Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition, and results of operations. You should read this summary together with the more detailed description of each risk factor contained below. Risks Related to Our Operations • The loss of key personnel or our inability to attract and retain qualified personnel could significantly disrupt our business. • We depend on the continued services of Mr. Dickerson Wright, our Chairman and Chief Executive Officer. • Demand from our state and local government and private clients is cyclical. • Federal and state budgetary processes and constraints may have a material adverse impact on us. • We derive a majority of our gross revenues from public and quasi- public governmental agencies ~~. • We face business disruption and related risks resulting from the ongoing effects of the novel coronavirus 2019 (COVID- 19) pandemic~~ . • Public sector agencies may modify, curtail, or terminate our contracts at any time prior to their completion and, if we do not replace them, we may suffer a decline in revenue. • We may fail to win or renew contracts with private and public sector clients which may adversely affect our business. • If we fail to perform on a project, we may incur a loss on that project, which may reduce or eliminate our overall profitability. • We depend on a limited number of clients for a significant portion of our business. • Our industry is highly competitive and we may not be able to compete effectively with competitors. • Losses under lump- sum contracts may adversely impact our business operations and financial results. • We are subject to client credit risks. • Public employee unions may seek to limit the ability of public agencies to contract with private firms such as us. • Our use of the percentage- of- completion method of revenue recognition requires that we estimate costs to be incurred under long- term contracts. Incorrect estimates could result in a reduction or reversal of previously recorded revenue and profits. • Our actual business and financial results could differ from estimates and assumptions used to prepare our financial statements. • Our profitability could suffer if we are not able to maintain adequate utilization of our workforce. • Failure of our sub- consultants to satisfy their obligations could adversely impact our business operations and financial results. • Legal proceedings, investigations, and disputes could result in substantial monetary penalties and damages. • Unavailability or cancellation of third- party insurance coverage would increase our overall risk exposure. • Our failure to implement and comply with our safety program may adversely impact our financial results. • Weather conditions and seasonal revenue fluctuations may adversely impact our financial results. • We have only a limited ability to protect our intellectual property rights. • We rely on third- party internal and outsourced software to run our critical information systems. • U. S. and global economic uncertainties may adversely impact our operating results. • Unanticipated catastrophic events may adversely impact our business operations. • We are highly dependent on information technology- system failures and breaches could significantly affect us. • Cybersecurity breaches of our systems and information technology could adversely impact our ability to operate. Risks Related to Our Indebtedness • Our indebtedness contains a number of restrictive covenants which could limit our flexibility. • Our variable rate indebtedness subjects us to interest rate risk. Risks Related to Our Acquisition Strategy • We have made and expect to continue to make acquisitions that could disrupt our operations. • If we are not able to integrate acquired businesses successfully, our business could be harmed. • We may not be able to successfully manage our growth strategy. Risks Related to Regulatory Compliance • As a government contractor, we must comply with procurement laws and are subject to regular government audits. • Misconduct or compliance failures may adversely impact our reputation as well as subject us to legal actions. • Changes in laws, regulations, and programs, including those related to energy efficiency, could reduce the demand for our services, negatively impacting our revenue. • We may be subject to liabilities under environmental laws, including un- indemnified liabilities assumed in acquisitions. • Changes in tax laws could increase our tax rate and materially affect our results of operations. • Our revenue and growth prospects may be harmed if we or our employees are unable to obtain government granted eligibility or other qualifications we and they need to perform services for our customers. • If our reports and opinions are not in compliance with professional standards and other regulations, we could be subject to monetary damages and penalties **. • Our failure to comply with export laws and regulations may adversely impact our operations** . Risks Related to Our Common Stock • Our Chairman and Chief Executive Officer owns a large percentage of our voting stock. • Applicable legal protections we have adopted could discourage a takeover and adversely affect existing stockholders. • Future issuances of our common stock pursuant to our equity incentive plan may have a dilutive effect on your investment. • We currently do not pay dividends and do not intend to pay dividends on our shares of common stock in the foreseeable future. As a provider of technology, conformity assessment, and consulting solutions, our business is labor intensive and, therefore, our ability to attract, retain, and expand our senior management, sales personnel, and professional and technical staff is an important factor in determining our future success. The market for qualified scientists, engineers, and sales personnel is competitive and we may not be able to attract and retain such professionals. It may also be difficult to attract and retain qualified individuals in the timeframe demanded by our clients. Furthermore, some of our government contracts may require us to employ only individuals who have particular government security clearance levels. Our failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively. The loss of the services of any key personnel could adversely affect our business. We do not maintain key- man life insurance policies on any of our executive officers. We depend on the continued services of Mr. Dickerson Wright, our Chairman and Chief Executive Officer. We cannot assure you that we will be able to retain the services of Mr. Wright. We are dependent upon the efforts and services of Mr. Dickerson Wright, our Chairman and Chief Executive Officer, because of his knowledge, experience, skills, and relationships with major clients and other members of our management team. Mr. Wright' s amended and restated employment agreement terminates in August 2024, and Mr. Wright may terminate the agreement upon sixty days’ notice to us. The loss of the services of Mr. Wright for any reason could have an adverse effect on our operations. Demand from our state and local government and private clients is cyclical and vulnerable to economic downturns. If the economy weakens or client spending declines, our financial results may be impacted. Demand for services from our state and local government and private clients is cyclical and vulnerable to economic downturns, which may result in clients delaying, curtailing, or canceling proposed and existing projects. Our business traditionally lags the overall recovery in the economy and therefore, our business may not recover immediately when the economy improves. If the economy weakens or client spending declines further, then our revenue, profits, and overall financial condition may deteriorate. Our state and local government clients may face budget deficits that prohibit them from funding new or existing projects. In addition, our existing and potential clients may either postpone entering into new contracts or request price concessions. Difficult financing and economic conditions may cause some of our clients to demand better pricing terms or delay payments for services we perform, thereby increasing the average number of days our receivables are outstanding and the potential of increased credit losses on uncollectible invoices. Further, these conditions may result in the inability of some of our clients to pay us for services that we have already performed. If we are not able to reduce our costs quickly enough to respond to the revenue decline from these clients, our operating results may be adversely affected. Accordingly, these factors affect our ability to forecast our future revenue and earnings from business areas that may be adversely impacted by market conditions. A delay in the completion of the budget process of the U. S. government could delay procurement of our services and have an adverse effect on our future revenue. We provide services to the U. S. Federal government, if the U. S. government does not complete its budget process before its fiscal year- end on September 30, government operations may be funded by means of a continuing resolution. Under a continuing resolution, the government essentially authorizes agencies of the U. S. government to continue to operate and fund programs at the prior year end but does not authorize new spending initiatives. When the U. S. government operates under a continuing resolution, or should appropriations legislation not be enacted prior to the expiration of such continuing resolution resulting in a partial shut- down of federal government operations, government agencies may delay the procurement of services, which could reduce our future revenue. California state budgetary constraints may have a material adverse impact on us. The state of California has historically been and is a key geographic region for our business. Approximately **26 %,** 28 %, **and** 26 ~~%, and 28~~ % of our gross revenues during fiscal years **2023,** 2022, **and** 2021 ~~, and 2020~~ , respectively, came from California- based projects. The timing and accessibility of budgetary funding, changes in state funding allocations to local agencies and municipalities, or other delays in purchasing for, or commencement of, projects may have a negative impact on our gross revenues and net income. We derive a majority of our gross revenues from public and quasi- public governmental agencies, and any disruption in government funding or in our relationship with those agencies could adversely affect our business. During fiscal ~~2022~~ **2023** , approximately ~~64~~ **68** % of our gross revenues were attributable to public and quasi- public sector clients. A significant amount of our revenues are derived under multi- year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by numerous factors as noted below. The demand for our government- related services is generally driven by the level of government program funding. Accordingly, the success and further development of our business depends, in large part, upon the continued funding of these government programs and upon our ability to obtain contracts and perform well under these programs. There are several factors that could materially affect our government contracting business, including the following: • changes in and delays or cancellations of government programs, requirements, or appropriations, • budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide, • re- competes of government contracts, • the timing and amount of tax revenue received by federal, state, and local governments, and the overall level of government expenditures, • curtailment in the use of government contracting firms, • delays associated with insufficient numbers of government staff to oversee contracts, • the increasing preference by government agencies for contracting with small and disadvantaged businesses, including the imposition of set percentages of prime and subcontracts to be awarded to such businesses for which we would not qualify, • competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide, • the adoption of new laws or regulations affecting our contracting relationships with the federal, state, or local governments, • a dispute with, or improper activity by, any of our subcontractors, and • general economic or political conditions. These and other factors could cause government agencies to delay or cancel programs, to reduce their orders under existing contracts, to exercise their rights to terminate contracts, or not to exercise contract options for renewals or extensions. Any of these actions could have a material adverse effect on our revenue or timing of contract payments from these agencies ~~. We may face business disruption and related risks resulting from the novel coronavirus 2019 (COVID- 19) pandemic, which could have a material adverse effect on our business and results of operations. The spread of COVID- 19 across the world resulted in the Director General of the World Health Organization declaring the outbreak of COVID- 19 as a global pandemic in March 2020. The continued global spread of the COVID- 19 pandemic- including the discovery of variant strains of the virus- and the responses thereto are complex and rapidly evolving, and the extent to which the pandemic impacts our business, financial condition, and results of operations, including the duration and magnitude of such impacts, will depend on numerous evolving factors that we may not be able to accurately predict or assess. COVID- 19, and the volatile regional and global economic conditions stemming from the pandemic, as well as reactions to future pandemics or resurgences of COVID- 19, could also precipitate or aggravate the other risk factors that we identify in this Annual Report on Form 10- K, which in turn could materially adversely affect our business, financial condition, and results of operations. There may be other adverse consequences to our business, financial condition, and results of operations from the impacts of COVID- 19 that we have not considered or have not become apparent. As a result, we cannot assure you that COVID- 19 would not have an adverse impact on our business, financial condition, and results of operations~~ . Most public sector contracts may be modified, curtailed, or terminated at any time. If a contract is terminated, we typically are able to recover only costs incurred or committed, settlement expenses, and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profits from that contract. Our failure to win new contracts and renew existing contracts with private and public sector clients may adversely affect our business operations and financial results. Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors. These factors include market conditions, financing arrangements, prevailing interest rates, and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required government approvals, we may not be able to pursue particular projects, which could adversely affect our profitability. Our inability to win or renew government contracts during regulated procurement processes or preferences granted to certain bidders for which we would not qualify could harm our operations and significantly reduce or eliminate our profits. Government contracts are awarded through a regulated procurement process. The U. S. Federal government has increasingly relied upon multi- year contracts with pre- established terms and conditions, such as indefinite delivery / indefinite quantity (" IDIQ ") contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. The increased competition may require us to make sustained efforts to reduce costs to realize revenue and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. The U. S. Federal government has also increased its use of IDIQs in which the client qualifies multiple contractors for a specific program and then awards specific task orders or projects among the qualified contractors. As a result, new work awards tend to be smaller and of shorter duration, since the orders represent individual tasks rather than large, programmatic assignments. In addition, even if we are qualified to work on a government contract, we may not be awarded certain contracts because of existing government policies designed to protect small businesses and underrepresented minority contractors. The federal government has announced specific statutory goals regarding awarding prime and subcontracts to small businesses, women- owned small businesses, and small disadvantaged businesses, which may obligate us to involve such businesses as subcontractors with respect to these contracts at lower margins than when we use our own professionals. While we are unaware of any reason why our status as a public company would negatively impact our ability to compete for and be awarded government contracts, our inability to win or renew government contracts during regulated procurement processes or as a result of the policies pursuant to which these processes are implemented could harm our operations and significantly reduce or eliminate our profits. If we fail to complete a project in a timely manner, miss a required performance standard, or otherwise fail to adequately perform on a project, then we may incur a loss on that project, which may reduce or eliminate our overall profitability. Our engagements often involve large- scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. If a project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The performance of projects can be affected by a number of factors including unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, and labor disruptions. To the extent these events occur, the total costs of the project could exceed our estimates and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes, or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. Our ten largest clients accounted for approximately ~~28~~ **27** % of our gross revenues during the fiscal year ended December ~~31~~ **30** , ~~2022~~ **2023** . The loss of, or reduction in orders from, these large clients could have a material adverse effect on our business, financial condition, and results of operations. Our industry is highly fragmented and intensely competitive. Our competitors are numerous, ranging from small private firms to multi- billion dollar public companies. Contract awards are based primarily on quality of service, relevant experience, staffing capabilities, reputation, geographic presence, stability, and price. In addition, the technical and professional aspects of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. Many of our competitors have achieved greater market penetration in some of the markets in which we compete and have more personnel, technical, marketing, and financial resources or financial flexibility than we do. As a result of the number of competitors in the industry, our clients may select one of our competitors on a project due to competitive pricing or a specific skill set. These competitive forces could force us to make price concessions or otherwise reduce prices for our services. If we are unable to maintain our competitiveness, our market share, revenue, and profits could decline. Lump- sum contracts typically require the performance of all the work under the contract for a specified lump- sum fee, subject to price adjustments if the scope of the project changes or unforeseen conditions arise. During fiscal **2023,** 2022, **and** 2021, ~~and 2020,~~ approximately **50 %,** 44 %, **and** 44 ~~%, and 45~~ % of our revenue was recognized under lump- sum contracts. Lump- sum contracts expose us to a number of risks not inherent in cost- plus and time and material contracts, including underestimation of costs, ambiguities in specifications, unforeseen costs or difficulties, problems with new technologies, delays beyond our control, failures of subcontractors to perform, and economic or other changes that may occur during the contract period. Losses under lump- sum contracts could adversely impact our results of operations. If our clients delay in paying or fail to pay amounts owed to us, our business operations and financial results may be adversely impacted. Our accounts receivable are a significant asset on our balance sheet. While we take steps to evaluate and manage the credit risks relating to our clients, economic downturns, prevailing interest rates, or other events can adversely affect the markets we serve and our clients' ability to pay, which could reduce our ability to collect amounts due from clients. If our clients delay in paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, results of operations, and financial condition. If we extend a significant portion of our credit to clients in a specific geographic area or industry, we may experience disproportionately high levels of collection risk and nonpayment if those clients are adversely affected by factors particular to their geographic area or industry. Our clients include public and private entities that have been, and may continue to be, negatively impacted by the changing landscape in the global economy. We face collection risk as a normal part of our business where we perform services and subsequently bill our clients for such services. Our ten largest clients accounted for approximately ~~28~~ **27** % of our gross revenues during fiscal ~~2022~~ **2023** . In the event that we have concentrated credit risk from clients in a specific geographic area or industry, continuing negative trends or a worsening in the financial condition of that specific geographic area or industry could make us susceptible to disproportionately high levels of default by those clients. Such defaults could materially adversely impact our ability to collect our receivables and, ultimately, our revenues and results of operations. State and other public employee unions may bring litigation that seeks to limit the ability of public agencies to contract with private firms to perform government employee functions in the area of public improvements. Judicial determinations in favor of these unions could affect our ability to compete for contracts and may have an adverse effect on our financial results. State and other public employee unions have challenged the validity of propositions, legislation, charters, and other government regulations that allow public agencies to contract with private firms to provide services in the fields of engineering, design, and construction of public improvements that might otherwise be provided by public employees. These challenges could have the effect of eliminating or severely restricting the ability of municipalities to hire private firms and otherwise require them to use union employees to perform the services. If a state or other public employee union is successful in its challenge, this may result in additional litigation which could affect our ability to compete for contracts. During fiscal **2023,** 2022, **and** 2021, ~~and 2020,~~ approximately **50 %,** 44 %, **and** 44 ~~%, and 45~~ % of our revenues were associated with contracts accounting for using the percentage- of- completion method of revenue recognition. Our use of percentage- of- completion accounting requires that revenue and profit be recognized ratably over the life of the contract based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to revenue and estimated costs, including the achievement of award fees as well as the impact of change orders and claims, are recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. The uncertainties inherent in the estimating process make it possible for actual costs to vary materially from initial and updated estimates. Our actual business and financial results could differ from the estimates and assumptions that we use to prepare our financial statements, which may significantly reduce or eliminate our profits. The preparation of financial statements in conformity with generally accepted accounting principles in the U. S. (" GAAP ") requires management to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions could affect the reported values of assets, liabilities, revenue, and expenses as well as disclosures of contingent assets and liabilities. For example, we recognize a portion of revenue over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include: • the application of the percentage- of- completion method of accounting and revenue recognition on contracts, change orders, and contract claims, • provisions for uncollectible receivables and client claims and recoveries of costs from subcontractors, vendors, and others, • value of goodwill and recoverability of other intangible assets, and • valuations of assets acquired and liabilities assumed in connection with business combinations. Our actual business and financial results could differ from those estimates, which may significantly reduce or eliminate our profit. The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including: • our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees, • our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforces, • our ability to manage attrition, • our need to devote time and resources to training, business development, professional development, and other non- chargeable activities, and • our ability to match the skill sets of our employees to the needs of the marketplace. If we over- utilize our workforce, our employees may become disengaged, which will impact employee attrition. If we under- utilize our workforce, our profit margin and profitability could suffer. Failure of our sub- consultants to satisfy their obligations to us or other parties, or the inability to maintain these relationships, may adversely impact our business operations and financial results. We depend on sub- consultants in conducting our business. There is a risk that we may have disputes with our sub- consultants arising from, among other things, the quality and timeliness of work performed, client concerns, or failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our sub- consultants fail to deliver on a timely basis the agreed- upon supplies, go out of business, or fail to perform on a project, our ability to fulfill our obligations may be jeopardized and we may be contractually responsible for the work performed. The absence of qualified sub- consultants with which we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. We also rely on relationships with other contractors when we act as their sub- consultants or joint venture partner. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts, or refuses to pay under a contract. Legal proceedings, investigations, and disputes, including those assumed in acquisitions of other businesses for which we may not be indemnified, could result in substantial monetary penalties and damages. We engage in professional and technical consulting services that can result in substantial injury or damages that may expose us to legal proceedings, investigations, and disputes. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of projects for our clients. We may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. As a public company, we also face the risk that one or more securities class action lawsuits will be filed claiming investor losses are attributable to alleged material misstatements in, or omissions of material facts from, our filings with the SEC or otherwise. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities. However, insurance coverage contains exclusions and other limitations that may not cover our potential liabilities and as such, we may incur liabilities that exceed or that are excluded from our insurance coverage or for which we are not insured. In addition, there can be no assurance that we will be able to obtain coverage at a cost- effective rate in the future. Unavailability or cancellation of third- party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations. We maintain insurance coverage from third- party insurers as part of our overall risk management strategy and some of our contracts require us to maintain specific insurance coverage limits. If any of our third- party insurers fail, suddenly cancel our coverage, or otherwise are unable to provide us with adequate insurance coverage, our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits. Our failure to implement and comply with our safety program may adversely impact our operations. Our safety program is a fundamental element of our overall approach to risk management and the implementation of the safety program is significant to our clients. We maintain an enterprise- wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, the cost of a project to our clients and our operating costs as well as expose us to types and levels of risk that are fundamentally unacceptable. The implementation of our safety processes and procedures are monitored by various agencies and rating bureaus and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. We may be adversely affected if we fail to meet these requirements or do not properly implement and comply with our safety program. Weather conditions and seasonal revenue fluctuations may adversely impact on our financial results. Our financial results during the months of November through March may be impacted by adverse weather conditions and the holiday season. As a result, our revenue and net income for the first and fourth quarters of our fiscal year may be lower when compared to our results for the second and third quarters of our fiscal year. If we were to experience lower- than- expected revenues during any such period, our expenses may not be offset. We have only a limited ability to protect our intellectual property rights, and our failure to protect our intellectual property rights may adversely affect our competitive position. Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. We rely principally on trade secrets to protect much of our intellectual property where we do not believe that patent or copyright protection is appropriate or obtainable. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection would adversely affect our competitive business position. In addition, if we are unable to prevent third parties from infringing or misappropriating our trademarks or other proprietary information, our competitive position could be adversely affected. We rely on third- party internal and outsourced software to run our critical accounting, project management, and financial information systems. As a result, any sudden loss, disruption, or unexpected costs to maintain these systems could significantly increase our operational expense and disrupt the management of our business operations. We rely on third- party software to run our critical accounting, project management, and financial information systems. We also depend on our software vendors to provide long- term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration, or long- term software maintenance support for our information systems, in which case we might need to abandon one or more of our current information systems and migrate some or all our accounting, project management, and financial information to other systems, thus increasing our operational expense as well as disrupting the management of our business operations. U. S. and global economic uncertainties and specific conditions in the markets we address may adversely impact our operating results. Over the past several years, the general worldwide economy has been affected, at various times, to slower economic activity, concerns about inflation and deflation, increased energy costs, international trade disputes and imbalances, and adverse business conditions. These conditions may make it difficult for our clients and vendors to accurately forecast future business activities, which could cause businesses to slow spending on services. Such conditions may also make it difficult for us to predict the short- term and long- term impacts of these trends on our business. We cannot predict the timing, strength, or duration of any economic slowdown or subsequent economic recovery worldwide or in our industry, and any such economic slowdown could have any adverse effect on our results of operations. Our business operations may be adversely impacted by force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man- made disasters as well as the outbreak or escalation of military hostilities or terrorist attacks. Such events could result in the closure of offices, interruption of projects, and the relocation of employees. We typically remain obligated to perform our services after a terrorist attack or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our business operations. Further, we rely on our network and third- party infrastructure and enterprise applications, internal technology systems, and our website for our development, marketing, operational, support, hosted services, and sales activities. Despite our implementation of network security measures, we are vulnerable to disruption, infiltration, or failure of these systems or third- party hosted services in the event of a major earthquake, fire, power loss, telecommunications failure, cyber- attack, war, terrorist attack, or other catastrophic event could cause system interruptions, reputational harm, loss of intellectual property, lengthy interruptions in our services, breaches of data security, and loss of critical data and could harm our future operating results. We are highly dependent on information and communications systems. System failures, security breaches of networks or systems could significantly disrupt our business and operations and negatively affect the market price of our common stock. Our business is highly dependent on communications and information systems. These systems are primarily operated by third- parties and, as a result, we have limited ability to ensure their continued operation. In the event of systems failure or interruption, we have limited ability to affect the timing and success of systems restoration. Any failure or interruption of our systems could cause delays or other problems in the delivery of our services, which could have a material adverse effect on our operating results and negatively affect the market price of our common stock. We rely on information technology systems, networks, and infrastructure in managing our day- to- day operations. Despite cybersecurity measures already in place, our information technology systems, networks and infrastructure may be vulnerable to deliberate attacks or unintentional events that could interrupt or interfere with their functionality or the confidentiality of our information. Our inability to effectively utilize our information technology systems, networks and infrastructure, and protect our information could adversely affect our business. We must protect our own internal trade secrets and other business confidential information from disclosure. We face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber- attacks, and other security problems and system disruptions, including possible unauthorized access to our and our clients' proprietary or classified information. As a result of the developing conflict between Russia and the Ukraine, in February 2022 the U. S. Cybersecurity and Infrastructure Security Agency issued a" Shields Up" alert for American organizations noting the potential for Russia’ s cyber- attacks on Ukrainian government and critical infrastructure organizations to impact organizations both within and beyond the U. S., particularly in the wake of sanctions imposed by the United States and its allies. We rely on industry- accepted security measures and technology to securely maintain all confidential and proprietary information on our information systems. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to these threats. A user who circumvents security measures could misappropriate confidential or proprietary information, including information regarding us, our personnel and / or our clients, or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows. Although the aggregate impact on our operations and financial condition has not been material to date, we have been the target of events of this nature and expect them to continue as cybersecurity threats have been rapidly evolving in sophistication and becoming more prevalent in the industry. Our credit agreement with Bank of America, N. A. contains a number of restrictive covenants which could limit our ability to finance future operations, acquisitions or capital needs or engage in other business activities that may be in our interest. Our credit agreement contains a number of significant covenants that impose operating and other restrictions on us and our subsidiaries. Such restrictions affect or could affect, and in many respects limit or prohibit, among other things, our ability and the ability of certain of our subsidiaries to: • incur additional indebtedness, • create liens, • pay dividends and make other distributions in respect of our equity securities, • redeem our equity securities, • enter into certain lines of business, • make certain investments or certain other restricted payments, • sell certain kinds of assets, • enter into certain types of transactions with affiliates, and • undergo a change in control or effect certain mergers or consolidations. In addition, our credit agreement also requires us to comply with a consolidated fixed charge coverage ratio and consolidated leverage ratio. Our ability to comply with these ratios may be affected by events beyond our control. These restrictions could limit our ability to plan for or react to market or economic conditions or meet capital needs or otherwise restrict our activities or business plans and could adversely affect our ability to finance our operations, acquisitions, investments, or strategic alliances or other capital needs or to engage in other business activities that would be in our interest. A breach of any of these covenants or our inability to comply with the required financial ratios could result in a default under the credit agreement. If an event of default occurs, the lenders under the credit agreement could elect to: • declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable, • require us to apply all of our available cash to repay the borrowings, or • prevent us from making debt service payments on certain of our borrowings. If we were unable to repay or otherwise refinance these borrowings when due, the lenders under the credit agreement could sell the collateral securing the credit agreement, which constitutes a significant majority of our subsidiaries' assets. Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly. Borrowings under our credit agreement are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though any amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of December ~~31~~ **30** , ~~2022~~ **2023** , we had $ ~~33~~ **195** . 8 million outstanding under the credit agreement. We may determine to enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in the future in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk and could be subject to credit risk themselves ~~. On March 5, 2021, the United Kingdom Financial Conduct Authority, which regulates LIBOR (London Interbank Offered Rate), confirmed that LIBOR USD rates for overnight, one-, three-, six-, and 12- month maturities will cease to be published immediately after June 30, 2023. The U. S. Federal Reserve has selected the Secured Overnight Funding Rate (" SOFR") published by the Federal Reserve Bank of New York, as the replacement rate for contracts that reference LIBOR as a benchmark rate and that do not contain either a specified replacement rate or a replacement mechanism after USD LIBOR ceases publication. In addition, recent New York state legislation effectively codified the use of SOFR as the alternative to LIBOR in the absence of another chosen replacement rate, which may affect contracts governed by New York state law, including our credit agreement. Our credit agreement provides for the replacement of LIBOR, which prior to June 30, 2023 will likely be transitioned to SOFR (“ LIBOR Transition ”). SOFR is calculated differently from LIBOR and uncertainty regarding~~

~~whether or when SOFR or other alternative reference rates will be widely accepted by lenders as the replacement for LIBOR may impact the liquidity of the SOFR loan market, and SOFR itself. Since the initial publication of SOFR, daily changes in the rate have, on occasion, been more volatile than daily changes in comparable benchmark or market rates~~. We have made and expect to continue to make acquisitions that could disrupt our operations and adversely impact our business and operating results. Our inability to successfully integrate acquisitions could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations. A key part of our growth strategy is to acquire other companies that complement our service offerings or broaden our technical capabilities and geographic presence. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example: • we may not be able to identify suitable acquisition candidates or acquire additional companies on acceptable terms, • we may pursue international acquisitions, which inherently pose more risk than domestic acquisitions, • we compete with others to acquire companies, which may result in decreased availability of, or increased price for, suitable acquisition candidates, • we may not be able to obtain the necessary financing on favorable terms, or at all, to finance any of our potential acquisitions, • we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a company, and • acquired companies may not perform as we expect, and we may fail to realize anticipated revenue and profits. On December 22, 2017, the U. S. enacted the Tax Cuts and Jobs Act (" 2017 Tax Reform "), which significantly revised the U. S. tax code by, among other things, lowering the corporate income tax rate from 35 % to 21 %, limiting the deductibility of interest expense, implementing a territorial tax system, and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. Future debt- financed acquisitions could be impacted by this change. Future acquisitions may also be impacted by future tax changes. Our acquisition strategy may divert management' s attention away from our existing businesses, resulting in the loss of key clients or key employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor- in- interest for undisclosed or contingent liabilities of acquired businesses or assets. Our inability to successfully integrate future acquisitions could impede us from realizing all the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities, and competitive responses, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others: • unanticipated issues in integration of information, communications, and other systems, • unanticipated incompatibility of logistics, marketing, and administration methods, • maintaining employee morale and retaining key employees, • integrating the business cultures of both companies, • preserving important strategic client relationships, • consolidating corporate and administrative infrastructures and eliminating duplicative operations, or • coordinating geographically separate organizations. In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings, or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all. Further, acquisitions may also cause us to: • issue securities that would dilute our current stockholders' ownership percentage, • use a substantial portion of our cash resources, • increase our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition, • assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners or have indemnification that may be subject to dispute or concerns regarding the creditworthiness of the former owners, • record goodwill and non- amortizable intangible assets that are subject to impairment testing on a regular basis and potential impairment charges, • experience volatility in earnings due to changes in contingent consideration related to acquisition liability estimates, • incur amortization expenses related to certain intangible assets, • lose existing or potential contracts due to conflicts- of- interest, • incur large and immediate write- offs, or • become subject to litigation. If we are not able to successfully manage our growth strategy, our business operations and financial results may be adversely affected. Our expected future growth presents numerous managerial, administrative, and operational challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate, and retain both our management and professional employees. The inability of our management to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business. As a government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits. A violation of any of these laws and regulations or the failure to pass a government audit could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor and could reduce our profits and revenue. We must comply with and are affected by U. S. Federal, state, local, and foreign laws and regulations relating to the formation, administration, and performance of government contracts. For example, we must comply with defective- pricing clauses found within the Federal Acquisition Regulation (" FAR "), the Truth in Negotiations Act, Cost Accounting Standards (" CAS "), the Services Contract Act, and the U. S. Department of Defense security regulations, as well as many other rules and regulations. In addition, we must also comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting, and anti- fraud measures, as well as many other regulations in order to maintain our government contractor status. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct, and non- compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud, or other improper activities. Government agencies routinely audit and investigate government contractors. These government agencies review and audit a government contractor' s performance under its contracts and cost structure and evaluate compliance with applicable laws, regulations, and standards. In addition, during the course of its audits, such agencies may question our incurred project costs. If such agencies believe we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the agency auditor may recommend to our U. S. government corporate administrative contracting officer that it disallow such costs. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that such government audits will not result in a material disallowance for incurred costs in the future. In addition, government contracts are subject to a variety of other requirements relating to the formation, administration, performance, and accounting for these contracts. We may also be subject to qui tam litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for treble damages. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our government contractor status could reduce our profits and revenue significantly. Employee, agent or partner misconduct or our overall failure to comply with laws or regulations may adversely impact our reputation and financial results as well as subject us to criminal and civil enforcement actions. Misconduct, fraud, non- compliance with applicable laws and regulations, or other improper activities by one of our employees, agents, or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with regulations regarding government procurements, the protection of classified information, bribery and other foreign corrupt practices, pricing of labor and other costs in government contracts, lobbying or similar activities, internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, the FCPA, and similar anti- bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non- U. S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these regulations and laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees and agents. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions. Changes in resource management or infrastructure industry laws, regulations, and programs could directly or indirectly reduce the demand for our services which could in turn negatively impact our revenue. Some of our services are directly or indirectly impacted by changes in U. S. Federal, state, local, or foreign laws and regulations pertaining to resource management, infrastructure, and the environment. In addition, growing concerns about climate change may result in the imposition of additional regulations, international protocols, or other restrictions on emissions. Accordingly, such additional laws and regulations or a relaxation or repeal of existing laws and regulations, or changes in governmental policies regarding the funding, implementation, or enforcement of these programs, could result in a decline in demand for our services, which could in turn negatively impact our revenue. We may be subject to liabilities under environmental laws and regulations, including liabilities assumed in acquisitions for which we may not be indemnified. We must comply with a number of laws that strictly regulate the handling, removal, treatment, transportation, and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (" CERCLA "), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean- up could be imposed upon any responsible party. Other principal federal environmental, health, and safety laws affecting us include, among others, the Resource Conversation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Toxic Substances Control Act, and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean- up costs, fines and civil or criminal sanctions, third- party claims for property damage or personal injury, or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability. Current and potential changes in applicable tax laws could increase our tax rate and materially affect our results of operations. We are subject to tax laws in the U. S. and certain foreign jurisdictions. The current U. S. presidential administration has called for changes to fiscal and tax policies, which may include comprehensive tax reform. In addition, many international legislative and regulatory bodies have proposed and / or enacted legislation that could significantly impact how U. S. multinational corporations are taxed on foreign earnings. Certain of these proposed and enacted changes to the taxation of our business activities could increase our effective tax rate and harm our results of operations. A number of government programs require contractors to have certain kinds of government granted eligibility, such as security clearance credentials. Depending on the project, eligibility can be difficult and time- consuming to obtain. If we or our employees are unable to obtain or retain the necessary eligibility, we may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue or profit anticipated from such contract. We issue reports and opinions to clients based on our professional expertise. Our reports and opinions may need to comply with professional standards, licensing requirements, securities regulations, and other laws and rules governing the performance of professional services in the jurisdiction in which the services are performed. In addition, we could be liable to third parties who use or rely upon our reports or opinions even if we are not contractually bound to those third parties. For example, if we deliver an inaccurate report or one that is not in compliance with the relevant standards, and that report is made available to a third party, we could be subject to third- party liability, resulting in monetary damages and penalties. **We are subject to U. S. export laws and regulations, including International Traffic in Arms Regulations (" ITAR"), Export Administration Regulations ("**

EAR"), and trade sanctions against embargoed countries to the extent we export technical services, data, products, and equipment outside of the United States. We may be adversely affected if we fail to comply with these laws and regulations, which could result in civil or criminal sanctions, including fines, suspension, or debarment of U. S. government contracts. Our Chairman and Chief Executive Officer owns a large percentage of our voting stock, which may allow him to have a significant influence on all matters requiring stockholder approval. Mr. Dickerson Wright, our Chairman and Chief Executive Officer, beneficially owned 1, ~~712~~ **727** , ~~757~~ **328** shares, or approximately ~~11~~ **10. 9** % of our common stock on a fully diluted basis as of February ~~17~~ **16** , ~~2023~~ **2024** . Accordingly, Mr. Wright has the power to significantly influence the outcome of important corporate decisions or matters submitted to a vote of our stockholders, including decisions regarding mergers, going private transactions, and other extraordinary transactions, and to significantly influence the terms of any of these transactions. Although Mr. Wright owes our stockholders certain fiduciary duties as a director and an executive officer, Mr. Wright could take actions to address his own interests, which may be different from those of our other stockholders. Provisions in our charter documents and the Delaware General Corporation Law could make it more difficult for a third party to acquire us and could discourage a takeover and adversely affect existing stockholders. Anti- takeover provisions in our certificate of incorporation and bylaws, and in the Delaware General Corporation Law, could diminish the opportunity for stockholders to participate in acquisition proposals at a price above the then- current market price of our common stock. For example, our board of directors, without further stockholder approval, could authorize the issuance of shares of undesignated preferred stock and fix the designation, powers, preferences, and rights and any qualifications, limitations, and restrictions of such class or series, which could adversely affect the voting power of your shares. Our bylaws also provide for an advance notice procedure for nomination of candidates to our board of directors that could have the effect of delaying, deterring, or preventing a change in control. As a Delaware corporation, we are subject to provisions of the Delaware General Corporation Law regarding " business combinations, " which could deter attempted takeovers in certain situations which our company could adopt. The authority of our board of directors to issue undesignated preferred or other capital stock and the anti- takeover provisions of the Delaware General Corporation Law, as well as other current and any future anti- takeover measures adopted by us, may, in certain circumstances, delay, deter, or prevent takeover attempts and other changes in control of our company not approved by our shareholders. Future issuances of our common stock pursuant to our equity incentive plan may have a dilutive effect on your investment and resales of such shares may adversely impact the market price of our common stock. As of December ~~31~~ **30** , ~~2022~~ **2023** , we have registered an aggregate of 2, ~~421~~ **295** , ~~731~~ **604** shares of common stock reserved under Registration Statements on Form S- 8 and we may file additional Registration Statements on Form S- 8 to register additional shares reserved under our equity incentive plan or employee stock purchase plan. Issuance of shares of common stock pursuant to our equity incentive plan or employee stock purchase plan may have a dilutive effect on our common stock. Also, all shares issued pursuant to a Registration Statement on Form S- 8 can be freely sold in the public market upon issuance, subject to restrictions on our affiliates under Rule 144 promulgated by the SEC under the Securities Act of 1933, as amended. If a large number of these shares are sold in the public market, the sales may be viewed negatively by the market and adversely affect the market price of our common stock. We currently do not pay dividends and do not intend to pay dividends on our shares of common stock in the foreseeable future and, consequently, your only current opportunity to achieve a return on your investment is if the price of our shares appreciates. We currently do not pay dividends and our credit agreement contains restrictions regarding the payment of dividends. Accordingly, we do not expect to pay dividends on our shares of common stock in the foreseeable future and intend to use cash to grow our business. Consequently, your only current opportunity to achieve a return on your investment in us will be if the market price of our common stock appreciates.