Risk Factors Comparison 2024-02-20 to 2023-02-21 Form: 10-K

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In addition to the other information set forth elsewhere in this annual report, the following risk factors should be considered carefully when evaluating the Company, as its businesses, results of operations, or financial condition could be materially adversely affected by any of these risks. The following discussion does not attempt to cover factors, such as trends in the United States and global economies or the level of interest rates, among others, that are likely to affect most businesses. Marine Transportation Segment Risk Factors The Inland Waterway infrastructure is aging and may result in increased costs and disruptions to KMT. Maintenance of the United States inland waterway system is vital to the Company' s operations. The system is composed of over 12, 000 miles of commercially navigable waterway, supported by over 240 locks and dams designed to provide flood control, maintain pool levels of water in certain areas of the country and facilitate navigation on the inland river system. The United States inland waterway infrastructure is aging, with more than half of the locks over 50 years old. As a result, due to the age of the locks, scheduled and unscheduled maintenance outages may be more frequent in nature, resulting in delays and additional operating expenses. Currently, 35 % of the cost of new construction and major rehabilitation of locks and dams is paid by marine transportation companies through a 29 cent per gallon ~~diesel fuel~~ **waterway user** tax and the remaining 65 % of waterway infrastructure and improvement is paid from general federal tax revenues. Failure of the federal government to adequately fund infrastructure maintenance and improvements in the future would have a negative impact on the Company' s ability to deliver products for its customers on a timely basis. In addition, any additional user taxes that may be imposed in the future to fund infrastructure improvements would increase the Company' s operating expenses. The Company could be adversely impacted by a marine accident or spill event. A marine accident or spill event could close a portion of the inland waterway system or a coastal area of the United States for an extended period of time. Although statistically marine transportation is the safest means of surface transportation of bulk commodities, accidents do occur, both involving Company equipment and equipment owned by other marine operators. The Company transports a wide variety of petrochemicals, black oil, refined petroleum products and agricultural chemicals throughout the Mississippi River System, on the Gulf Intracoastal Waterway, and coastwise along all three United States coasts. The Company manages its exposure to losses from potential unauthorized discharges of pollutants through the use of well- maintained and equipped tank barges and towing vessels, through safety, training and environmental programs, and through the Company' s insurance program, but a discharge of pollutants by the Company could have an adverse effect on the Company. Risks may arise for which the Company may not be insured. Claims covered by insurance are subject to deductibles, the aggregate amount of which could be material, and certain policies impose limitations on coverage. Existing insurance coverage may not be able to be renewed at commercially reasonable rates or coverage capacity for certain risks may not be available or adequate to cover future claims. If a loss occurs that is partially or completely uninsured, or the carrier is unable or unwilling to cover the claim, the Company could be exposed to liability. KMT is dependent on its ability to adequately crew its towing vessels. The Company' s vessels are crewed with employees who are licensed or certified by the USCG, including its captains, pilots, engineers and tankermen. The success of KMT is dependent on the Company' s ability to adequately crew its vessels. As a result, the Company invests significant resources in training its crews and providing crew members an opportunity to advance from a deckhand to the captain of a Company towboat or tugboat. Inland crew members generally work rotations such as 20 days on, 10 days off rotation, or a 30 days on, 15 days off rotation. For the coastal fleet, crew members are generally required to work rotations such as 14 days on, 14 days off rotation, a 21 days on, 21 days off rotation or a 30 days on, 30 days off rotation, dependent upon the location. The nature of crewmember work schedules and assignments away from home for extended periods require special recruiting and at times it can be difficult to find candidates. With ongoing retirements and competitive labor pressure in KMT, the Company continues to monitor and implement market competitive pay practices. The Company also utilizes an internal development program to train Maritime Academy graduates for vessel leadership positions. KMT has approximately 3, ~~115~~ **070** employees, of which approximately 2, ~~400~~ **350** are vessel crew members. None of the segment' s inland operations are subject to collective bargaining agreements. The segment' s coastal operations include approximately ~~432~~ **413** vessel employees, of whom approximately ~~313~~ **325** are subject to collective bargaining agreements in certain geographic areas. Any work stoppages or labor disputes could adversely affect coastal operations in those areas. While the COVID- 19 pandemic ~~has~~ caused some crewing issues, ~~to date,~~ the Company **was** ~~has been~~ able to manage its operations with limited vessel delays and disruption of services, including some loss of revenue and incremental costs in the Company' s inland and coastal businesses. The Company ~~continues~~ **expects that it would be able** to ~~update~~ **similarly manage** its **operations in the future were** ~~protocols relating to management of COVID- 19 variants and~~ **an** ~~provide related employee education as new information and guidance becomes available~~ **event of similar impact to occur again, but there is no guarantee that it would be able to do so**. KMT is subject to the Jones Act. KMT competes principally in markets subject to the Jones Act, a federal cabotage law that restricts domestic marine transportation in the United States to vessels built and registered in the United States, and manned, owned and operated by United States citizens. The Company presently meets all of the requirements of the Jones Act for its owned and operated vessels. The loss of Jones Act status could have a significant negative effect on the Company. The requirements that the Company' s vessels be United States built and manned by United States citizens, the crewing requirements and material requirements of the USCG, and the application of United States labor and tax laws increases the cost of United States flagged vessels compared to comparable foreign flagged vessels. The Company' s business could be adversely affected if the Jones Act or international trade agreements or laws were to be modified or waived as to permit foreign flagged vessels to operate in the United States as these vessels are not subject to the same United States government imposed regulations, laws, and restrictions. Since the events of September 11, 2001, the United States government has taken steps to increase security of United States ports, coastal waters and inland waterways. The Company believes that it is unlikely that the current cabotage provisions of the Jones Act would be eliminated or significantly modified in a way that has a material adverse impact on the Company in the foreseeable future. The Secretary of Homeland Security is vested with the authority and discretion to waive the Jones Act to such extent and upon such terms as the Secretary may prescribe whenever the Secretary deems that such action is necessary in the interest of national defense. On September 8, 2017, following Hurricanes Harvey and Irma, the Department of Homeland Security issued a waiver of the Jones Act for a 7-day period for shipments from New York, Pennsylvania, Texas and Louisiana to South Carolina, Georgia, Florida and Puerto Rico. The waiver was specifically tailored to address the transportation of refined petroleum products due to disruptions in hurricane- affected areas. On September 11, 2017, the waiver was extended for 11 days and expanded to include additional states. Following Hurricane Maria, on September 28, 2017, the Department of Homeland Security issued a waiver of the Jones Act for movement of products shipped from United States coastwise points to Puerto Rico through October 18, 2017. Two limited waivers of the Jones Act were granted in connection with the shutdown of the Colonial Pipeline in May 2021. In connection with recovery from Hurricane Fiona, in September and October 2022, two limited waivers of the Jones Act were granted to allow diesel and liquefied natural gas deliveries to Puerto Rico. Waivers of the Jones Act, whether in response to natural disasters or otherwise, could result in increased competition from foreign tank vessel operators, which could negatively impact KMT. KMT is subject to extensive regulation by the USCG, federal laws, other federal agencies, various state laws, the laws of other countries when operating in their waters, and certain international conventions, as well as numerous environmental regulations. The majority of the Company' s vessels are subject to inspection by the USCG and carry certificates of inspection. The crews employed by the Company aboard vessels are licensed or certified by the USCG. The Company' s marine transportation operations are subject to laws of other countries when operating in their waters. The Company is required by various governmental agencies to obtain licenses, certificates and permits for its owned and operated vessels. The Company' s operations are also affected by various United States and state regulations and legislation enacted for protection of the environment. The Company incurs significant expenses and capital expenditures to comply with applicable laws and regulations and any significant new regulation or legislation, including climate change laws or regulations, could have an adverse effect on the Company. KMT is subject to natural gas and crude oil prices as well as the volatility of their prices as well as the volatility in production of refined products and petrochemicals in the United States. For ~~2022~~ **2023** , ~~49~~ **51** % of KMT' s revenues were from the movement of petrochemicals, including the movement of raw materials and feedstocks from one refinery or petrochemical plant to another, as well as the movement of more finished products to end users and terminals for export. As a result of the COVID- 19 pandemic and petrochemical and refinery plant shutdowns, 2020 and 2021 petrochemical and refined products volumes decreased relative to 2019. Volumes began to recover in 2021 and have continued to increase in 2022 **and 2023** as economic activity improved. The United States petrochemical industry continues to benefit from a low- cost domestically produced natural gas feedstock advantage, producing strong volumes of raw materials and intermediate products for transportation between Gulf Coast petrochemical plants and the transportation of more finished products to terminals for both domestic consumers and for export destinations. In addition, eight new United States petrochemical projects, including expansion of existing plants, were completed during 2022, with an additional ~~six~~ **five** projects ~~scheduled to be~~ completed during 2023 **and four scheduled to be completed in 2024** . These projects should provide additional movements for KMT. Higher natural gas and crude oil prices are generally better for the Company' s businesses; however, higher natural gas prices and other factors could negatively impact the United States petrochemical industry and its production volumes, which could negatively impact the Company. Demand for tank barge transportation services is driven by the production of volumes of the bulk liquid commodities such as petrochemicals, black oil and refined petroleum products that the Company transports by tank barge. This production can depend on the prevailing level of natural gas and crude oil prices, as well as the volatility of their prices. In general, lower energy prices are good for the United States economy and typically translate into increased petrochemical and refined product demand and therefore increased demand for tank barge transportation services. However, during 2016 and 2017 lower crude oil prices resulted in a decline in domestic crude oil and natural gas condensate production and reduced volumes to be transported by tank barge. The Company estimates that at the beginning of 2015 there were approximately 550 inland tank barges and 35 coastal tank barges in the 195, 000 barrels or less category transporting crude oil and natural gas condensate. By the end of 2019, the Company estimates that number of tank barges had declined to 335 inland tank barges and approximately five coastal tank barges transporting crude and natural gas condensate. During 2020, the COVID- 19 pandemic and oil price volatility resulted in a sharp decrease in volumes of crude and natural gas condensate being transported. As of the end of ~~2020~~ **2021** , ~~the Company estimates that~~ approximately ~~100~~ **160** to ~~150~~ **170** inland tank barges and one coastal tank barge were transporting crude and natural gas condensate ~~and at the end of 2021, approximately 160 to 170 inland tank barges and one coastal tank barge were transporting crude and natural gas condensate~~ . As of the end of 2022, the Company estimates that approximately 170 to 200 **inland tank barges were transporting crude and natural gas condensate. As of the end of 2023, the Company estimates that approximately 190 to 220** inland tank barges were transporting crude and natural gas condensate. Volatility in the price of natural gas and crude oil can also result in heightened uncertainty which may lead to decreased production and delays in new petrochemical and refinery plant construction. Increased competition for available black oil and petrochemical barge moves caused by reduced crude oil and natural gas condensate production could have an adverse impact on KMT including as a result of lower spot and term contract rates and / or reluctance to enter into or extend term contracts. KMT could be adversely impacted by the construction of tank barges ~~by its competitors~~ . At the present time, there are an estimated 4, ~~028~~ **007** inland tank barges in the United States, of which the Company operates 1, ~~037~~ **076** , or ~~26~~ **27** % ~~.~~ ~~For 2020, the Company estimated that industry- wide approximately 150 new tank barges were placed in service, six of which were purchased by the Company from another operator, and approximately 150 tank barges were retired, 95 of which were by~~

~~the Company~~. For 2021, the Company estimated that industry- wide 70 new tank barges were placed in service, ~~of which none were by the Company,~~ and 90 tank barges were retired ~~, 36 of which were by the Company~~. For 2022, the Company estimates that industry- wide 22 new tank barges were placed in service and retirements, net of reactivations, were flat. **For 2023, the Company estimates that industry- wide 27 new tank barges were placed in service and 48 tank barges were retired.** The Company estimates that approximately ~~5~~ **25** to ~~10~~ **30** new tank barges have currently been ordered for delivery in ~~2023~~ **2024** and expects a number of older tank barges will be retired, dependent on ~~2023~~ **2024** market conditions. The long- term risk of an oversupply of inland tank barges may be mitigated by the fact that the inland tank barge industry has approximately 600 tank barges that are 30 years old or older and approximately 400 of those are 40 years old or older. Given the age profile of the industry inland tank barge fleet and extensive customer vetting standards, the expectation is that these older tank barges will continue to be removed from service and replaced by new tank barges as needed, with the extent of both retirements and new builds dependent on petrochemical and refinery production levels and crude oil and natural gas condensate movements, both of which can have a direct effect on industry- wide tank barge utilization, as well as term and spot contract rates. Beginning in 2019, a decline in industry- wide demand for the movement of crude oil and natural gas condensate transportation volumes increased available capacity and resulted in some reluctance among certain customers to extend term contracts, which led to an increase in the number of coastal vessels operating in the spot market. In addition, the Company and the industry added new coastal tank barge capacity during 2019 **through** ~~, 2020, and~~ 2021. Much of this new capacity was replacement capacity for older vessels anticipated to be retired. The Company estimates there are approximately ~~270~~ **264** tank barges operating in the 195, 000 barrels or less coastal industry fleet, the sector of the market in which the Company operates, and approximately ~~21~~ **20** of those are over 25 years old. The Company is aware of one ~~coastal ATB placed in service in 2020, one~~ small specialized coastal ATB **placed in service** in 2021 and no ATBs placed in **service in** 2022 ~~by competitors~~ **or 2023** with no further **ATBs** ~~coastal tank barges~~ currently under construction. Higher fuel prices could increase operating expenses and fuel price volatility could reduce profitability. The cost of fuel during ~~2022~~ **2023** was approximately ~~16~~ **12** % of marine transportation revenue. The Company' s marine transportation term contracts typically include fuel escalation clauses, or the customer pays for the fuel. However, there is generally a 30 to 120 day delay before contracts are adjusted depending on the specific contract. In general, the fuel escalation clauses are effective over the long- term in allowing the Company to adjust to changes in fuel costs due to fuel price changes; however, the short- term effectiveness of the fuel escalation clauses can be affected by a number of factors including, but not limited to, specific terms of the fuel escalation formulas, fuel price volatility, navigating conditions, tow sizes, trip routing, and the location of loading and discharge ports that may result in the Company over or under recovering its fuel costs. The Company' s spot contract rates generally reflect current fuel prices at the time the contract is signed but do not have escalators for fuel. Significant increases in the construction cost of tank barges and towing vessels may limit the Company' s ability to earn an adequate return on its investment in new tank barges and towing vessels. The price of steel, economic conditions, and supply and demand dynamics can significantly impact the construction cost of new tank barges and towing vessels. Over the last 20 years, the Company' s average construction price for a new 30, 000 barrel capacity inland tank barge has fluctuated up or down significantly. For example, the average construction price for a new 30, 000 barrel capacity tank barge in 2009 was approximately 90 % higher than in 2000, with increases primarily related to higher steel costs. During 2009, the United States and global recession negatively impacted demand levels for inland tank barges and as a result, the construction price of inland tank barges fell significantly in 2010, primarily due to a significant decrease in steel prices, as well as a decrease in the number of tank barges ordered. The cost of steel, a key material in barge construction, was relatively stable from 2010 through 2019. During 2020, at the onset of the COVID- 19 pandemic, steel costs dropped, however, during 2021 and 2022, steel prices rose above 2019 levels due to supply chain disruptions **before decreasing in 2023. Although steel prices decreased in 2023, they still remain near historical highs**. These increases in steel costs and alterations in supply and demand dynamics, as well as higher labor costs, resulted in construction prices for a new 30, 000 barrel tank barge increasing compared to prices in 2017 when there was an industry- wide over- capacity of inland tank barges in the market. KMT could be adversely impacted by the failure of the Company' s shipyard vendors to deliver new vessels according to contractually agreed delivery schedules and terms. The Company contracts with shipyards to build new vessels and currently has vessels under construction. Construction projects are subject to risks of delay and cost overruns, resulting from shortages of equipment, materials and skilled labor; lack of shipyard availability; unforeseen design and engineering problems; work stoppages; weather interference; unanticipated cost increases; unscheduled delays in the delivery of material and equipment; and financial and other difficulties at shipyards including labor disputes, shipyard insolvency and inability to obtain necessary certifications and approvals. A significant delay in the construction of new vessels or a shipyard' s inability to perform under the construction contract could negatively impact the Company' s ability to fulfill contract commitments and to realize timely revenues with respect to vessels under construction. Significant cost overruns or delays for vessels under construction could also adversely affect the Company' s financial condition, results of operations and cash flows. **The** ~~To date, the~~ Company ~~has~~ **did** not ~~experienced~~ - **experience** significant shipyard delays associated with the COVID- 19 pandemic, including at its subsidiary, San Jac **. The Company expects that its shipyard vendors, including San Jac, should be able to similarly manage their operations if an event of a similar impact were to occur in the future, but there is no guarantee that the vendors would be able to do so**. The Company is subject to competition in KMT. The inland and coastal tank barge industry remains very fragmented and competitive. The Company' s primary competitors are noncaptive inland tank barge operators and coastal operators. The Company also competes with companies who operate refined product and petrochemical pipelines, railroad tank cars and tractor- trailer tank trucks. Increased competition from any significant expansion of or additions to facilities or equipment by the Company' s competitors could have a negative impact on the Company' s results of operations. In addition, the Company' s failure to adhere to its safety, reliability and performance standards may impact its ability to retain current customers or attract new customers. Distribution and Services Segment Risk Factors KDS could be adversely impacted by future legislation, executive or other governmental orders, or additional regulation of oil and gas extraction, including hydraulic fracturing practices. The Company, through its United and S & S subsidiaries, is a distributor and service provider of engine and transmission related products for the oil and gas services, power generation and transportation industries, and a manufacturer of oilfield service equipment, including pressure pumping units. Various legislative and regulatory initiatives have been proposed that, if passed, could limit or discourage future production of oil and gas. Further, legislation may be enacted by Congress that would authorize the EPA to impose additional regulations on hydraulic fracturing. In addition, a number of states have adopted or are evaluating the adoption of legislation or regulations governing hydraulic fracturing or byproducts of the fracturing process. Related actions may also be taken via executive order. Federal or state legislation, executive or governmental orders, and / or regulations could materially impact customers' operations and greatly reduce or eliminate demand for the Company' s pressure pumping fracturing equipment and related products. The Company is unable to predict whether future legislation or any other regulations will ultimately be enacted and, if so, the impact on KDS. KDS could be adversely impacted by the construction of pressure pumping units by its competitors. During 2020, a significant reduction in oilfield activity as a result of oil price volatility and the COVID- 19 pandemic resulted in a decrease to an estimated 6 million horsepower of pressure pumping units working in North America, with an estimated 1. 5 million horsepower available to work, and 12 million horsepower stacked and in need of major repair. At the end of 2021, strong commodity prices resulted in an increase in horsepower demand with an estimated 12 million horsepower of pressure pumping units working in North America, with an estimated 8 million horsepower idled and in need of major repair. Supported by stronger commodity prices, surplus horsepower capacity declined as activity levels in North America improved during 2022 resulting in an increase to an estimated 15 million horsepower of pressure pumping units working in North America at the end of 2022, with an estimated 5 million horsepower idled and in need of major repair. **Horsepower demand remained flat in 2023 with an estimated 15 million horsepower of pressure pumping units working in North America at the end of 2023, with an estimated 4 million horsepower idled and in need of major repair.** Increased expansion of, or additions to, facilities or equipment by the Company' s competitors could have a negative impact on the Company' s results of operations. Prevailing natural gas and crude oil prices, as well as the volatility of their prices, could have an adverse effect on KDS business. Lower energy prices generally result in a decrease in the number of oil and gas wells being drilled. Oilfield service companies reduce their capital spending, resulting in decreased demand for new parts and equipment, including pressure pumping units, provided by KDS. This may also lead to order cancellations from customers or customers requesting to delay delivery of new equipment. The Company also services offshore supply vessels and offshore drillings rigs operating in the Gulf of Mexico, as well as internationally. Low energy prices may negatively impact the number of wells drilled in the Gulf of Mexico and international waters. Prolonged downturns in oil and gas prices may cause substantial declines in oilfield service and exploration expenditures and could adversely impact oil and gas manufacturing, remanufacturing, parts and distribution business. In addition, energy price volatility may also result in difficulties in the Company' s ability to address variations in production on a timely basis and, therefore, could result in an adverse impact on KDS. The Company is subject to competition in KDS. The distribution and services industry is very competitive. The segment' s oil and gas market' s principal competitors are independent distribution and service and oilfield manufacturing companies and other factory- authorized distributors and service centers. In addition, certain oilfield service companies that are customers of the Company also manufacture and service a portion of their own oilfield equipment. Increased competition in the distribution and services industry and continued low price of natural gas, crude oil or natural gas condensate, and resulting decline in drilling for such natural resources in North American shale formations, could result in less oilfield equipment being manufactured and remanufactured, lower rates for service and parts pricing and result in less manufacturing, remanufacturing, service and repair opportunities and parts sales for the Company. For the commercial and industrial market, the segment' s primary marine diesel competitors are independent diesel services companies and other factory- authorized distributors, authorized service centers and authorized marine dealers. Certain operators of diesel powered marine equipment also elect to maintain in- house service capabilities. For power generation, the primary competitors are other independent service companies. Loss of a distributorship or other significant business relationship or disruptions of supply could adversely affect KDS. KDS has had a relationship with EMD, the largest manufacturer of medium- speed diesel engines, ~~for 57 years~~ **since the 1960s** . The Company, through Kirby Engine Systems, serves as ~~both~~ an EMD distributor ~~and service center~~ for select markets and locations for both service and parts. With the acquisition of S & S in September 2017, the Company added additional EMD ~~exclusive~~ distributorship rights in key states, primarily through the Central ~~,~~ **and** South ~~and Eastern~~ areas of the United States. With the S & S acquisition, the Company became the United States distributor for EMD marine and power generation applications. Sales and service of EMD products account for approximately 3 % of the Company' s revenues for ~~2022~~ **2023** . Although the Company considers its relationship with EMD to be strong, the loss of the EMD distributorship and service rights, or a disruption of the supply of EMD parts, could have a negative impact on the Company' s ability to service its customers. In 2020, with the acquisition of Convoy Servicing Company and Agility Fleet Services, LLC, the Company expanded its dealership network of Thermo King refrigeration systems for trucks, railroad cars, and other land transportation markets in Texas and Colorado. In ~~2022~~ **2023** , sales and service of Thermo King products comprised approximately 5 % of the Company' s revenues. United and S & S have maintained continuous exclusive distribution rights for MTU and Allison since the 1940s. United and S & S are two of MTU' s top five distributors of off- highway engines in North America, with exclusive distribution rights in multiple states. In addition, as distributors of Allison products, United and S & S have exclusive distribution rights in multiple key growth states. United and S & S are also the distributors for parts, service and warranty on Daimler truck engines and related equipment in multiple states. Sales and service of MTU, Allison, and Daimler products accounted for approximately ~~14~~ **13** % of the Company' s revenues during ~~2022~~ **2023** . Although the Company considers its relationships with MTU, Allison, and Daimler to be strong, the loss of MTU, Allison, or Daimler distributorships and service rights, or a disruption of the supply of MTU or Allison parts, could have a negative impact on the Company' s ability to service its customers. In addition to its relationships with MTU, Allison, and Daimler, the Company also has relationships with many other distributors and parts suppliers and the loss of a distributorship and service rights, or a disruption of the supply of parts from any of these other distributors or part suppliers could also have a negative impact on the Company' s ability to service its customers. General Corporate Risk Factors The Company is subject to adverse weather conditions in KMT and KDS. KMT is subject to weather condition volatility. Physical impacts of climate change could have a material adverse effect on the Company' s costs and operations. There has been public discussion that climate change may be associated with rising sea levels as well as extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes, drought, and snow or ice storms. Extreme weather conditions may increase the Company' s costs or cause damage to its facilities, and any damage resulting from extreme weather may not be fully insured. Many of the Company' s facilities are located near coastal areas or waterways where rising sea levels or flooding could disrupt the Company' s operations or adversely impact its facilities. Adverse weather conditions such as high or low water on the inland waterway systems, fog and ice, tropical storms, hurricanes, and tsunamis on both the inland waterway systems and throughout the United States coastal waters can impair the operating efficiencies of the marine fleet. Such adverse weather conditions can cause a delay, diversion or postponement of shipments of products and are totally beyond the control of the Company. Tropical storms and hurricanes may also impact the Company' s customers resulting in reduced demand for the Company' s services. In addition, adverse water and weather conditions can negatively affect a towing vessel' s performance, tow size, loading drafts, fleet efficiency, limit navigation periods and dictate horsepower requirements. KDS is also subject to tropical storms and hurricanes impacting its coastal locations and those of its customers as well as tornados impacting its Oklahoma facilities. The risk of flooding as a result of hurricanes and tropical storms as well as other weather events may impede travel via roadways, suspend service work, and impact deliveries and the Company' s ability to fulfill orders or provide services in KDS. The Company may be unable to make attractive acquisitions or successfully integrate acquired businesses, and any inability to do so may adversely affect the Company' s business and hinder its ability to grow. The Company has made asset and business acquisitions in the past and may continue to make acquisitions of assets or businesses in the future that complement or expand the Company' s current business. The Company may not be able to identify attractive acquisition opportunities. Even if attractive acquisition opportunities are identified, the Company may not be able to complete the acquisition or do so on commercially acceptable terms. The success of any completed acquisition depends on the Company' s ability to integrate the acquired assets or business effectively into the Company' s existing operations. The process of integrating acquired assets or businesses may involve difficulties that require a disproportionate amount of the Company' s managerial and financial resources to resolve. The value of acquired assets or businesses may be negatively impacted by a variety of circumstances unknown to the Company prior to the acquisition. In addition, possible future acquisitions may be larger and for purchase prices significantly higher than those paid for earlier acquisitions. No assurance can be given that the Company will be able to identify additional suitable acquisition opportunities, negotiate acceptable terms, obtain financing for acquisitions on acceptable terms or successfully acquire identified targets. The Company' s failure to achieve synergies, to successfully integrate the acquired businesses and assets into the Company' s existing operations, or to minimize any unforeseen operational difficulties could have a material adverse effect on the Company' s business, financial condition, and results of operations. In addition, agreements governing the Company' s indebtedness from time to time may impose certain limitations on the Company' s ability to undertake acquisitions or make investments or may limit the Company' s ability to incur certain indebtedness and liens, which could limit the Company' s ability to make acquisitions. The Company' s failure to comply with the ~~Foreign Corrupt Practices Act ("~~ FCPA ~~")~~ , or similar local applicable anti- bribery laws, could have a negative impact on its ongoing operations. The Company' s operations outside the United States require the Company to comply with both United States and international regulations. For example, in addition to any similar applicable local anti- bribery laws, the Company' s operations in countries outside the United States are subject to the FCPA, which prohibits United States companies or their employees and third party representatives from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. The Company has internal control policies and procedures and has implemented training and compliance programs for its employees and third party representatives with respect to the FCPA. However, the Company' s policies, procedures and programs may not always protect it from reckless or criminal acts committed by its employees or third party representatives, and severe criminal or civil sanctions could be the result of violations of the FCPA or any other applicable anti- bribery law in countries where the Company does business. The Company is also subject to the risks that its employees, joint venture partners, and third party representatives outside of the United States may fail to comply with other applicable laws. The Company is subject to risks associated with possible climate change legislation, regulation and international accords. Greenhouse gas emissions, including carbon emissions or energy use, have increasingly become the subject of a large amount of international, national, regional, state and local attention. International agreements and national, regional, and state legislation and regulatory measures that aim to directly or indirectly limit or reduce greenhouse gas emissions are in various stages of implementation. The United States Congress has considered, but has not passed, various bills that would create an economy- wide " cap- and- trade " system that would establish a limit (or cap) on overall greenhouse gas emissions and create a market for the purchase and sale of emissions permits or " allowances. " Any proposed cap- and- trade legislation would likely affect the chemical industry due to anticipated increases in energy costs as fuel providers pass on the cost of the emissions allowances, which they would be required to obtain under cap- and- trade to cover the emissions from fuel production and the eventual use of fuel by the Company or its energy suppliers. In addition, cap- and- trade proposals would likely increase the cost of energy, including purchases of diesel fuel, steam and electricity, and certain raw materials used or transported by the Company. Proposed domestic and international cap- and- trade systems could materially increase raw material and operating costs of the Company' s customer base. Future environmental regulatory developments related to climate change in the United States that restrict emissions of greenhouse gases could result in financial impacts on the Company' s operations that cannot be predicted with certainty at this time. In addition, current global trends incorporating carbon neutral policies and reduction in greenhouse gas emissions are driving decarbonization initiatives across all industries to mitigate the impact on climate change and may result in a decline in global and U. S. hydrocarbon usage. Such a decline in hydrocarbon usage (for example, as a result of an increase in electric vehicles) could result in a reduction in demand for (a) the Company' s services in KMT to the extent there is reduced demand for crude oil and other feedstocks used and the products produced by the Company' s major refining customers and (b) for the Company' s products and services in KDS to the extent there is reduced demand in the exploration and production of hydrocarbons by the Company' s oil and gas customers. Loss of a large customer could adversely affect the Company. Five KMT customers accounted for approximately **16 % of the Company' s 2023 revenue, and** 17 % of ~~the Company' s~~ 2022 and 2021 ~~revenue, and 18 % of 2020~~ revenue. The Company has contracts with these customers expiring in ~~2023~~ **2024** through 2026. Three KDS customers accounted for approximately **12 % of the Company' s 2023 revenue,** 9 % of ~~the Company' s~~ 2022 revenue, **and** 6 % of 2021 ~~revenue, and 3 % of 2020~~ revenue. Although the Company considers its relationships with these companies to be strong, the loss of any of these customers, or their inability to meet financial obligations, could have an adverse effect on the Company. The Company relies on critical operating assets including information systems for the operation of its businesses, and the failure of such assets or any critical information system, including as a result of natural disasters, terrorist acts, a cybersecurity attack, or other extraordinary events, may adversely impact its businesses. The Company is dependent on its critical operating assets and technology infrastructure and must maintain and rely upon critical information systems and security of its assets for the effective and safe operation of its businesses. These assets include vessels, vessel equipment, property and facilities, as well as information systems, such as software applications, hardware equipment, and data networks and telecommunications. The Company' s critical assets and information systems, including the Company' s proprietary vessel management computer system, are subject to damage or interruption from a number of potential sources, including but not limited to, natural disasters, terrorist acts, cybersecurity attacks, software viruses, and power failures. In addition to standard safety operating procedures, the Company has implemented measures such as business continuity plans, hurricane preparedness plans, emergency recovery processes, and security preparedness plans to protect physical assets and to recover from damage to such assets. The Company has also implemented virus protection software, intrusion detection systems and annual attack and penetration audits to protect information systems to mitigate these risks. However, the Company cannot guarantee that its critical assets or information systems cannot be damaged or compromised. Any damage or compromise of its critical assets or data security or its inability to use or access these critical assets and information systems could adversely impact the efficient and safe operation of its businesses, or result in the failure to safely operate its equipment, and maintain the confidentiality of data of its customers or its employees and could subject the Company to increased operating expenses or legal action, which could have an adverse effect on the Company. Although to date the Company is unaware of any material data breach or system disruption, including a cyber- attack, the Company cannot provide any assurances that such events and impacts will not be material in the future. The Company' s efforts to deter, identify, mitigate and / or eliminate future breaches may require significant additional effort and expense and may not be successful. Limitations on the Company' s ability to obtain, maintain, protect, or enforce its proprietary information and any successful intellectual property challenges or infringement proceedings, including its trade secrets could affect the Company' s competitive position. The Company' s distribution and services businesses rely on a variety of intellectual property rights for its product and services. The Company' s intellectual property could be adversely affected by successful intellectual property challenges or infringement proceedings against it which could materially and adversely affect its competitive position. The Company may also be adversely affected when its patents are unenforceable, where claims allowed are not sufficient to protect its technology or its trade secrets are not adequately protected. The Company' s failure to protect its proprietary information and any successful challenges to the Company' s intellectual property rights could have an adverse effect on the Company. A deterioration of the Company' s credit profile, disruptions of the credit markets or higher interest rates could restrict its ability to access the debt capital markets or increase the cost of debt. Deterioration in the Company' s credit profile may have an adverse effect on the Company' s ability to access the private or public debt markets and also may increase its borrowing costs. If the Company' s credit profile deteriorates significantly its access to the debt capital markets or its ability to renew its committed lines of credit may become restricted, its cost of debt may increase, or the Company may not be able to refinance debt at the same levels or on the same terms. Because the Company relies on its ability to draw on its Revolving Credit Facility to support its operations as needed, any volatility in the credit and financial markets that prevents the Company from accessing funds on acceptable terms could have an adverse effect on the Company' s financial condition and cash flows. Additionally, the pricing grids on Company' s Revolving Credit Facility and Term Loan contain a ratings grid that includes a possible increase in borrowing rates if the Company' s rating declines. Furthermore, the Company incurs interest under its Revolving Credit Facility based on floating rates. Floating rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect the Company' s cash flow and results of operations. Corporate responsibility, specifically related to ESG matters, may impose additional costs and expose the Company to new risks. There is an increasing focus from regulators, certain investors, and other stakeholders concerning environmental, social, and governance (" ESG ") matters, both in the United States and internationally. The Company communicates certain ESG- related initiatives, goals, and / or aspirations regarding environmental matters, diversity, responsible sourcing and social investments, and other matters in its annual Sustainability Report, on its website, in its filings with the SEC, and elsewhere. These initiatives, goals, or aspirations reflect the Company' s current plans and are not guarantees that the Company will be able to achieve them. The standards for tracking and reporting on ESG matters are relatively new, have not been harmonized and continue to evolve. **Further, the statutory and regulatory requirements continue to evolve as well. In 2023, the State of California enacted climate related legislation and the SEC is expected to issue its own climate disclosure rules in 2024, both of which will or are expected to impose additional reporting requirements on the Company resulting in additional compliance cost and expense.** The Company' s selection of disclosure frameworks that seek to align with various ~~voluntary~~ reporting standards may change from time to time and may result in a lack of comparative data from period to period. The ESG- related initiatives, goals and / or aspirations could be difficult to achieve and costly to implement, and the Company may be unable to economically develop or deploy technologies to achieve its goals or aspirations, if at all. In addition, the Company could be criticized for the timing, scope or nature of these initiatives, goals, or aspirations, or for any revisions to them. **As mandatory** ~~To the extent that the required~~ and voluntary disclosures about ESG matters increase, the Company could be **penalized or** criticized for the accuracy, adequacy, or completeness of such disclosures. The Company' s actual or perceived failure to report accurately or achieve its ESG- related initiatives, goals, or aspirations could **result in government enforcement action,** negatively impact its reputation, result in ESG- focused investors not purchasing and holding Company stock, or otherwise materially harm the Company' s business. Increased prices and inflation could negatively impact the Company' s margin performance and financial results. Increased inflation, including rising prices for items, such as raw materials, fuel, parts and components, freight, packaging, supplies, labor and energy increases the Company' s costs to provide services and manufacture and distribute the Company' s products. The Company does not currently use financial derivatives to hedge against volatility in commodity prices. The Company uses market prices for materials, fuel, parts and components. The Company may be unable to pass these rising costs on to its customers. To mitigate this exposure, the Company attempts to include cost escalation clauses in its longer- term marine transportation contracts whereby certain costs, including fuel, can largely be passed through to its customers. In KDS, the cost of major components for large manufacturing orders is secured with suppliers at the time a customer order is finalized, which limits exposure to cost escalations. Results of operations and margin performance can be negatively affected if the Company is unable to mitigate the impact of these cost increases through contractual means and is unable to increase prices to sufficiently offset the effect of these cost increases. The Company could be adversely impacted by materials shortages, delays, and disruptions in supply chain. Materials, components, and equipment essential to the Company' s operations, such as original equipment manufacturer engines, transmissions, generators, electrical components and steel, are normally readily available, but shortages as a result of supply chain disruptions can adversely impact the Company' s operations, particularly where the Company has a relationship with a single supplier for a particular resource. Many of the items essential to the Company' s business require the use of shipping services to transport them to the Company' s facilities. Shipping delays or disruptions may result in operational slowdowns, especially where materials, components, or equipment are necessary to complete a project or order for the Company' s customers, particularly in the manufacturing business of **KDS** ~~our distribution and services segment~~ . These constraints could have a material adverse effect on the Company and contribute to increased buildup of inventories. In addition, price increases imposed by the Company' s vendors for materials and shipping services used in its business, and the inability to pass these increases through to its customers, could have a material adverse effect on the Company. Continuing impacts resulting from actual or threatened health epidemics, and pandemics or other major health crisis could materially and adversely affect ~~our~~ **the Company' s** business, financial condition and results of operations. The Company' s business could be impacted adversely by the effects of public health epidemics, pandemics or other major heath crises (which we refer to collectively as public health crises). Actual or threatened public health crises may have a number of adverse impacts, including volatility in the global economy, impacts to ~~our~~ **the Company' s** customers' business operations, or significant disruptions in waterborne transportation of cargoes, and supply chain activity, caused by a variety of factors such as quarantines, supplier factory and office closures, or other government- imposed restrictions, any of which could adversely impact ~~our~~ **the Company' s** business, financial condition, and results of operations. In response to the COVID- 19 pandemic, various countries, including the United States, either mandated or recommended business closures, travel restrictions or limitations, social distancing, and / or self-quarantine, among other restrictions. Additionally, various state and local governments in locations where the Company operates took similar actions. Governments ~~have~~ removed, eased, reinstated, or implemented new protocols or restrictions in response to reassessment of the risk of COVID- 19, based in part on, changing levels of infection and hospitalization rates. There has been and continues to be a negative impact on the global and United States economies and supply chains, including the oil and gas industry, which has created delays and reduced demand for the Company' s products and services and in some cases, resulted in delays in performance of its contracts with customers. The Company is unable to predict the extent to which major health crisis or other public health threats that may arise in the future may affect the global and United States economies and supply chain, which could have a material impact on its business. The degree to which any future disease outbreaks or public health threats may impact the Company' s revenues, results of operations and financial condition is uncertain and will depend on future developments. The impact of ~~the~~ **epidemics or** COVID- 19 **and** ~~pandemic or~~ other ~~epidemics or~~ pandemics may also exacerbate other risks discussed above, any of which could have a material effect on the Company.