Risk Factors Comparison 2024-04-02 to 2023-04-17 Form: 10-K

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The following are some of the factors that we believe could cause our actual results to differ materially from historical results and from the results contemplated by the forward- looking statements contained in this report and other public statements we have made. Additional risks and uncertainties not presently known to us, or that we currently see as immaterial, may also harm our business. Most of these risks are generally beyond our control. If any of the risks or uncertainties described below, or any such other or additional risks and uncertainties actually occurs, our business, results of operations and financial condition could be materially and adversely affected. The following information should be read in conjunction with Item 1 – Business, Item 7 – Management' s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes under Item 8 – Financial Statements and Supplementary Data. RISKS RELATED TO A NASDAQ DELISTING EVENTIf we are unable to maintain compliance with Nasdaq' s listing requirements, our common stock may be delisted from The Nasdaq Stock Market, which would allow our Lender to deliver a demand for payment, result in an event of default under ~~that~~ certain ~~February 23, 2022 Senior Convertible~~ **convertible** ~~Note~~ **notes** , could have a material adverse effect on the Company' s financial condition and could make it more difficult for holders of the Company' s common stock to sell their shares. The company' s common stock is listed on the Nasdaq Capital Market and we are **,** therefore **,** subject to its continued listing requirements, including requirements with respect to the market value of publicly- held shares, market value of listed shares, minimum bid price per share, and minimum stockholder' s equity, among others, and requirements relating to board and committee independence. If we fail to satisfy one or more of these continued listing requirements, our common stock may be delisted from the Nasdaq Capital Market. On November 4, 2022, the Company received a written notice (from the Listing Qualifications Department of The Nasdaq Stock Market LLC (" Nasdaq ") stating that the Company failed to maintain a minimum closing bid price of $ 1. 00 per share for the prior 30 consecutive trading day period, as set forth in Nasdaq Listing Rule 5550 (a) (2). **Although we accomplished a reverse stock split on October 30, 2023, which resulted the issuance of one newly- issued share of our common stock for every ten issued and outstanding shares as of such date, and regained compliance with the Nasdaq minimum closing bid price of $ 1. 00 per share on November 10, 2023, there can be no assurances that we will continue to satisfy the minimum closing bid price requirement or otherwise satisfy the other listing qualifications of Nasdaq necessary to maintain our listing on Nasdaq. There can also be no assurances that we will continue to satisfy other listed company requirements.** Under that certain Senior Convertible Promissory Note issued by the Company to Lind Global Fund II LP (" Lind ") on ~~February~~ **June** 23, ~~2022~~ **2023** (**as amended,** the **" Second** Note **") and the Amended and Restated Senior Convertible Promissory Note issued to Lind on June 23, 2023 (as amended, the " First Note " and, together with the Second Note, the " Lind Notes** "), if our common stock ceases to be listed on Nasdaq (or another stock exchange), Lind (or the holder of ~~such note~~ **the Lind Notes**) may deliver a demand for payment to the Company and, if such a demand is delivered, the Company shall, within ten (10) Business Days following receipt of the demand for payment from the Holder, pay all of the outstanding principal amount **on the Notes** or, at its election, Lind **(or such holder)** may elect to convert all or a portion of the outstanding principal amount and the conversion price shall be adjusted to the lower of the then- current conversion price and eighty percent (80 %) of the average of the three (3) lowest daily variable average weighted prices during the twenty (20) trading days prior to delivery. Additionally, if we are unable to maintain our listing on Nasdaq, it will constitute an event of default under the **Lind** ~~Note~~ **Notes** , which would trigger certain obligation under the **Lind** ~~Note~~ **Notes** including, but not limited to, causing an amount equal one hundred twenty percent (120 %) of the outstanding principal amount of the **Lind** ~~Note~~ **Notes** to immediately become due. Delisting from Nasdaq also may adversely affect our ability to raise additional financing through the public or private sale of equity securities, may significantly affect the ability of investors to trade our securities and may negatively affect the value and liquidity of our common stock. Delisting also could have other negative results, including the potential loss of investor confidence or interest in strategic transactions or opportunities, as well as negatively impact our ability to recruit and retain personnel through equity incentive awards ~~. The notice provided that we have a period of 180 calendar days, or until May 3, 2023, to regain compliance with the minimum bid price requirement. During this period, our common stock will continue to trade on the Nasdaq Capital Market. We intend to actively monitor the closing bid price of our common stock and will evaluate available options to regain compliance with the minimum bid price requirement. However, there can be no assurance that the Company will be able to regain compliance with the minimum bid price requirement or maintain compliance with any of the other Nasdaq continued listing requirements. The Company' s Board may determine to implement a reverse stock split to attempt to regain compliance with the minimum bid price requirement. However, there can be no assurance that the reverse stock split, if approved by the stockholders and implemented, will increase the market price of our common stock in proportion to the reverse split ratio or result in a sustained increase in the market price of our common stock. In addition, it is possible that the reduced number of issued shares of common stock resulting from a reverse stock split could adversely affect the liquidity of our common stock~~ . RISKS RELATED TO MACROECONOMIC CONDITIONS AND GLOBAL CONDITIONS **A** ~~The COVID- 19 pandemic continues to impact our business and a~~ regional epidemic or global pandemic, including the ~~worsening~~ **reemergence** of the COVID- 19 pandemic, may adversely affect our business operations and financial condition. In March 2020, the World Health Organization declared the COVID- 19 virus a global pandemic and then- President Donald J. Trump declared a national emergency in the United States. This pandemic caused substantial disruptions to populations, including economic markets and businesses, worldwide. Regulations and restrictions to ensure public safety, adopted at varying times and extents in the affected locations, had serious adverse impacts on economic markets and the operation of businesses in those locations. The COVID- 19 pandemic increased macroeconomic and stock market volatility and uncertainty. Parts of our business were and continue to be adversely affected by the COVID- 19 pandemic. In response to the pandemic, varying restrictions **were** ~~have been~~ implemented, either by government order or by voluntary measures, such as temporary closures or restrictions on business operations, and / or the imposition of social distancing, quarantine, remote work, or other limitations on in- person meetings. The timing and severity of these imposed restrictions varied and, while most have been lifted, restrictions could be reinstated at any time. These disruptions adversely affected our customers' operations and our business, most prominently by increasing costs and delaying customer projects and expenditures. The **reemergence** ~~lingering impact~~ of **the** COVID- 19 **pandemic** ~~may continue to adversely impact our~~ - **or the emergence** ~~business for an indeterminate amount~~ of ~~time. Additionally,~~ other regional epidemics or global pandemics, depending upon their duration and severity, could have a material adverse effect on our business. Depending on the severity and duration of these disruptions and the subsequent supply chain effects, customer demand, our ability to meet demand, and our revenue and profit margins, may continue to be negatively impacted. Due to the uncertainty of the severity and duration of **these** ~~COVID- 19 and other~~ potential events, the extent and effectiveness of containment and mitigation measures that may be taken by governmental authorities or voluntarily, to the extent an epidemic or global pandemic ~~has or~~ may adversely impact our business, such impact may also heighten other risks set forth in this Section 1A – Risk Factors. Our business is subject to risks related to global economic conditions, including inflation, consumer demand, global supply chain challenges and other macroeconomic issues that could have an adverse effect on our business and financial performance. General economic downturns impacting our key customers and global markets can adversely affect our business operations, demand for our products and our financial results. The global economy, including credit and financial markets, has experienced extreme volatility and disruptions, including higher interest rates, relatively high levels of inflation, strained supply chains and expectations of lower economic growth, which have put pressure on our business. For example, Russia' s invasion of Ukraine in the first quarter of 2022 and the resulting geopolitical responses lessened international demand for our simulation products. When challenging macroeconomic conditions such as these exist, our customers may delay, decrease or cancel purchases from us and may also delay payment or fail to pay us altogether. Suppliers may have difficulty filling our orders and distributors may have difficulty getting our products to customers, which may affect our ability to meet customer demands and result in a loss of business. Weakened global economic conditions may also result in unfavorable changes in our product prices and product mix and lower profit margins. All of these factors could have a material adverse effect on demand for our products, our financial condition and our results of operations. We are subject to a wide variety of laws and regulations, and these may change. Our businesses are subject to regulation by U. S. federal and state laws, and foreign laws, government regulations and policies, and other administrative requirements. Changes to laws or regulations may require us to modify our business objectives if existing practices become more restricted, subject to escalating costs, or prohibited outright. Particular risks include possible curtailment of our intended business activities or strategies as a result of changed or new regulatory risks arising from federal laws and regulations, such as laws and regulations regarding export of sensitive technologies or technical information or changed interpretations of existing laws and regulations. Our business and the industries in which we operate are also at times being reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties, or the assertion of private litigation claims and damages. Any significant change to laws, regulations, enforcement policies, or liability regimes, or other actions by government bodies having jurisdiction over our business, may have material adverse effects on our business and profitability. We have only limited ability to foresee, plan for, or influence changes to these requirements. RISKS RELATED TO OUR INDUSTRY Our business is largely dependent on sales to the nuclear power industry. Any significant disruption in this industry would have a material adverse effect upon our revenue and profitability. In both **2023 and** 2022 ~~and 2021~~ , ~~89~~ **92** . 0 % and ~~91~~ **89** . 0 % of our revenue, respectively, was from customers in the nuclear power industry. We expect to derive a significant portion of our revenue from customers in the nuclear power industry for the foreseeable future. Market demand for, and our ability to supply nuclear power plant simulators and related products and services is dependent on the continued operation of nuclear power plants globally and, to a lesser extent, on the construction of new nuclear power plants. A wide range of factors affect the continued operation and construction of nuclear power plants, including the political, regulatory and legal environment in which they operate, the availability and cost of alternative means of power generation, the occurrence of future nuclear incidents, such as the one which occurred at the Fukushima Daiichi nuclear plant in 2011, and general economic conditions. Significant regulatory changes in the U. S. or abroad could materially affect demand for our products, the profitability of our service deliveries to nuclear power industry customers, and the overall efficacy of our current business model. Customer concentration in the U. S. nuclear power industry subjects us to risks and uncertainty, which we may not be able to mitigate through diversification. The U. S. nuclear industry has significant customer concentration with a limited number of entities owning all of the ~~92~~ **93** nuclear reactors currently operating in the United States. In ~~2022~~ **2023** , we continued to experience high customer concentration with respect to each of our businesses. Indeed, one customer accounted for ~~13~~ **22** . ~~6~~ **7** % of our total consolidated revenue for the year- ended December 31, ~~2022~~ **2023 . As a result of this concentration, a reduction in business from our customers, could have a disproportionately adverse effect on our business, results of operations, and prospects** . We monitor our customer concentration and seek to diversify our customer base within this concentrated industry. In addition to pursuing diversification strategies and expanding relationships with targeted customers, we mitigate the associated customer concentration risk by developing meaningful relationships with each nuclear power plant, which are often separately responsible for vendor selection and individual procurement decisions. The nuclear power industry, our largest customer group, is associated with a number of hazards which could create significant liabilities. Our business could expose us to third party claims with respect to product, environmental and other similar liabilities. Although we have sought protection from these potential liabilities through a variety of legal and contractual provisions as well as through liability insurance, the effectiveness of such protections has not been fully tested. Certain of our products and services are used by the nuclear power industry primarily in operator training. Although our contracts for such products and services typically contain provisions designed to protect us from potential liabilities associated with such use, there can be no assurance that we would not be materially adversely affected by claims or actions which may potentially arise due to factors that may be outside of our direct control. The industries in which we operate are highly competitive. This competition may prevent us from raising prices at the same pace at which our costs increase. Our businesses operate in highly competitive environments with both domestic and foreign competitors, many of whom have substantially greater financial, marketing, and other resources than we do. The principal factors affecting competition in our industries include price, technological proficiency, ease of system configuration and use, product reliability, applications expertise, engineering support, local presence, personal relationships, and the relative financial stability of the competitor. We believe competition in the simulation fields may further intensify in the future as a result of advances in technology, consolidations and strategic alliances among competitors, increased costs required to develop new technology and the increasing importance of software content in systems and products. Because our business has a significant international component, changes in the value of the dollar could adversely affect our ability to compete internationally and could reduce our profitability on international business opportunities that we do win. Any of these competitive factors, or any combination of two or more factors, could make it more difficult for us to bid successfully on new projects, or to complete projects at profit margins that we consider reasonable. An inability or reduced ability to win new work would have a material adverse impact on our backlog and revenue, and an inability or reduced ability to secure reasonable profit margins on projects awarded to us would have a material adverse impact on our profitability and overall results of operations. RISKS RELATED TO OUR PRODUCTS, SERVICES, AND BUSINESS PRACTICES Our simulation business is dependent on product innovation and research and development, which costs are incurred prior to realization of revenue for new products and improvements. We believe that our success will depend in large part on our ability to maintain and enhance our current product line, develop new products, maintain technological competitiveness and meet an expanding range of customer needs. Our product development activities are aimed at the development and expansion of our library of software modeling tools, the improvement of our display systems and workstation technologies, and the advancement and upgrading of our simulation technology. The life cycles for software modeling tools, graphical user interfaces, and simulation technology are variable and largely determined by competitive pressures and the evolution of software and standards that may be controlled by third parties. Consequently, we will need to continue to make significant investments in research and development to enhance and expand our capabilities in these areas and to maintain our competitive advantage. We cannot control, and we may be unable to predict accurately, the development and evolution of these competitive pressures and external software and standards. We may be unable to monetize our investment in research and development in a timely manner, or at all. Unexpected or excessive delays in realizing a return on these investments may have a material and adverse effect on our cash position, results of operations, and financial condition. Our backlog is subject to unexpected adjustments and cancellations and may not be a reliable indicator of future revenues or earnings. Backlog represents products or services that our customers have committed by contract or purchase order to purchase from us and that we have not yet delivered or recognized as revenue. Our backlog as of December 31, **2023 and** 2022 ~~and 2021~~ was $ **34. 5 million and $** 32. 9 ~~million and $ 41. 3~~ million, respectively. There can be no assurance that the revenues projected in our backlog will be realized or, if realized, will result in profits. Because of project cancellations or changes in project scope and schedule, we cannot predict with certainty whether or when backlog services will be performed, or products delivered. In addition, even where a project proceeds as scheduled, it is possible that contracted parties may default and fail to pay amounts owed to us. Our poor project performance could increase the cost associated with a project. Thus, delays, suspensions, cancellations, payment defaults, scope changes and poor project execution could materially reduce or eliminate the revenues and profits that we actually realize from projects in backlog. Reductions in our backlog due to cancellation or modification by a customer or for other reasons may adversely affect, potentially to a material extent, the revenues and earnings we actually receive from contracts and orders included in our backlog. Many, but not all, of the contracts in our backlog provide for cancellation fees in the event customers cancel projects. These cancellation fees usually provide for reimbursement of our out- of- pocket costs and payments, for work performed prior to cancellation including varying percentages of the profits we would have realized had the contract been completed. We usually have no contractual right to payment for all of the lost revenue or lost profits in the event of cancellation of the contracts and orders reflected in our backlog, however. Projects may remain in our backlog for extended periods of time. If we experience significant project terminations, suspensions, or scope adjustments to contracts reflected in our backlog, our financial condition, results of operations and cash flows may be adversely impacted. RISKS RELATED TO FOREIGN OPERATIONS Our sales to foreign customers expose us to risks associated with operating internationally. Sales of products and services to end users outside the United States accounted for approximately **12 % of our consolidated revenue in 2023 and** 16 % of ~~our~~ consolidated revenue in 2022 ~~and 12 % of consolidated revenue in 2021~~ . Consequently, our businesses are subject to a variety of risks that are specific to international operations, including the following: • export laws and regulations that could erode our profit margins or restrict the export of some or all of our products; • compliance with the U. S. Foreign Corrupt Practices Act and similar non- U. S. regulations; • the burden and cost of compliance with foreign laws, treaties and technical standards generally, as well as responding to changes in those requirements; • contract award and funding delays; • potential restrictions on transfers of funds; • potential difficulties in accounts receivable collection; • currency fluctuations, including costs and potentially limited availability of viable hedging options; • import and export duties and value added or other taxes; • transportation and communication delays and interruptions; • differences in insurance availability and coverage in some jurisdictions; • difficulties involving strategic alliances and managing foreign sales agents or representatives; • uncertainties arising from foreign local business practices and cultural considerations; and • potential military conflicts and political risks, including particularly the current conflict between Russia and Ukraine • potential disruption of our international business due to the worldwide COVID- 19 virus outbreak. In December 2019, an outbreak of the COVID- 19 virus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the COVID- 19 virus a global pandemic. The pandemic ~~did~~ adversely ~~affect~~ **affected** our international customers' operations, our employees, and our employee productivity. It also impacted the ability of our subcontractors, partners, and suppliers to operate and fulfill their contractual obligations, and result in an increase in costs, delays or disruptions in performance. These supply chain effects, and the direct effect of the virus and the disruption on our employees and operations, **from COVID- 19, or from other national or global health related outbreaks,** may ~~continue to~~ negatively impact both our ability to meet customer demand and our revenue and profit margins. In late February 2022, following rising tensions between the regions, Russian military forces launched significant military action against Ukraine, and sustained tension, conflict, and disruption in the region is expected. We do not have employees or operations in Russia or Ukraine, but we do have customers who do business in these countries or surrounding countries. Such operations and customers may be adversely affected by the continued conflict and any related disruptions, sanctions or other governmental actions. While we have and will continue to adopt measures to reduce the potential impact of losses resulting from the risks of our foreign business, we cannot ensure that such measures will be adequate. During the years ended December 31, **2023 and** 2022 ~~and 2021~~, we did not have revenues greater than 10 % from any individual foreign country. Exports and sales to certain foreign countries, including the People' s Republic of China, are subject to regulatory, political, and other risks. The export and sale of our services and technology to certain foreign countries including China, are subject to U. S. export control regulations. Export control policy pertaining to China and other countries may be enforced through laws and regulations administered by the Department of Commerce and the Department of Energy, and jurisdiction with regard to the export and sale of our services and technology may be overlapping and unclear. Specific governmental authorizations may be required before we can export our services or technology to countries such as China or collaborate with foreign entities or foreign individuals located in countries such as China. These restrictions include our own wholly- owned Chinese subsidiary and its employees. If export or other authorizations are required and not granted, or are significantly delayed, our international business plans pertaining to China and other countries could be materially affected. Further, our exports and sales to China and other countries with respect to which the United States may have shifting or negative diplomatic and trade relations, including sales made by or through our wholly- owned Chinese subsidiary, expose us to particular risks associated with the political and regulatory relationship between the U. S. and China and between the U. S. and such other countries. In October 2018, DOE announced the tightening of certain export control restrictions with regard to the export of nuclear technology to China, including certain presumptive denials with regard to the export of identified nuclear technologies to China. Although we do not believe that these policy changes cover **all of** our technologies or services, ~~additional~~ restrictions pertaining to U. S. regulation and policy pertaining to international trade with China could adversely affect our business in China and the performance of our Chinese subsidiary. Finally, **regulation pertaining to the sale and export of products and services to China and other countries can be complex and involve judgments exercised by the Company with which the Department of Commerce, DOE and other regulators may not agree or consent.** ~~violation~~ **Violation** of export control regulations, including those pertaining to China, could subject us to fines and other penalties, such as losing the ability to export for a period of years, which would limit our revenue growth opportunities and significantly hinder our attempts to expand our business internationally. Although we take steps to monitor and ensure our compliance with all applicable export laws and regulations, we are nevertheless exposed to political and regulatory risks that we may not be able to mitigate fully and that may have a material adverse effect upon our international business operations. Our operations within China subject us to risks and uncertainties relating to the laws and regulations of China. Our business and operations within China may be adversely affected by China' s continuously evolving internal policies, laws and regulations, including those relating to nuclear technology, trade, taxation, import and export tariffs or restrictions, currency controls, cybersecurity and data protection, indigenous innovation and the promotion of a domestic nuclear industry, and intellectual property rights and enforcement and protection of those rights. Enforcement of existing laws or agreements in China may be inconsistent. In addition, changes in the political environment, governmental policies, international trade policies and relations, or U. S.- China relations could result in revisions to laws or regulations or their interpretation and enforcement, exposure of our proprietary intellectual property to risk of loss, increased taxation, trade sanctions, the imposition of import duties or tariffs, restrictions on imports or exports, currency revaluations, or retaliatory actions by the Chinese government in response to U. S. actions, any or all of which could have an adverse effect on our business plans and operating results. RISKS RELATED TO OUR FINANCIAL CONDITIONS, ACCOUNTING, AND CONTRACTS If we cannot comply with the financial or other restrictive covenants in our credit ~~agreement~~ **agreements** , or obtain waivers or other relief from our lender, we may cause an event of default to occur, which could result in loss of our sources of liquidity and acceleration of our debt. In order to fund general working capital needs, repayment of indebtedness, and other corporate purposes, we entered into ~~a Securities~~ **securities** ~~Purchase~~ **purchase** ~~Agreement~~ **agreement** with Lind Global Fund II LP (" Lind Global ") ~~in March 22~~ **on February 23** , 2022 ~~.~~ **,** ~~Pursuant~~ **pursuant** to which we issued to Lind Global a two- year, secured, interest- free convertible promissory note in the amount of $ 5. 75 million (the " ~~Convertible~~ **First** Note ") and a common stock purchase warrant to acquire 1, 283, 732 shares of our common stock (the " **First** Warrant "). ~~The~~ **We entered into an amendment and restatement of the First Note on June 23, 2023. On June 23, 2023, the Company entered into a securities purchase agreement with Lind Global, pursuant to which the Company issued to Lind Global that certain Senior** Convertible **Promissory** Note **, dated** ~~will reach maturity in~~ February ~~of~~ **23,** ~~2024~~ **2022 (the " Second Note " and** , ~~although~~ **together with the First Note, the " Lind Notes ") and the issuance of common stock purchase warrant to acquire 4, 264, 271 shares of the Company' s common stock (the " Second Warrant "). In addition to payment obligations, each of the Lind Notes contain covenants pertaining to the Company and our business including, but not limited to, an obligation to maintain an equity market capitalization of at least $ 7, 000, 000. If we fail to make timely payments on the Lind Notes, or otherwise fail to satisfy the covenants contained therein, Lind Global (or the holder of the Lind Notes) may deliver a demand for payment to the Company and, if such a demand is delivered, the Company shall, within ten (10) Business Days following receipt of the demand for payment from the holder, pay all of**

the outstanding principal amount on the Notes or, at its election, Lind (or such holder) may elect to convert all or a portion of the outstanding principal amount and the conversion price shall be adjusted to the lower of the then- current conversion price and eighty percent (80 %) of the average of the three (3) lowest daily variable average weighted prices during the twenty (20) trading days prior to delivery. Additionally, if we are ~~permitted~~ **unable** to ~~prepay~~ **maintain our listing on Nasdaq, it will constitute an event of default under** the ~~Convertible~~ **Lind** ~~Note~~ **Notes** , ~~subject to~~ **which would trigger** certain ~~restrictions. We may~~ **obligation under the Lind Notes including, but** not **limited** ~~be able~~ to ~~refinance or restructure this Convertible~~ **, causing an amount equal one hundred twenty percent (120 %) of the outstanding principal amount of the Lind** ~~Note~~ **Notes** ~~or any other debt, sell assets or raise equity, in each case on commercially reasonable terms or at all, which could cause us~~ to **immediately become due** ~~default on our obligations and impair our liquidity~~ . **At** ~~Although management determined at~~ December 31, ~~2022~~ **2023 , management concluded** that ~~there was not~~ substantial doubt **exists** for the Company to continue as a going concern through March 31, ~~2024~~ **2025 . Additionally** , our inability to generate sufficient cash flow to satisfy repayment obligations or to refinance or restructure these obligations on commercially reasonable terms could have a material adverse effect on our business, financial condition, results of operations and cash flows. Upon the occurrence of an event of default under the Convertible Note, or another credit arrangement, our lenders could elect to declare all amounts outstanding thereunder to be immediately due and payable. If we were unable to repay all outstanding amounts in full, our lenders could exercise various remedies including instituting foreclosure proceedings against our assets pledged to them as collateral to secure that debt. Our ~~PPP Loan eligibility and forgiveness remains subject to audit for compliance with applicable SBA Requirements As a result of the COVID- 19 pandemic, we sought and obtained support through various business assistance programs. We applied for and, on April 23, 2020, received a payroll protection program loan in the amount of $ 10. 0 million (the " PPP Loan ") under the Coronavirus Aid, Relief and Economic Security Act (the " CARES Act "), as administered by the Small Business Administration (the " SBA "). The application for receipt of the PPP Loan required us to certify, in good faith, that the attendant economic uncertainty made the loan necessary to support our ongoing operations. On August 5, 2021, we received notice that full principal amount and all accrued interest thereon of the PPP Loan was formally forgiven by the SBA. Under the terms of the PPP Loan, we must retain all records relating to our PPP Loan for a period of six years from the date the loan was forgiven. During this period, our PPP Loan eligibility and loan forgiveness application are subject to review and audit by the SBA. We are aware of the requirements of the PPP Loan and believe we are within the eligibility threshold and have used the loan proceeds in accordance with the PPP Loan forgiveness requirements. We have retained all necessary documentation supporting our eligibility. If, despite our actions and good faith belief that we satisfied all eligibility requirements for the PPP Loan, we are made subject to an audit and are found to have been ineligible to receive the PPP Loan or forgiveness thereof, or are found in violation of any of the laws or regulations that apply to us in connection with the PPP Loan, we may be subject to penalties, including significant civil, criminal, and administrative penalties and could be required to repay the PPP Loan. An audit by the SBA could consume significant financial and management resources. Any of these events could harm our business, results of operations and financial conditions. Our~~ revenue, results of operations, and cash flows may suffer upon the loss of a significant customer. For the years ended December 31, **2023 and** 2022 ~~and 2021~~ , ~~three~~ **four** customers have provided more than 10 % of Workforce Solutions segment' s revenues: Years ended December 31, ~~2022~~ **2023** Customer A % % Customer B % % Customer C % % ~~Hyperspring~~ **Customer D % % Training Services** and ~~Absolute~~ **Technical Staffing** , which together comprise our Workforce Solutions segment, may lose a significant customer if any existing contract with such customer expires without extension, renewal, or negotiation or if it is terminated by the customer prior to expiration, to the extent such early termination is permitted by the contract. A number of ~~Hyperspring~~ **Training Services** ' ~~s~~ and ~~Absolute~~ **Technical Staffing** ' s contracts typically are subject to expiration during each year, and either company may lose any of these contracts if we are unable to extend, renew, or renegotiate the contracts. The loss of any significant customer would adversely affect our Workforce Solutions segment' s revenue, results of operations, and cash flows. For the years ended December 31, **2023 and** 2022 ~~and 2021~~ , ~~two~~ **one** ~~customers~~ - **customer** ~~have~~ **has** provided more than 10 % of Engineering segment' s revenues, respectively: Years ended December 31, ~~2022~~ **2023** Customer E % % ~~Customer F % % Absolute~~ **Performance (DBA Systems & Simulation)** , ~~True North~~ **Programs & Performance** , and ~~DP Engineering~~ **Design & Analysis** , which together comprise our Engineering segment, may lose a significant customer if any existing contract with such customer expires without extension, renewal, or negotiation or if it is terminated by the customer prior to expiration, to the extent such early termination is permitted by the contract. A majority of the contracts entered into by our Engineering businesses are able to be terminated by our customer on relatively short notice without cause or further compensation. The loss of any significant customer would adversely affect our Engineering segment' s revenue, results of operations, and cash flows. Customer E also provided ~~13~~ **22** . ~~6~~ **7** % of our total consolidated revenue for the years ended December 31, ~~2022~~ **2023** . Our expense levels are based upon our expectations as to future revenue, and we may be unable to adjust spending to compensate for a revenue shortfall. Accordingly, any revenue shortfall would likely have a disproportionate effect on our operating results. Our revenue was $ **45. 0 million and $** 47. 7 ~~million and $ 55. 2~~ million for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. We incurred an operating loss of $ **6. 8 million and $** 14. 4 ~~million and $ 6. 0~~ million for the years ended December 31, **2023 and** 2022 ~~and 2021~~ , respectively. Our operating results have fluctuated in the past and may fluctuate significantly in the future as a result of a variety of factors, including purchasing patterns, timing of launch or release of new products and enhancements by us and our competitors, and fluctuating global economic conditions. Because our expense levels are based in part on our expectations as to future revenue and includes certain fixed, pre- negotiated, and prepaid costs, we may be unable to adjust spending in a timely manner to compensate for any revenue shortfall. Because of this lag in response time, such revenue shortfalls likely would have a disproportionate adverse effect on our operating results. Additionally, as we have seen, industry spend has been very slow to ramp back after the onset of the pandemic in 2020. While the pandemic effects on society have largely passed, there is still a significant reticence on behalf of the industry to ramp spending back up. While meaningful plans for capital investment have been noted, those plans have elongated times to convert to the types of spend that have a direct positive impact on our business. This continues lag poses a risk to our business. A deterioration in sales **,** delayed pipeline opportunities, and overall downward performance could result in write- downs of goodwill and other intangible assets. In conjunction with business acquisitions, we record goodwill and other intangible assets and review their fair value for impairment annually as of December 31, or on an interim basis if impairment indicators are present, such as a significant reduction in our market capitalization, significant declines in operating performance or disruptions to the business that could reduce our future cash flow. As of September 30, 2022, the reduced forecast related to the Workforce Solutions business segment was material enough to be considered a triggering event that could result in impairment of our long- lived assets. As such, we performed an interim analysis to determine if an impairment existed in accordance with ASC 350 & ASC 360. Our Goodwill impairment analysis, which includes the use of discounted cash flow models that requires management to make assumptions regarding estimates of revenue growth rates and operating margins used to calculate projected future cash flows, and risk- adjusted discount rates determined the carrying value of Workforce Solutions exceeded the Fair Value by $ 7. 0 million. As such, impairment of the related goodwill was recorded in the three months ended September 30, 2022. ~~we~~ **We** also performed an interim analysis to determine if an impairment existed at September 30, 2022 by its individual asset groupings, which we determined to be at the subsidiary level. We used a discounted cash flow analysis to determine the fair value of our asset group, and we concluded that the carrying value of the definite- lived intangible assets of Absolute, a business unit of the Workforce Solutions segment, exceeded its fair value by $ 0. 5 million, and we recorded a loss on impairment for this amount as of September 30, 2022. No impairment was identified related to any other asset groupings **. As of September 30, 2023, the reduced forecast related to the Workforce Solutions business segment was material enough to be considered a triggering event that could result in impairment of our Goodwill. As Workforce Solutions had remaining long lived assets, we performed an interim analysis to determine if an impairment existed in accordance with ASC 350. As a result, the carrying value of Workforce Solutions was exceeded the Fair Value by $ 0. 9 million, and we recorded a loss on impairment for this amount as of September 30, 2023. No impairment was identified related to any other asset groupings. Based on the continued forecast decline on the Workforce Solutions segment, the re- evaluation of the Company' s Indefinite- Lived assets as of December 31, 2023 in accordance with ASC 350' s annual assessment requirements, determined that an additional $ 0. 5 million impairment existed related to the Training Services and Technical Staffing business units. No impairment was identified related to any other asset grouping** . Write- down of goodwill and other intangible assets in the current and future accounting periods may have an impact on our value, results of operations, and price of our common stock. We are currently a party to multiple fixed price contracts and will continue to enter into similar contracts in the future. If we are not able to estimate accurately or control costs on such projects, the profitability of such projects could be reduced. A significant portion of our revenue is attributable to contracts entered into on a fixed price basis, which enable us to benefit from cost savings, but expose us to the risk of cost overruns. If our initial estimates are incorrect regarding our costs of performance under these contracts, or if unanticipated circumstances arise, we could experience cost overruns that could result in reduced profits or even net losses on these contracts. Our financial condition is dependent upon our ability to maximize our earnings from our contracts. Lower earnings or losses caused by cost overruns could have a negative impact on our financial results. Under our time and materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost- reimbursable contracts, which are subject to a contract ceiling amount, we are reimbursed for allowable costs and are paid a fee, which may be fixed, or performance based. In both cases, however, if our costs exceed the contract ceiling or are not allowable under the provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs even under a time and materials or cost- reimbursable contract. Our inability to successfully estimate and manage costs on each of these contract types may materially and adversely affect our financial condition. We use derivative instruments in the normal course of our business which could result in financial losses and exposure to other risks that negatively impact our net income (loss) and business operational efficiency. While we had no foreign exchange contracts outstanding as of December 31, ~~2022~~ **2023** , and did not enter into any foreign exchange contracts in ~~2022~~ **2023** , we have periodically entered ~~into~~ forward foreign exchange contracts to manage market risks associated with the fluctuations in foreign currency exchange rates on foreign- denominated trade receivables. We could recognize financial losses as a result of volatility in the market values of these contracts or if a derivative instrument counterparty fails to perform. We attempt to minimize credit exposure by limiting counterparties to internationally recognized financial institutions, but even these counterparties are subject to default and contract risk and this risk is beyond our control. We also engage in interest rate hedging transactions in the ordinary courses of our business to mitigate the risk that amounts borrowed under our credit facility at floating interest rates may be affected by adverse rate movements. Depending on future business, market, and interest rate environments, however, these hedging transactions may not be effective to mitigate the financial impact of the risks for which they were put into place sufficiently to justify their expense. Additionally, we may need or wish to avail ourselves of other forms of hedging or derivative instruments in the future depending on our business needs, and these other types of derivative instruments may be subject to the same and other risks and may not be available to us on a cost- effective or risk- controlled basis, if at all. The unavailability of viable and cost **-** effective risk management, hedging, or similar instruments now or in the future could adversely impact our business operational efficiency or results. We issue letters of credit, performance, advance payment, and bid bonds in the normal course of our business which could result in financial losses that negatively impact our net income (loss). We may be required to issue letters of credit, performance, advance payment, and bid bonds to our customers and potential customers as a normal part of our business activities. Our customers may have the ability to draw upon these performance bonds in the event we fail to cure a material breach of the contract within a specified period after receiving notice from the customer regarding the nature of the breach. For the year ended December 31, ~~2022~~ **2023** , we did not issue any advance payment or performance bonds, but we may be required to do so in the future to secure contract awards. As of

December 31, ~~2022~~ **2023** , we had four letters of credit outstanding for customers **totaling** ~~in the respective amounts of $ 513, 300, $ 359, 674, $ 118, 800, and $ 60, 000 for an aggregate outstanding amount of~~ $ 1 **. 1 million** ~~, 051, 774~~ . Our ability to use our net operating loss (NOL) carryforward and certain other tax attributes may be limited. Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an " ownership change, " generally defined as a greater than 50 % change (by value) in its equity ownership over a three- year period, the corporation' s ability to use its pre- change NOL carryforwards, and other pre- change tax attributes (such as research tax credits) to offset its post- change income or tax liabilities may be limited. We may experience ownership changes in the future as a result of shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre- change NOL carryforwards to offset U. S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. RISKS RELATED TO INTELLECTUAL PROPERTY We rely upon our intellectual property rights for the success of our business, but the steps we have taken to protect our intellectual property may be inadequate. Although we believe that factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements and reliable product maintenance are important to establishing and maintaining a technological leadership position, our business depends, in part, on the strength of our intellectual property rights in our proprietary technology and information. We rely upon a combination of trade secret, copyright, and trademark law, contractual arrangements and technical means to protect our intellectual property rights. We enter into confidentiality agreements with our employees, consultants, joint venture and alliance partners, customers, and other third parties that are granted access to our proprietary information, and we limit access to and distribution of our proprietary information. There can be no assurance, however, that we have protected or will be able to protect our proprietary technology and information adequately, that the unauthorized disclosure or use of our proprietary information will be prevented, that others have not or will not develop similar technology or information independently, or, to the extent we own any patents in the future, that others have not or will not be able to design around those future patents. Furthermore, the laws of certain countries in which our products are sold do not protect our products and intellectual property rights to the same extent as the laws of the United States. Our inability to protect our intellectual property rights from infringement, dilution, or loss could make it more difficult for us to generate revenue from the offer, licensure, and sale of our products and services and could enable third parties to compete with us more effectively. Third- party claims that we allegedly infringe the intellectual property rights of others may be costly to defend or settle and could damage our business. We cannot be certain that our software and services do not infringe issued patents, copyrights, trademarks or other intellectual property rights of third parties. We may be subject to legal proceedings and claims from time to time, including claims of alleged infringement of intellectual property rights of third parties by us or our licensees concerning their use of our software products and integration technologies and services. Third parties may bring claims of infringement directly against us, or because our software is integrated with our customers' networks and business processes, as well as other software applications against us, our customers, and our business partners or software suppliers, if the cause of the alleged infringement cannot easily be determined. Claims of alleged infringement may have a material adverse effect on our business and may discourage potential customers from doing business with us on acceptable terms, if at all, even if the claims are ultimately adjudicated to have no merit, dismissed, or settled. Defending against claims of infringement may be time- consuming and may result in substantial costs and diversion of resources, including our management' s attention to our business. Furthermore, a party making an infringement claim could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our software or require that we re- engineer some or all of our products or modules. Claims of intellectual property infringement also might require us to enter costly royalty or license agreements. We may be unable to obtain royalty or license agreements on terms acceptable to us or at all. Our business, operating results and financial condition could be harmed significantly if any of these events were to occur, and the price of our common stock could be adversely affected. In addition, we have agreed, and may agree in the future, to indemnify certain of our customers against claims that our software infringes upon the intellectual property rights of others. Although we carry general liability insurance, our current insurance coverage may not apply to, and likely would not protect us entirely or at all from, liability that may be imposed under any of the types of claims described above. RISKS RELATED TO CYBER SECURITY Cyber security incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation and results of operations. Global cyber security threats can range from uncoordinated individual attempts to gain unauthorized access to our information technology (IT) systems to sophisticated and targeted measures known as advanced persistent threats. While we employ comprehensive measures to prevent, detect, address and mitigate these threats (including access controls, data encryption, vulnerability assessments, continuous monitoring of our IT networks and systems, and maintenance of backup and protective systems), cyber security incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption or unavailability of critical data and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. The potential consequences of a material cyber security incident include reputational damage, litigation with third parties, civil or regulatory liability for loss of sensitive or protected information such as personal data, incident response costs, diminution in the value of our investment in research, development and engineering, loss of intellectual property, and increased cyber security protection and remediation costs, which in turn could adversely affect our competitiveness and results of operations. RISKS RELATED TO ATTRACTING AND RETAINING TALENT We are dependent on our management team, and the loss of or the inability to attract and retain one or more key employees or groups could harm our business and prevent us from implementing our business plan in a timely manner. Our future success is substantially dependent on the continued services and continuing contributions of our executive officers and other key personnel. The loss of the services of any of our executive officers or other key personnel could harm our business. Our future success also depends on our ability to continue to attract, retain, and motivate highly skilled employees. If we are not able to attract and retain key skilled personnel, our business could be harmed and our revenue, profitability, and overall results of operations could be materially impacted. A failure to attract and retain technical personnel could reduce our revenue and our operational effectiveness. There is a continuing demand for qualified technical personnel in the industries within which we operate. We believe that our future growth and success will depend upon our ability to attract, train and retain such personnel. Our design and development efforts, particularly within our Engineering business segment, depend on hiring and retaining qualified technical personnel. An inability to attract or maintain a sufficient number of technical personnel could have a material adverse effect on our contract performance or on our ability to capitalize on market opportunities. RISKS RELATED TO STATE LAW Provisions in our corporate documents and Delaware law could delay or prevent a change in control of our Company, even if that change may be considered beneficial by some shareholders. The existence of some provisions of our certificate of incorporation and bylaws and Delaware law could discourage, delay or prevent a change in control of our Company that a shareholder may consider favorable. These include provisions: • providing that our Board of Directors fixes the number of members of the board and fills all vacancies on the Board of Directors; • providing for the division of our Board of Directors into three classes with staggered terms; • limiting who may call special meetings of shareholders; • prohibiting shareholder action by written consent, thereby requiring shareholder action to be taken at a meeting of the shareholders; • establishing advance notice requirements for nominations of candidates for election to our Board of Directors or for proposing matters that can be acted on by shareholders at shareholder meetings; • establishing supermajority vote requirements for certain amendments to our certificate of incorporation and bylaws; • limiting the right of shareholders to remove directors; and • authorizing the issuance of " blank check " preferred stock, which could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt. In addition, we are subject to Section 203 of the Delaware General Corporation Law, which may have an anti- takeover effect with respect to transactions not approved in advance by our Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for shares of our common stock. We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our Board of Directors and by providing our Board of Directors with more time to assess any acquisition proposal and are not intended to make our Company immune from takeovers. These provisions apply even if the offer may be considered beneficial by some shareholders, however, and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our Company and our shareholders. ITEM 1B. UNRESOLVED STAFF COMMENTS.