

Risk Factors Comparison 2025-02-27 to 2024-02-22 Form: 10-K

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Our business, financial condition, results of operations and cash flows may be affected by known and unknown risks, uncertainties and other factors. We have summarized below the significant, known material risks to our business. Additional risk factors not currently known to us or that we currently believe are immaterial may also impair our business, financial condition, results of operations and cash flows. Any of these risks, uncertainties and other factors could cause our future financial results to differ materially from recent financial results or from currently anticipated future financial results. The risk factors below should be considered together with the information included elsewhere in this Form 10-K as well as other required filings by us with the SEC.

CAPITAL STRUCTURE RISKS Our indebtedness could limit our financing options, adversely affect our financial condition, and prevent us from fulfilling our debt obligations. In July 2022, we completed a refinancing of our then existing debt by entering into a new term loan (“2022 Term Loan”) and a new revolving credit facility (“2022 Revolving Credit Facility”). The 2022 Term Loan is a \$ 250.0 million senior secured loan that matures in July 2027. The 2022 Revolving Credit Facility is a \$ 200.0 million senior secured revolving credit facility that matures in July 2027. The 2022 Term Loan and 2022 Revolving Credit Facility, collectively are the new credit facilities (“2022 Credit Facilities”). The terms of the 2022 Term Loan require us to make installment payments of 0.625 % of the initial outstanding principal balance on a quarterly basis during years one and two, 1.250 % during years three and four, and 1.875 % during year five, on the last business day of each calendar quarter. In addition, the undrawn portion of the commitment of the 2022 Revolving Credit Facility is subject to a commitment fee ranging from 0.175 % to 0.275 %, based upon the consolidated total net adjusted leverage ratio. At December 31, **2023-2024**, we had a total of \$ **266-243.0-2** million of outstanding long-term debt under the 2022 Credit Facilities. The total long-term debt was primarily the result of our acquisitions, including Lightning Diversion Systems, LLC (“LDS”) in September 2017, Certified Thermoplastics Co., LLC (“CTP”) in April 2018, Nobles Worldwide, Inc. (“Nobles”) in October 2019, and BLR Aerospace, L. L. C. (“BLR”) ~~on in~~ **April 25, 2023**. Our ability to obtain additional financing or complete a debt refinancing in the future may be limited. Should we not have ready access to capital markets, we may have to undertake alternative financing plans, such as selling assets; reducing or delaying scheduled expansions, acquisitions and / or capital investments; or seeking various other forms of capital. Our ability to complete reasonable alternative financing plans may be affected by circumstances and economic events outside of our control. We cannot ensure that we would be able to refinance our debt or enter into alternative financing plans in adequate amounts on commercially reasonable terms, terms acceptable to us or at all, or that such plans guarantee that we would be able to meet our debt obligations. Our level of debt could:

- limit our ability to obtain additional financing to fund capital expenditures, investments or acquisitions or other general corporate requirements;
- require a portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, investments or acquisitions or other general corporate purposes;
- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- place us at a disadvantage compared to other, less leveraged competitors;
- expose us to the risk of increased borrowing costs and rising or high interest rates as a portion of our current borrowings under our 2022 Credit Facilities bear interest at variable rates (~~our~~ **however, we have** interest rate swaps **that became effective on January 1, 2024**, with an aggregate total notional amount of \$ 150.0 million ~~and with a~~ **seven year tenor, became effective on January 1, 2024**), which could further adversely impact our cash flows;
- limit our flexibility to plan for and react to changes in our business and the industry in which we compete;
- restrict us from making strategic acquisitions;
- expose us to risk of unfavorable changes in the global credit markets; and
- make it more difficult for us to satisfy our obligations with respect to the 2022 Credit Facilities and our other debt.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, results of operations and ability to satisfy our obligations in respect of our outstanding debt. We require a considerable amount of cash to run our business. Our ability to make payments on our debt in the future and to fund planned capital expenditures and working capital needs, will depend upon our ability to generate significant cash in the future. Our ability to generate cash is subject to economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control. ~~On In~~ **April 25, 2023**, we acquired 100 % of the outstanding equity interests of BLR for an initial purchase price of \$ 115.0 million, net of cash acquired, all payable in cash. We paid a gross aggregate of \$ 117.0 million in cash upon the closing of the transaction. We utilized the 2022 Revolving Credit Facility to complete the acquisition. See Note 2 to our consolidated financial statements included in Part IV, Item 15 (a) of this Form 10-K for further discussion. In July 2022, as a result of completing a refinancing of our existing debt, we were required to complete an amendment of all the forward interest rate swaps (“Amended Forward Interest Rate Swaps”) we entered into in November 2021 that were based on U. S. dollar- one month London Interbank Offered Rate (“LIBOR”) to be based on one month Term Secured Overnight Financing Rate (“SOFR”) as borrowings can only be based on SOFR. The Amended Forward Interest Rate Swaps, with an aggregate total notional amount of \$ 150.0 million and all with a seven year tenor, became effective on January 1, 2024. The weighted average fixed rate of the Amended Forward Interest Rate Swaps was 1.7 %. At December 31, **2023-2024**, the outstanding balance on the 2022 Credit Facilities was \$ **266-243.0-2** million with an average interest rate of **7.53-25** %. Should interest rates increase significantly, our debt service cost on the variable portion of our debt will increase. Any inability to generate sufficient cash flow could have a material adverse effect on our financial condition or results of operations. See Note 1 ~~and~~, **Note 9-4, and Note 10** to our consolidated financial statements included in Part IV, Item 15 (a) of this Form 10-K for further discussion. While we expect to meet all of our financial obligations, we cannot ensure that our business will generate sufficient cash flow from operations in an amount sufficient to enable us to pay our debt or to fund our

other liquidity needs. We require a considerable amount of cash to fund our anticipated voluntary principal prepayments on our Credit Facilities. Our ability to reduce the debt outstanding under our 2022 Credit Facilities through voluntary principal prepayments will be a contributing factor to our ability to keep our interest rate towards the lower end of the interest rate range as defined in the 2022 Credit Facilities. Our ability to make such prepayments will depend upon our ability to generate significant cash in the future. We cannot ensure that our business will generate sufficient cash flow from operations to fund any such prepayments. The covenants in our credit facilities impose restrictions that may limit our operating and financial flexibility. We are required to comply with a leverage covenant as defined in the 2022 Credit Facilities. The leverage covenant is defined as Consolidated Funded Indebtedness less unrestricted cash and cash equivalents in excess of \$ 5.0 million, divided by consolidated earnings before interest, taxes and depreciation and amortization (“ EBITDA ”) and other adjustments. At December 31, 2023-2024, we were in compliance with the leverage covenant under the 2022 Credit Facilities. However, there is no assurance that we will continue to be in compliance with the leverage covenant in future periods. The 2022 Credit Facilities’ agreements contains a number of significant restrictions and covenants that limit our ability, among other things, to incur additional indebtedness, to create liens, to make certain payments, to make certain investments, to engage in transactions with affiliates, to sell certain assets or enter into mergers. These covenants could materially and adversely affect our ability to finance our future operations or capital needs. Furthermore, they may restrict our ability to expand, pursue our business strategies and otherwise conduct our business. Our ability to comply with these covenants may be affected by circumstances and events beyond our control, such as prevailing economic conditions and changes in regulations, and we cannot ensure that we will be able to comply with such covenants. These restrictions also limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general. A breach of any covenant in the 2022 Credit Facilities could result in a default under the 2022 Credit Facilities. A default, if not waived, could result in acceleration of the debt outstanding under the agreement. A default could permit our lenders to foreclose on any of our assets securing such debt. Even if new financing were available at that time, it may not be on terms or amounts that are acceptable to us or terms as favorable as our current agreements. If our debt is in default for any reason, our business, results of operations and financial condition could be materially and adversely affected. The typical trading volume of our common stock may affect an investor’ s ability to sell significant stock holdings in the future without negatively impacting stock price. The level of trading activity may vary daily and typically represents only a small percentage of outstanding shares. As a result, a stockholder who sells a significant amount of shares in a short period of time could negatively affect our share price. Our amount of debt may require us to raise additional capital to fund acquisitions. We may sell additional shares of common stock or other equity securities to raise capital in the future, which could dilute the value of an investor’ s holdings.

BUSINESS AND OPERATIONAL RISKS Our end- use markets are cyclical. We sell our products into aerospace, defense, and industrial end- use markets, which are cyclical and have experienced periodic declines. Our sales are, therefore, unpredictable and may tend to fluctuate based on a number of factors, including global economic conditions, U. S. defense budgetary spending, geopolitical developments and conditions, pandemics, supply chain shortages, rising or high interest rates and other developments affecting our end- use markets and the customers served. Consequently, results of operations in any period should not be considered indicative of the operating results that may be experienced in any future period. We depend upon a select base of industries and customers, which subjects us to unique risks which may adversely affect us. We currently generate the majority of our revenues from customers in the aerospace and defense industry. Our business depends, in part, on the level of new military and commercial aircraft orders. As a result, we have significant sales to certain customers. Sales to The Boeing Company (“ Boeing ”), Spirit AeroSystems Holdings, Inc. (“ Spirit ”), and Viasat, Inc. (“ Viasat ”) comprise a significant portion of our commercial aerospace end- use market in 2023-2024. A significant portion of our net sales in our military and space end- use markets are made under subcontracts with original equipment manufacturers (“ OEMs ”), under their prime contracts with the U. S. Government. We had significant sales to **General Dynamics Lockheed Martin** Corporation (“ **GD Lockheed** ”), Northrop Grumman Corporation (“ Northrop ”), and RTX Corporation (f / k / a Raytheon Technologies Corporation) (“ RTX ”) in 2023-2024 in our defense technologies end- use market. Our customers may experience delays in the launch and certification of new products, labor strikes, diminished liquidity or credit unavailability, weak demand for their products, or other difficulties in their business. In addition, shifts in government spending priorities have caused and may continue to cause additional uncertainty in the placement of orders. Our revenues from our top ten customers, which represented 59-60 % of our total 2023-2024 net revenues, were diversified over a number of different aerospace and defense products. Any significant change in production rates by these customers would have a material effect on our results of operations and cash flows. There is no assurance that our current significant customers will continue to buy products from us at current levels, or that we will retain any or all of our existing customers, or that we will be able to form new relationships with customers upon the loss of one or more of our existing customers. This risk may be further complicated by pricing pressures, competition prevalent in our industry and other factors. A significant reduction in sales to any of our major customers, the loss of a major customer, or a default of a major customer on accounts receivable could have a material adverse impact on our financial results. Boeing was one of our largest customers in 2023-2024, and the 737 MAX was one of our highest commercial end use market revenue platforms. **In While Boeing has received approval from all the major civil aviation regulators around the world for its 737 MAX to return to service, our production rates are still below pre- COVID-19 pandemic levels. Further, as noted earlier, in early January 2024, the FAA initiated an investigation into Boeing’ s quality control system. This was followed by the FAA announcing actions to increase its oversight of Boeing as well as not approving production rate increases or additional production lines for the 737 MAX until it is satisfied that Boeing is in full compliance with required quality control procedures. In addition, in July 2024, Boeing also pleaded guilty to conspiracy fraud charges, which may result in additional external oversight on its manufacturing quality control process. Further, in September 2024, the International Association of Machinists and Aerospace Workers District 751 voted to initiate a labor strike affecting more than 30, 000 Boeing manufacturing employees primarily located in Washington state, and the manufacturing**

employees, after rejecting the contract offer in October, voted to approve the revised contract offer in November 2024.

Revenue growth with our other commercial customers, including Airbus SE (“Airbus”), and continued solid demand from defense OEMs (also known as prime contractors) have helped to mitigate a significant portion of this risk for the time being. However, the residual effects of the COVID-19 pandemic along with **industry remains vulnerable to various developments including fuel spikes,** inflationary forces, supply chain issues, and **elevated rising or high interest rates continues to dampen civil air travel demand in various segments and markets, and if traveler demand does not return in the near future, it may make it difficult to continue to offset a significant portion of this risk.** We generally make sales under purchase orders and contracts that are subject to cancellation, modification or rescheduling. Changes in the economic environment and the financial condition of the industries we serve could result in customer cancellation of contractual orders or requests for rescheduling. Some of our contracts have specific provisions relating to schedule and performance, and failure to deliver in accordance with such provisions could result in cancellations, modifications, rescheduling and / or penalties, in some cases at the customers’ convenience and without prior notice. While we have normally recovered our direct and indirect costs plus profit, such cancellations, modifications, or rescheduling that cannot be replaced in a timely fashion, could have a material adverse effect on our financial results. A significant portion of our business depends upon U. S. Government defense spending. We derive a significant portion of our business from customers whose principal sales are to the U. S. Government. Accordingly, the success of our business depends upon government spending generally or for specific departments or agencies in particular. Such spending, among other factors, is subject to the uncertainties of governmental appropriations and national defense policies and priorities, constraints of the budgetary process, timing and potential changes in these policies and priorities, and the adoption of new laws or regulations or changes to existing laws or regulations. These and other factors could cause the government and government agencies, or prime contractors that use us as a subcontractor, to reduce their purchases under existing contracts, to exercise their rights to terminate contracts for convenience or to abstain from exercising options to renew contracts, any of which could have a material adverse effect on our business, financial condition and results of operations. Further, the levels of U. S. Department of Defense (“U. S. DoD”) spending in future periods are difficult to predict and are impacted by numerous factors such as the political environment, U. S. foreign policy, macroeconomic conditions and the ability of the U. S. Government to enact relevant legislation such as the authorization and appropriations bills. For instance, **on December 21, 2024,** the U. S. government **enacted is currently operating under** a continuing resolution (“CR”) to keep the government funded **through March 14, 2025** while the Congress works to enact full year fiscal year **2024-2025 (“FY24-FY25”)** appropriation bills **or an additional CR to fund government departments and agencies after March 14, 2025.** **Under We, and a number of our customers rely on the U. S. government in various aspects of our defense and commercial businesses. In the event of a shutdown, requirements to furlough employees in the U. S. DoD or other government agencies could result in payment delays, impair our ability to perform work on existing contracts or otherwise impact our operations, negatively impact future orders, and / or cause other disruptions or delays. The U. S. government could experience a disruption to its operations and / or payments in 2025 as a result of the U. S. Treasury exhausting extraordinary measures after reaching its debt limit. In addition, U. S. government discretionary spending in FY24 and FY25, including defense spending, was capped by** the Fiscal Responsibility Act of 2023 **– which imposes limits (“FRA23”). If a CR for FY25 is in place on discretionary spending for defense and non-defense programs in exchange for the lifting of the debt ceiling in June 2023, if Congress fails to enact all appropriation bills by April 30, 2024-2025, it would trigger a sequester under then– the FRA23. These potential disruptions, and any the other broader macroeconomic impacts,** budget caps will be reduced and corresponding automatic reductions to agency budget accounts will be enforced through sequestration which **could affect our current programs and contracts and** have a material effect on our **results of operations, financial position, results of operations** and / or cash flows. **Further, there continues to be uncertainty with respect to future program-level appropriations for the U. S. DoD and other government agencies for fiscal year 2025 and beyond. Accordingly, long-term uncertainty remains with respect to overall levels of defense spending and it is likely that U. S. Government discretionary spending levels will continue to be subject to pressure.** Exports of certain of our products and our production facility in Guaymas, Mexico are subject to various export control regulations and authorizations, and we may not be successful in obtaining the necessary U. S. Government approvals and related export licenses for proposed sales to certain foreign customers. We must comply with numerous laws and regulations relating to the export of some of our products before we are permitted to sell or manufacture those products outside the United States. Compliance often entails the submission and timely receipt of the necessary export approvals, licenses, or authorizations from the U. S. Government. Over the last several years, the U. S. export licensing environment for munitions has been adversely affected by a number of factors, including, but not limited to, the changing geopolitical environment and heightened tensions with other countries (which shift and evolve over time). Accordingly, we can give no assurance that we will be successful in obtaining, in a timely manner or at all, the approvals, licenses or authorizations we need to sell or manufacture our products outside the United States, which may result in the cancellation of orders and significant penalties to our customers if we do not make deliveries and fulfill our contractual commitments. Any significant delay in, or impairment of, our ability to sell products outside of the United States could have a material adverse effect on our business, financial condition and results of operations. Contracts with some of our customers, including Federal government contracts, contain provisions which give our customers a variety of rights that are unfavorable to us and the OEMs to whom we provide products and services, including the ability to terminate a contract at any time for convenience. Contracts with some of our customers, including Federal government contracts, contain provisions and are subject to laws and regulations that provide rights and remedies not typically found in commercial contracts. These provisions may allow our customers to: • terminate existing contracts, in whole or in part, for convenience, as well as for default, or if funds for contract performance for any subsequent year become unavailable; • terminate existing contracts if we are suspended or debarred from doing business with the federal government or with a governmental agency; • prohibit future procurement awards with a particular agency as a result

of a finding of an organizational conflict of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors; and • claim rights in products and systems produced by us. If the U. S. Government terminates a contract for convenience, the counterparty with whom we have contracted on a subcontract may terminate its contract with us. As a result of any such termination, whether on a direct government contract or subcontract, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the U. S. Government terminates a direct contract with us for default, we may not even recover those amounts and instead may be liable for excess costs incurred by the U. S. Government in procuring undelivered items and services from another source. In addition, the U. S. Government is typically required to open all programs to competitive bidding and, therefore, may not automatically renew any of its prime contracts. If one or more of our customers' government prime or subcontracts is terminated or canceled, our failure to replace sales generated from such contracts would result in lower sales and could have an adverse effect on our business, results of operations and financial condition. Further consolidation in the aerospace industry could adversely affect our business and financial results. The aerospace and defense industry **is has and continues to experiencing experience** significant consolidation, including our customers, competitors and suppliers. Consolidation among our customers may result in delays in the awarding of new contracts and losses of existing business. Consolidation among our competitors may result in larger competitors with greater resources and market share, which could adversely affect our ability to compete successfully. Consolidation among our suppliers may result in fewer sources of supply and increased cost to us. Our growth strategy includes evaluating selected acquisitions, which entails certain risks to our business and financial performance. We have historically achieved a portion of our growth through acquisitions and expect to evaluate selected future acquisitions as part of our strategy for growth. Any acquisition of another business entails risks and it is possible that we may not realize the expected benefits from an acquisition or that an acquisition could adversely affect our existing operations. Acquisitions entail certain risks, including: • difficulty in integrating the operations and personnel of the acquired company within our existing operations or in maintaining uniform standards; • loss of key employees or customers of the acquired company; • the failure to achieve anticipated synergies; • unrecorded liabilities of acquired companies that we fail to discover during our due diligence investigations or that are not subject to indemnification or reimbursement by the seller; and • management and other personnel having their time and resources diverted to evaluate, negotiate and integrate acquisitions. We may not be successful in achieving expected operating efficiencies and sustaining or improving operating expense reductions, and may experience business disruptions associated with restructuring, performance center consolidations, realignment, cost reduction, and other strategic initiatives. In recent years, we have implemented a number of restructuring, realignment, and cost reduction initiatives, including performance center consolidations, organizational realignments, and reductions in our workforce. While we have realized some efficiencies from these actions, we may not realize the benefits of these initiatives to the extent we anticipated. Further, such benefits may be realized later than expected, and the ongoing difficulties in implementing these measures may be greater than anticipated, which could cause us to incur additional costs or result in business disruptions. In addition, if these measures are not successful or sustainable, we may have to undertake additional realignment and cost reduction efforts, which could result in significant additional charges. Moreover, if our restructuring and realignment efforts prove ineffective, our ability to achieve our other strategic and business plan goals may be adversely impacted. As we move up the value chain to become a more value added supplier, enhanced design, product development, manufacturing, supply chain project management and other skills will be required. We may encounter difficulties as we execute our growth strategy to move up the value chain to become a more value added supplier of more complex assemblies. Difficulties we may encounter include, but are not limited to, the need for enhanced and expanded product design skills, enhanced ability to control and influence our suppliers, enhanced quality control systems and infrastructure, enhanced large- scale project management skills, and expanded industry certifications. Assuming incremental project design responsibilities would require us to assume additional risk in developing cost estimates and could expose us to increased risk of losses. There can be no assurance that we will be successful in obtaining the enhanced skills required to move up the value chain or that our customers will outsource such functions to us. Risks associated with operating and conducting our business outside the United States could adversely impact us. We have a manufacturing facility that we lease in Mexico and also derive a portion of our net revenues from direct foreign sales. Further, our customers may derive portions of their revenues from non- U. S. customers. As a result, we are subject to the risks of conducting and operating our business internationally, including: • political instability **that may result in price fluctuations of raw materials**; • economic and geopolitical developments and conditions; • pandemics and disasters, natural or otherwise; • compliance with a variety of international laws, as well as U. S. laws affecting the activities of U. S. companies conducting business abroad, including, but not limited to, the Foreign Corrupt Practices Act; • imposition of taxes, export control approvals or licenses, tariffs, embargoes and other trade restrictions; • difficulties repatriating funds or restrictions on cash transfers; and • potential for new tariffs imposed on imports by the U. S. administration **that may affect our ability to import raw materials into the U. S. and finished goods from our leased manufacturing facility in Mexico and increase the cost of such imports**. While the impact of these factors is difficult to predict, we believe any one or more of these factors could have a material adverse effect on our financial results. Customer pricing pressures could reduce the demand and / or price for our products and services. The markets we serve are highly competitive and price sensitive. We compete worldwide with a number of domestic and international companies that have substantially greater manufacturing, purchasing, marketing and financial resources than we do. Many of our customers have the in- house capability to fulfill their manufacturing requirements. Our larger competitors may be able to compete more effectively for very large- scale contracts than we can by providing different or greater capabilities or benefits such as technical qualifications, past performance on large- scale contracts, geographic presence, price and availability of key professional personnel. If we are unable to successfully compete for new business, our net revenues growth and operating margins may decline. Some of our major customers have completed extensive cost containment efforts and we expect continued pricing pressures in **2024-2025** and beyond. Competitive pricing pressures may have an adverse effect on our financial condition

and operating results. Further, there can be no assurance that competition from existing or potential competitors in other segments of our business will not have a material adverse effect on our financial results. If we do not continue to compete effectively and win contracts, our future business, financial condition, results of operations and our ability to meet our financial obligations may be materially compromised. Our products and processes are subject to risk of obsolescence as a result of changes in technology and evolving industry and regulatory standards. The future success of our business depends in large part upon our and our customers' ability to maintain and enhance technological capabilities, develop and market manufacturing services that meet changing customer needs and successfully anticipate or respond to technological advances in manufacturing processes such as the incorporation of artificial intelligence and other disruptive technologies on a cost-effective and timely basis, while meeting evolving industry and regulatory standards. To address these risks, we invest in product design and development, and incur related capital expenditures. There can be no guarantee that our product design and development efforts will be successful, or that funds required to be invested in product design and development or incurred as capital expenditures will not increase materially in the future. We may not have the ability to renew facilities leases on terms favorable to us and relocation of operations presents risks due to business interruption. Certain of our manufacturing facilities and offices are leased and have lease terms that expire between 2024-2025 and 2032-2034. The majority of these leases provide renewal options at the fair market rental rate at the time of renewal, which, if renewed, could be significantly higher than our current rental rates. We may be unable to offset these cost increases by charging more for our products and services. Furthermore, continued economic conditions may continue to negatively impact and create greater pressure in the commercial real estate market, causing higher incidences of landlord default and / or lender foreclosure of properties, including properties occupied by us. While we maintain certain non-disturbance rights in most cases, it is not certain that such rights will in all cases be upheld and our continued right of occupancy in such instances could be potentially jeopardized. An occurrence of any of these events could have a material adverse effect on our financial results. Additionally, if we choose to move any of our operations, those operations may be subject to additional relocation costs and associated risks of business interruption.

LEGAL, REGULATORY, TAX, AND ACCOUNTING RISKS We are subject to extensive regulation and audit by the Defense Contract Audit Agency. The accuracy and appropriateness of certain costs and expenses used to substantiate our direct and indirect costs for the U. S. Government contracts are subject to extensive regulation and audit by the Defense Contract Audit Agency, an arm of the U. S. DoD. Such audits and reviews could result in adjustments to our contract costs and profitability. However, we cannot ensure the outcome of any future audits and adjustments may be required to reduce net sales or profits upon completion and final negotiation of audits. If any audit or review were to uncover inaccurate costs or improper activities, we could be subject to penalties and sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from conducting future business with the U. S. Government. Any such outcome could have a material adverse effect on our financial results. We are subject to a number of procurement laws and regulations. Our business and our reputation could be adversely affected if we fail to comply with these laws. We must comply with and are affected by laws and regulations relating to the award, administration and performance of U. S. Government contracts. Government contract laws and regulations affect how we do business with our customers and impose certain risks and costs on our business. A violation of specific laws and regulations, by us, our employees, or others working on our behalf, such as a supplier or a venture partner, could harm our reputation and result in the imposition of fines and penalties, the termination of our contracts, suspension or debarment from bidding on or being awarded contracts, loss of our ability to export products or services and civil or criminal investigations or proceedings. In some instances, these laws and regulations impose terms or rights that are different from those typically found in commercial transactions. For example, the U. S. Government may terminate any of our customers' government contracts and subcontracts either at its convenience or for default based on our performance. Upon termination for convenience of a fixed-price type contract, we normally are entitled to receive the purchase price for delivered items, reimbursement for allowable costs for work-in-process and an allowance for profit on the contract or adjustment for loss if completion of performance would have resulted in a loss. Our operations are subject to numerous extensive, complex, costly and evolving laws, regulations and restrictions, including cybersecurity requirements, and failure to comply with these laws, regulations and restrictions could subject us to penalties and sanctions that could harm our business. Prime contracts with our major customers that have contracts with various agencies of the U. S. Government are subject to numerous laws, regulations and certifications, which affect how we do business with our customers and may impose added costs to our business. As a result, our contracts and operations are subject to numerous extensive, complex, costly and evolving laws, regulations and restrictions, principally by the U. S. Government or their agencies. These laws, regulations and restrictions govern items including, but not limited to, the formation, administration and performance of U. S. Government contracts, disclosure of cost and pricing data, civil penalties for violations of false claims to the U. S. Government for payment, defining reimbursable costs, establishing ethical standards for the procurement process, controlling the import and export of defense articles and services, and cybersecurity requirements, such as Cybersecurity Maturity Model Certification ("CMMC"). Noncompliance could expose us to liability for penalties, including termination of our contracts and subcontracts, disqualification from bidding on future U. S. Government contracts and subcontracts, suspension or debarment from U. S. Government contracting and various other fines and penalties. Noncompliance found by any one agency could result in fines, penalties, debarment or suspension from receiving additional contracts with all U. S. Government agencies. Given our dependence on U. S. Government business, suspension or debarment could have a material adverse effect on our financial results. In addition, the U. S. Government may revise its procurement practices or adopt new contract rules and regulations at any time, including increased usage of fixed-price contracts, procurement reform, and compliance with cybersecurity requirements. Such changes could impair our ability to obtain new contracts or subcontracts or renew contracts or subcontracts under which we currently perform when those contracts are put up for competitive bidding. Any new contracting methods could be costly or administratively difficult for us to implement and could adversely affect our future net revenues. In addition, our international operations subject us to numerous U. S. and foreign laws and regulations, including, without

limitation, regulations relating to import- export control, technology transfer restrictions, repatriation of earnings, exchange controls, the Foreign Corrupt Practices Act **and other similar antibribery laws**, and the anti- boycott provisions of the U. S. Export Administration Act. Changes in regulations or political environments may affect our ability to conduct business in foreign markets including investment, procurement and repatriation of earnings. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in certain liabilities and could possibly result in suspension or debarment from government contracts or suspension of our export privileges, which could have a material adverse effect on our financial results. Environmental liabilities could adversely affect our financial results. We are subject to various federal, local, and foreign environmental laws and regulations, including those relating to the use, storage, transport, discharge and disposal of hazardous and non- hazardous chemicals and materials used and emissions generated during our manufacturing process. We do not carry insurance for these potential environmental liabilities. Any failure by us to comply with present or future regulations could subject us to future liabilities or the suspension of production, which could have a material adverse effect on our financial results. Moreover, some environmental laws relating to contaminated sites can impose joint and several liability retroactively regardless of fault or the legality of the activities giving rise to the contamination. Compliance with existing or future environmental laws and regulations may require extensive capital expenditures, increase our cost or impact our production capabilities. Even if such expenditures are made, there can be no assurance that we will be able to comply. We have been directed to investigate and take corrective action for groundwater contamination at certain sites and our ultimate liability for such matters will depend upon a number of factors. See Note **15-16** to our consolidated financial statements included in Part IV, Item 15 (a) of this Form 10- K for further information. We may be subject to litigation, other legal proceedings and indemnity claims, and, if any of these are resolved adversely against us in amounts that exceed the limits of our insurance coverage, it could have a material adverse effect on our business, financial condition, and results of operations. From time to time, we and our subsidiaries are involved in various legal and other proceedings that are incidental to the conduct of our business. Any litigation, other legal proceedings or indemnity claims could result in an unfavorable judgment that may not be reversed upon appeal or in payments of substantial monetary damages or fines that may exceed our insurance coverage limits, or we may decide to settle on similarly unfavorable terms, any of which could adversely affect our business, financial condition, and results of operations. We could also suffer an adverse impact on our reputation and a diversion of management' s attention and resources, which could have a material adverse effect on our business, financial condition, and results of operations. See Note **13-14** and Note **15-16** to our consolidated financial statements included in Part IV, Item 15 (a) of this Form 10- K for further information. Product liability claims in excess of insurance could adversely affect our financial results and financial condition. We face potential liability for property damage, personal injury, or death as a result of the failure of products designed or manufactured by us. Although we currently maintain product liability insurance (including aircraft product liability insurance), any material product liability not covered by insurance could have a material adverse effect on our financial condition, results of operations and cash flows. We use estimates when bidding on fixed- price contracts. Changes in our estimates could adversely affect our financial results. We enter into contracts providing for a firm, fixed- price for the sale of a majority of our products, regardless of the production costs incurred by us. In many cases, we make multi- year firm, fixed- price commitments to our customers, without assurance that our anticipated production costs will be achieved. Contract bidding and accounting require judgment relative to assessing risks, estimating contract net sales and costs, including estimating cost increases over time and efficiencies to be gained, and making assumptions for supplier sourcing and quality, manufacturing scheduling and technical issues over the life of the contract. Such assumptions can be particularly difficult to estimate for contracts with new customers. Inaccurate estimates of these costs could result in reduced profits or incurred losses. Due to the significance of the judgments and estimates involved, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. Therefore, any changes in our underlying assumptions, circumstances or estimates could have a material adverse effect on our financial results. Goodwill and / or other assets could be impaired in the future, which could result in substantial charges. Goodwill is tested for impairment on an annual basis as of the first day of our **fiscal** fourth quarter or more frequently if events or circumstances occur which could indicate potential impairment. In assessing the recoverability of goodwill, management is required to make certain critical estimates and assumptions. These estimates and assumptions include projected sales levels, including the addition of new customers, programs or platforms and increased content on existing programs or platforms, improvements in manufacturing efficiency, and reductions in operating costs. Due to many variables inherent in the estimation of a business' s fair value and the relative size of our recorded goodwill, changes in estimates and assumptions may have a material effect on the results of our impairment analysis. If any of these or other estimates and assumptions are not realized in the future, or if market multiples decline, we may be required to record an impairment charge for goodwill. We also test intangible assets with indefinite life periods for potential impairment annually and on an interim basis if there are indicators of potential impairment. In addition, we evaluate amortizable intangible assets, fixed assets, production cost of contracts, and lease right- of- use assets for impairment if there are indicators of a potential impairment. Further, impairment charges may be incurred against other intangible assets or long- term assets if asset utilization declines, customer demand declines or other circumstances indicate that the asset carrying value may not be recoverable. Our goodwill and other intangible assets as of December 31, **2023-2024** were \$ **410-394.9-2** million, or **37-35** % of total assets. If our goodwill and / or other assets are impaired, it could have an adverse effect on our results of operations and financial condition. See “ Goodwill and Other Intangible Assets ” in Note **7-8** of our consolidated financial statements included in Part IV, Item 15 (a) of this Form 10- K for further information. We expect to face increased costs and resources **needed** to comply with the **new**-SEC cybersecurity rule **and cybersecurity threats**. The SEC **recently**-adopted a rule, “ Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure, ” that enhances and standardizes disclosures regarding cybersecurity risk management and governance, as well as material cybersecurity incidents. Under this **new**-rule, public companies are **now**-required to make annual disclosures describing their processes for identifying and managing material

cybersecurity risks, management's role in assessing and managing such risks, and the Board of Directors' oversight of cybersecurity risks. Companies also must disclose in a Form 8-K, the nature, scope, and timing of any material cybersecurity incidents identified and the material impact or reasonably likely material impact on the company within four business days of determining a cybersecurity incident is material. We expect to face increased costs to comply with this new SEC cybersecurity rule, including increased costs for cybersecurity training, staffing, and management. In addition, the requirement to report cybersecurity incidents within such a short timeframe could mean there may not be sufficient time to halt a breach before having to report it, potentially giving the hackers an advantage. Unanticipated changes in our tax provision or exposure to additional income tax liabilities could affect our profitability. Significant judgment is required in determining our provision for income taxes. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. Furthermore, changes in income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain sales or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. In addition, we are regularly under audit by tax authorities. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. Management has identified a material weakness in **the past in** our internal control over financial reporting which could, if not remediated, adversely impact the reliability of our financial reports, cause us to submit our financial reports in an untimely fashion, result in material misstatements in our financial statements and cause current and potential stockholders to lose confidence in our financial reporting, which in turn could adversely affect the trading price of our stock. **We have In our 2023 Form 10-K, we** concluded ~~that there is was~~ a material weakness in our internal control over financial reporting as **of December 31, 2023, as** we did not design and maintain effective controls over the accuracy of contract terms and the reasonableness of gross margin assumptions used to recognize revenue. Specifically, we did not verify that amendments to purchase orders and gross margin percentage assumptions used in **our the Company's** revenue recognition analysis were properly reviewed at a sufficient level of precision. The material weakness resulted in immaterial adjustments to net revenues and contract assets as of and for the quarterly and annual periods ending December 31, 2023. ~~Additionally, until remediated, this material weakness could result in future misstatements of net revenues and contract assets that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.~~ Thus, management ~~has~~ determined that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2023. **This material weakness was remediated as of December 31, 2024.** Under standards established by the Public Company Accounting Oversight Board ("PCAOB"), 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 our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. **When a** ~~The existence of this issue could adversely affect us, our reputation or investor perceptions of us. We have and will continue to take additional measures to remediate the underlying causes of the material weakness~~ **occurs** noted above. ~~As we continue to evaluate and work to remediate the material weakness, we may determine to take additional measures to address the control deficiencies. Also, see Item 9A in Part II of this Form 10-K. Although we plan to complete this the remediation process as quickly as possible, our measures may not prove to be successful in remediating this material weakness.~~ If our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results. In addition, if we are unable to successfully remediate **this a** material weakness and if we are unable to produce accurate and timely financial statements, our stock price may be adversely affected and we may be unable to maintain compliance with applicable stock exchange listing requirements and debt covenant requirements. Our ability to accurately report our financial results or prevent fraud may be adversely affected if our internal control over financial reporting is not effective. The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our shareholders on our internal control over financial reporting that includes an assessment of the effectiveness of these controls. Internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate as a result of changed conditions, and fraud. Due to these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, our ability to accurately report our financial results or prevent fraud could be adversely affected. **LABOR AND SUPPLY CHAIN RISKS** We are dependent upon our ability to attract and retain key personnel. Our success depends in part upon our ability to attract and retain key engineering, technical and managerial personnel, at both the executive and performance center level. We face competition for management, engineering and technical personnel from other companies and organizations. The loss of members of our senior management group, or key engineering and technical personnel, could negatively impact our ability to grow and remain competitive in the future and could have a material adverse effect on our financial results. Labor disruptions by our employees could adversely affect our business. As of December 31, ~~2023~~ **2024**, we employed ~~2,265~~ **180** people. ~~Two~~ **One** of our performance centers ~~are parties~~ **is party to** a collective bargaining ~~agreements~~ **agreement**, covering ~~97~~ **268** full time hourly employees ~~in one of those performance centers and 271 full time hourly employees in the other performance center~~, which will expire in ~~June 2024 and April 2025~~, respectively. However, the Monrovia, California performance center that employs 97 of our collective bargaining employees that are covered by an agreement that expires in June 2024 will be ceasing production and the facility is currently expected to close by the middle of 2024. See Note 3 to our consolidated financial statements included in Part IV, Item 15 (a) of ~~this Form 10-K for further information~~. Although we have not experienced any material labor-related work stoppage and consider our relations with our employees to be good, labor stoppages may occur in the future. If the unionized workers were to

engage in a strike or other work stoppage, if we are unable to negotiate acceptable collective bargaining agreements with the unions or if other employees were to become unionized, we could experience a significant disruption of our operations, higher ongoing labor costs and possible loss of customer contracts, which could have an adverse effect on our business and results of operations. We rely on our suppliers to meet the quality and delivery expectations of our customers. Our ability to deliver our products and services on schedule and to satisfy specific quality levels is dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, internal and supplier produced parts and structures, conversion of raw materials into parts and assemblies, and performance of suppliers and others. We rely on numerous third-party suppliers for raw materials and a large proportion of the components used in our production process. Certain of these raw materials and components are available only from single sources or a limited number of suppliers, or similarly, customers' specifications may require us to obtain raw materials and / or components from a single source or certain suppliers. Many of our suppliers are small companies with limited financial resources and manufacturing capabilities. We do not currently have the ability to manufacture these components ourselves. These and other factors, including the impact from import tariffs, the loss of a critical supplier or raw materials and / or component shortages, could cause disruptions or cost inefficiencies in our operations. Additionally, our competitors that have greater direct purchasing power, may have product cost advantages which could have a material adverse effect on our financial results.

~~GENERAL RISKS Pandemics and other disease outbreaks such as COVID-19 and similar health threats that may arise in the future may have a material adverse effect on our business, results of operations, and financial condition. While the commercial aerospace industry continues to recover from the effects of the COVID-19 pandemic, new variants of that disease, along with other similar public health threats may have or may continue to have an adverse impact on our employees, operations, businesses of our customers, suppliers and distribution partners, and volatility in the financial markets. Changes in our operations in response to the COVID-19 pandemic and other health threats or employee illnesses resulting from such diseases, has resulted in and may continue to result in inefficiencies or delays, including in sales and product development efforts and our manufacturing and supply chain, and additional costs related to business continuity initiatives, that cannot be fully mitigated through succession planning, employees working remotely, or teleconferencing technologies. The long-term impact to our business remains unknown due to the numerous uncertainties that have risen from such health threats, including the severity of the disease, the duration of the outbreak, the likelihood of resurgences of the outbreak, including the emergence and spread of variants, actions that may be taken by governmental authorities in response to the disease, the timing, distribution, efficacy and public acceptance of vaccines, long-term impact from diseases or vaccines, and related unintended or unanticipated consequences. Our ability to continue to manufacture products is highly dependent on our ability to maintain the safety and health of our performance center employees. While we continue to follow guidelines and requirements of governmental authorities and taking preventive and protective measures to prioritize the safety and well-being of our employees, these measures are not always successful. Thus far, the ability of our employees to work has not been significantly impacted by individuals contracting or being exposed to COVID-19 or its variants. However, if an outbreak of COVID-19 or other viruses does occur at any of our performance centers, it may disrupt our ability to manufacture products and thus, have a material and adverse impact on our business, financial condition, and results of operations. Increased scrutiny from investors, lenders, and other market participants regarding our environmental, social, and governance, or sustainability responsibilities could expose us to additional costs and adversely impact our liquidity, results of operations, reputation, employee retention, and stock price. There is an increasing focus from certain investors, customers, and other key stakeholders concerning corporate responsibility, specifically related to environmental, social, and governance ("ESG") factors. Some investors may use ESG criteria to guide their investment strategies and, in some cases, may choose not to invest in us if they believe our policies relating to corporate responsibilities are inadequate. Lenders may also use ESG criteria to guide their lending practices and, in some cases, may choose not to lend to us. The ESG factors by which companies' corporate responsibility practices are assessed may change. This could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. If we are unable to satisfy the new corporate responsibility criteria, investors may view our policies related to corporate responsibility as inadequate. We risk damage to our reputation in the event our corporate responsibility procedures or goals do not meet the standards or goals set by various constituencies. In addition, if our competitors' corporate responsibility performance is perceived to be greater than ours, potential or current investors may elect to invest in our competitors instead. Further, in the event we communicate certain initiatives or goals related to ESG, we could fail, or be perceived to have failed, in our achievement of such initiatives or goals. If we fail to satisfy the expectations of investors and other key stakeholders, or our initiatives are not executed as planned, our reputation, employee retention, and willingness of our customers and suppliers to do business with us, financial results, and stock price could be materially and adversely affected. Cybersecurity attacks, internal system or service failures may adversely impact our business and operations. Any system or service disruptions, including those caused by projects to improve our information technology systems, if not anticipated and appropriately mitigated, could disrupt our business and impair our ability to effectively provide products and related services to our customers and could have a material adverse effect on our business. We could also~~

Like other public companies, our computer systems and those of our third party vendors and service providers are regularly subject to, and will continue to be subject to the target of systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Cybersecurity threats are evolving and include, but are not limited to, malicious software, unauthorized attempts to gain access to sensitive, confidential or otherwise protected information related to us or our products, our employees, customers or suppliers, or other acts that could lead to disruptions in our business, which risk may be heightened by the increased prevalence and use of artificial intelligence. Any such failures could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, such cybersecurity attacks may result in a significant ransom demand. Further, the failure or disruption of our communications or utilities could cause us to interrupt or

suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption which would adversely affect our business, results of operations and financial condition. We may be unable to adequately protect or enforce our intellectual property rights. Our intellectual property rights may not be sufficiently broad or otherwise may not provide us a significant competitive advantage, and patents may not be issued for pending or future patent applications owned by or licensed to us. As patents expire, we could face increased competition, which could negatively impact our operating results. Infringement of our intellectual property and other proprietary rights by a third party, or copying of our technology in countries where we do not hold patents, could result in uncompensated lost market and revenue opportunities. We cannot be certain that the measures we have implemented will prevent our intellectual property from being improperly disclosed, challenged, invalidated, or circumvented, particularly in countries where intellectual property rights are not highly developed or protected. For example, competitors may avoid infringement liability by developing non-infringing competing technologies or by effectively concealing infringement. We may need to spend significant resources monitoring and enforcing our intellectual property rights, and we may not be aware of or able to detect or prove infringement by third parties. Our ability to enforce our intellectual property rights is subject to litigation risks, as well as uncertainty as to the protection and enforceability of those rights in some countries. If we seek to enforce our intellectual property rights, we may be subject to claims that those rights are invalid or unenforceable, and others may seek counterclaims against us, which could have a negative impact on our business. In addition, changes in intellectual property laws or their interpretation may impact our ability to protect and assert our intellectual property rights, increase costs and uncertainties in the prosecution of patent applications and enforcement or defense of issued patents, and diminish the value of our intellectual property. If we do not protect and enforce our intellectual property rights successfully, or if they are circumvented, invalidated, or rendered obsolete by the rapid pace of technological change, it could have an adverse impact on our competitive position and our operating results. Assertions by third parties that we violated their intellectual property rights could have a material adverse effect on our business, financial condition, and results of operations. Third parties may claim that we, our customers, licensees, or parties indemnified by us are infringing upon or otherwise violating their intellectual property rights. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties. Additionally, in recent years, individuals and groups have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like ours. Any claims that we violated a third party's intellectual property rights can be time consuming and costly to defend and distract management's attention and resources, even if the claims are without merit. Such claims may also require us to redesign affected products and services, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or providing the affected products and services. Even if we have an agreement to indemnify us against such costs, the indemnifying party may not have sufficient financial resources or otherwise be unable to uphold its contractual obligations. If we cannot or do not license the infringed technology on favorable terms or cannot or do not substitute similar technology from another source, our revenue and earnings could be adversely impacted. Damage or destruction of our facilities caused by storms, earthquake, fires or other causes could adversely affect our financial results and financial condition. We have operations located in regions of the U. S. and Mexico that may be exposed to damaging storms, earthquakes, fires and other natural disasters. Although we maintain standard property casualty insurance covering our properties and may be able to recover costs associated with certain natural disasters through insurance, we do not carry any earthquake insurance because of the cost of such insurance. Many of our properties are located in Southern California, an area subject to earthquake activity. Our California performance centers generated \$ ~~185-184.9~~ **185-184.9** million in net revenues during ~~2023-2024~~ **2023-2024**. Even if covered by insurance, any significant damage or destruction of our facilities due to storms, earthquakes, fires or other natural disasters could result in our inability to meet customer delivery schedules and may result in the loss of customers and significant additional costs to us. Thus, any significant damage or destruction of our properties could have a material adverse effect on our business, financial condition or results of operations. See discussion of a fire in June 2020 which severely damaged our Guaymas, Mexico performance center in Note ~~15-16~~ **15-16** to our consolidated financial statements included in Part IV, Item 15 (a) of this Form 10-K for further information.