CV
100% owned subsidiary
Incorporated in Mexico
3. Key Tronic China LTD
100% owned subsidiary
Incorporated in the State of Washington
4. Key Tronic Computer Peripherals (Shanghai) Co. LTD
100% owned subsidiary
Incorporated in Republic of China
5. CDR Manufacturing, LLC
100% owned subsidiary
Organized in the State of Kentucky
6. Key Tronic Viet Nam Company Limited
100% owned subsidiary
Viet Nam - WFOE

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-159582, 333-70917, 333-61202, and 333-199566) of Key Tronic Corporation (the "Company"), of our report dated **September 26, 2023** **October 15, 2024**, relating to the consolidated financial statements of the Company, appearing in this Annual Report on Form 10-K of the Company for the year ended **July 1, 2023** **June 29, 2024**.

/s/ Moss Adams LLP

Seattle, Washington
September 26, 2023 **October 15, 2024**

Exhibit 31.1

CERTIFICATION

I, **Craig D. Gates**, **Brett R. Larsen**, certify that:

1. I have reviewed this annual report on Form 10-K of Key Tronic Corporation;
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 annual 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 annual 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

Dated: September 26, 2023 October 15, 2024

/s/ Craig D. Gates Brett R. Larsen

Craig D. Gates Brett R. Larsen

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Brett R. Larsen, Anthony G. Voorhees, certify that:

1. I have reviewed this annual report on Form 10-K of Key Tronic Corporation;
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 annual 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 annual report;
4. The registrant's other certifying officers 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

Dated: **September 26, 2023** **October 15, 2024**

/s/ Brett R. Larsen **Anthony G. Voorhees**

Brett R. Larsen **Anthony G. Voorhees**

Executive Vice President of Administration,
Chief Financial Officer and Treasurer

Exhibit 32.1

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 annual report of Key Tronic Corporation (the "Company") on Form 10-K for the period ended **July 1, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Craig D. Gates, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-K 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 Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: **September 26, 2023**

/s/ Craig D. Gates

Craig D. Gates

President and Chief Executive Officer

Exhibit 32.2

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 annual report of Key Tronic Corporation (the "Company") on Form 10-K for the period ended **July 1, 2023** **June 29, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Brett R. Larsen, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-K 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 Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 26, 2023 October 15, 2024

/s/ Brett R. Larsen

Brett R. Larsen

President and Chief Executive Officer

Exhibit 32.2

**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 annual report of Key Tronic Corporation (the "Company") on Form 10-K for the period ended June 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, Anthony G. Voorhees, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Form 10-K 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 Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 15, 2024

/s/ Anthony G. Voorhees

Anthony G. Voorhees

Executive Vice President of Administration,
Chief Financial Officer and Treasurer

Adopted by the Board of Directors November 9, 2023

**KEY TRONIC CORPORATION
CLAWBACK POLICY**

The following clawback policy (the "Policy") of Key Tronic Corporation, a Washington corporation (the "Company") requires the recovery of erroneously awarded compensation in order to satisfy the requirements of Nasdaq Listing Rule 5608 (the "Listing Rules") and to satisfy the requirements of Rule 10D-1 ("Rule 10D-1"), as adopted by the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") to implement Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Section 1. Definitions. As used in this Policy, the following definitions shall apply:

(a) "Applicable Period" means the three completed fiscal years prior to the earlier of (i) the date the Company's board of directors, a board committee, or officer(s) authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. In addition to the last three completed fiscal years described in the preceding sentence, the Applicable Period includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years; provided, however, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year for purposes of the Applicable Period.

(b) "Committee" means the Compensation and Administration Committee of the Board of Directors of the Company.

(c) "Covered Executive" means all of the Company's current and former executive officers, as determined by the Committee, in accordance with the Listing Rules and Rule 10D-1 and the definition of executive officer as defined in Rule 10D-1(d).

(d) "Erroneously Awarded Compensation" means the amount of Incentive-Based Compensation received by a Covered Executive that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated financial statements.

(e) "Incentive-Based Compensation" means all compensation (including cash bonuses or other cash incentive awards (including any deferred element thereof), and vested and unvested equity awards, including options, restricted stock and restricted stock units, performance stock unit awards and performance stock awards) from the Company or a subsidiary of the Company that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. For the avoidance of doubt, Incentive-Based Compensation does not include annual salary, compensation awarded based on completion of a specified period of service, or compensation awarded based on subjective standards, strategic measures, or operational measures, unless also based on attainment of a Financial Reporting Measure.

(f) "Financial Reporting Measures" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, including stock price and total shareholder return.

(g) "Nasdaq" means The Nasdaq Stock Market LLC.

(h) "Restatement" means an accounting restatement of the Company's financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial

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statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

Section 2. Recovery Event. If the Company is required to prepare a Restatement, then, as determined by the Committee, the Covered Executive's unsettled Incentive-Based Compensation will be subject to forfeiture, and the Covered Executive's settled Incentive-Based Compensation will be subject to recoupment, subject to the following:

(a) The forfeiture or recoupment of the Incentive-Based Compensation will apply to a recipient of Incentive-Based Compensation if the recipient of the Incentive-Based Compensation was a Covered Executive at any time during the performance period for such Incentive-Based Compensation. This Policy applies to Incentive-Based Compensation received by a Covered Executive after beginning services as a Covered Executive, and any subsequent changes in a Covered Executive's employment status, including retirement or termination of employment, do not affect the Company's rights to recover Erroneously Awarded Compensation pursuant to this Policy.

(b) The amount to be forfeited or recouped will equal the Erroneously Awarded Compensation. The Committee will take actions necessary to recover the Erroneously Awarded Compensation reasonably promptly following a Restatement. Where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information the Restatement, the amount must be based on a reasonable estimate of the effect of the Restatement on stock price or total shareholder return upon which the Incentive-Based Compensation was received. The Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq. The amount of the Erroneously Awarded Compensation shall not be reduced based on, or otherwise calculated with regard to, any taxes paid by the Covered Executive with respect to such amounts.

(c) This Policy shall only apply to Incentive-Based Compensation that was received during the Applicable Period and that was received while the Company has a class of securities listed on a national securities exchange or a national securities association. For purposes of this Policy, Incentive-Based Compensation is deemed received in the fiscal period during which the Financial Reporting Measure specified in the applicable Incentive-Based Compensation is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of such fiscal period. The Company's obligation to recover erroneously awarded compensation is not dependent on if or when the restated financial statements are filed.

Section 3. Impracticability. The Company shall recover any Erroneously Awarded Compensation unless the conditions set forth in clauses (a), (b) or (c) of the following sentence are met and such recovery would be impracticable, as determined by the Committee in accordance with Rule 10D-1 and the Listing Rules. No recovery shall be required if:

(a) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; *provided* that before concluding that it would be impractical to recover any amount of Erroneously Awarded Compensation based on this clause (i), the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) and provide such documentation to Nasdaq;

(b) recovery would violate home country law where that law was adopted prior to November 28, 2022; *provided* that before concluding that it would be impractical to recover any amount of Erroneously Awarded Compensation based on this clause (ii), the Company shall obtain an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such violation, and shall provide such opinion to Nasdaq; or

(c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company or a subsidiary, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code, or any successor provision thereof.

Section 4. Committee Administration and Discretion. The authority to manage the operation and administration of this Policy is vested in the Committee. This authority includes the obligation to determine (i) whether a Restatement has occurred for the purposes of this Policy, Rule 10D-1 and the Listing Rules and (ii) the amount of Erroneously Awarded Compensation. The Committee may retain and rely upon the advice and determinations of legal

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counsel, accountants and other relevant experts to operate and administer this Policy. Any interpretation of this Policy by the Committee and any decision made by it with respect to this Policy will be final, binding and conclusive on all persons.

Section 5. No Indemnification. The Company shall not indemnify any current or former Covered Executive against the loss of Erroneously Awarded Compensation, and shall not pay, or reimburse any Covered Executives for premiums, for any insurance policy to fund such executive's potential repayment obligations.

Section 6. Notice. Before the Committee determines to seek recovery pursuant to this Policy, it shall provide the Covered Executive with written notice and the opportunity to be heard at a meeting of the Committee or the Board of Directors (either in person or via telephone).

Section 7. Effective Date. This Policy is effective as of December 1, 2023 (the "Effective Date"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by a Covered Executive on or after October 2, 2023, even if such Incentive-Based Compensation was approved, awarded, granted, payable or paid to the Covered Executive prior to October 2, 2023. Subject to applicable law, the Committee may effect forfeiture or recoupment under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after October 2, 2023.

Section 8. Amendment and Interpretation. The Committee may amend this Policy from time to time in its discretion, and shall amend this Policy as it deems necessary, appropriate or advisable to reflect the regulations adopted by the SEC and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are then listed. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Rule 10D-1 and any applicable rules or standards adopted by the SEC and any national securities exchange on which the Company's securities are then listed.

Section 9. Other Recovery Rights. The Committee intends that this Policy will be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award agreement, or similar agreement entered into, amended or restated on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy and the application of this Policy to any award made prior to the Effective Date. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any other recoupment or recoupment policy, any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Section 10. Successors. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Section 11. Disclosure Obligations. The Company shall file all disclosures with respect to this Policy required by applicable SEC filings and rules.

Section 12. Entire Agreement. To the extent inconsistent with this Policy, this Policy supersedes all prior contracts, agreements and understandings, written or oral, with any Covered Executive. In the event any contract, agreement or understanding with any Covered Executive is inconsistent with the terms of this Policy, the terms of this Policy shall govern.

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Acknowledgement

[Date]

[Covered Executive name]
[Address]

Dear [Covered Executive name]:

Please sign and return to me this letter acknowledging that you have received a copy of the Key Tronic Corporation Clawback Policy (the "Policy") and that you agree to its application to you as a Covered Executive. Your receipt of grants of equity or incentive compensation on or after the effective date of the Policy is conditioned on your agreeing to the terms of the Policy.

By signing this letter, you agree that the Policy, as it may be amended from time to time, applies to your Incentive-Based Compensation (as defined in the Policy), regardless of whether it is granted on, before, or after the date on which this Policy was adopted by the Company or the date that you sign this letter. Additionally, you agree and acknowledge that the Policy supersedes any prior contract, agreement and understanding, written or oral, between you and the Company and that, in the event any contract, agreement or understanding with you is inconsistent with the Policy, the terms of the Policy shall govern.

You also agree and acknowledge that the Incentive-Based Compensation subject to the Policy are voluntary programs, that you have chosen to accept such Incentive-Based Compensation understanding that such Incentive-Based Compensation are subject to forfeiture and recoupment as set forth in the Policy, and that you specifically agree to such forfeiture and recoupment. If you do not wish to accept any future Incentive-Based Compensation subject to the Policy or to otherwise agree to the terms of the Policy, you must notify in writing [] in [Human Resources] within 10 days after receiving notice of a grant of Incentive-Based Compensation that you are rejecting such grant.

If you have any questions about the Policy, please contact me.

Very truly yours,

[Company representative name]
[Title]

Acknowledged and agreed:

[Covered Executive name]

Date:

DISCLAIMER

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