Risk Factors Comparison 2023-12-06 to 2022-12-06 Form: 10-K

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Our business is subject to a variety of risks and uncertainties, including, but not limited to, the risks and uncertainties described below. If any of the following risks occur, the business' s financial condition, cash flows, liquidity and results of operations may be negatively impacted, and we may not be able to achieve our quarterly, annual or long- range plans. Additional risks and uncertainties not known to us or not described below may also negatively impact our business and results of operations. This Annual Report also includes statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as " forward- looking statements " under the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the discussion under " Forward- Looking Statements, " above. Risk Factors Related to our Business and Industry Our business is subject to the cyclical nature of the end markets that we serve. This has had, and may continue to have, an adverse effect on our future operating results. The end markets that we serve have historically been cyclical and will continue to be vulnerable to general downturns, which in turn could materially and adversely affect the demand for our products and services. Our customer projects, budgets for capital expenditures and the need for our services have in the past, and may in the future, be adversely affected by among other things, the price of oil and gas, poor economic conditions, commodity prices, political uncertainties, cost of capital, and currency fluctuations. These variables may impact the number and / or the amount of new awards, delays in the timing of awards or potential cancellation of projects. Changes in product mix or services can have a significant impact on our gross margins on a quarterly and annual basis. The uncertainty of our contract award timing is outside of our control and can also present difficulties in matching workforce size with contract requirements. In some cases, we bear and maintain the cost of a ready workforce that may be larger than necessary in anticipation of future workforce needs. If an expected contract is delayed or not received, we may incur additional costs in staff or facility redundancy that could have an adverse impact on our business, financial condition and results of operations. Our industry is highly competitive. Some of our competitors are significantly larger and have substantially greater global resources such as engineering, manufacturing and marketing resources, and at various times, may be our customer or supplier on any given project. Competition in the industry depends on a number of factors, including the number of projects available, technical ability, production capacity, **production lead times,** location and the ability to win projects we bid. Certain of our competitors may have lower cost structures or a more favorable geographic footprint and may, therefore, be able to provide their products or services at lower prices. Similarly, we cannot be certain that we will be able to maintain or enhance our competitive position within our industry, maintain our customer base at current levels, increase our customer base or continue to provide technologically superior products at a competitive price. New companies may enter the markets in which we compete, or industry consolidation may occur, further increasing competition in our markets. Our failure to compete effectively and secure projects could adversely affect future revenues and could have an adverse impact on our business and results of operations. Technological innovations may make existing products and...... our business and results of operations. Our business requires skilled and unskilled labor, and we may be unable to attract and retain qualified employees. Our ability to maintain our productivity at competitive levels may be limited by our ability to employ, compensate, train and retain personnel necessary to meet our requirements. We face competition within and outside of our markets for qualified personnel across all of our workforce. We may experience shortages of qualified personnel such as engineers, project managers, supervisors, office personnel and select skilled trades. We cannot be certain that we will be able to maintain an adequate skilled or unskilled labor force or key technical personnel necessary to operate efficiently and to support our growth strategy and operations. We cannot be certain that our labor costs will not increase as a result of a shortage in the supply of skilled, unskilled and technical personnel or any governmental regulations. Labor shortages or increased labor costs could impair our ability to maintain our business, meet customer commitments or grow our revenues, and could adversely impact our business and results of operations. Technological innovations may make existing products and production methods obsolete.All of the products that we manufacture and sell depend upon optimizing available technology for success in the marketplace.The industries in which we operate are characterized by intense competition and are highly sensitive to technological innovation and customer requirements.It is possible for competitors (both domestic and international) to develop products or production methods that will make current products or methods obsolete or at a minimum hasten their obsolescence;therefore,we cannot be certain that our competitors will not develop the expertise,experience and resources to provide products and services that are superior in both price and quality.Our future success will depend,in part,on our ability to anticipate and offer products that meet changing industry and customer specifications as well as fund our research and development costs.Consumer demand for further automation is changing the markets we operate in.Failure to successfully develop new products,or to enhance existing products,could result in the loss of existing customers to competitors,the inability to attract new business or an overall reduction in our competitive position,any of which could adversely affect our business and results of operations.Unforeseen difficulties with expansions,relocations,or consolidations of existing facilities could adversely affect our operations.From time to time ~~,~~ we may decide to enter new markets,build or lease additional facilities,expand our existing facilities,relocate or consolidate one or more of our operations or exit a facility we may own or lease.Increased costs and production delays arising from the staffing,relocation,sublease,expansion or consolidation of our facilities could adversely affect our business and results of operations.Quality problems with our products could harm our reputation and erode our competitive position.The success of our business depends upon the quality of our products and our relationships with customers.In the event that one of our products fails to meet our customers' standards or safety requirements or fails to operate effectively,our reputation could be harmed,which would adversely affect our marketing and sales efforts.We provide warranties to our customers for our products and services and the cost to satisfy customer warranty claims,which may include,among other things,costs for the repair or replacement of products,could adversely impact our business and results of operations.Growth and product diversification through strategic acquisitions involve a number of risks.Our strategy includes the pursuit of growth and product diversification through the acquisition of companies or assets and entering into joint ventures that could enable us to expand our geographic coverage and product and service offerings.We periodically review potential acquisitions;however,we may be unable to successfully implement this strategy.Acquisitions involve certain risks,including difficulties in the integration of operations and systems;failure to realize cost savings;the termination of relationships by key personnel and customers of the acquired company and a failure to retain or add additional employees to handle the increased volume of business.Additionally,financial and accounting challenges and complexities in areas such as valuation,tax planning,treasury management,systems integration and financial reporting from our acquisitions may impact our operating results.Due diligence may not be adequate or reveal all risks and challenges associated with our acquisitions.Companies that we acquire may not achieve revenues,profitability or cash flows that we ~~expect~~ **expected** ,or that ultimately justify the investment.It is possible that impairment charges resulting from the overpayment for an acquisition may negatively impact our results of operations.Financing for acquisitions may require us to obtain additional equity or debt financing,which may not be available on attractive terms,if at all,or which may be restricted under the terms of our credit facility or other financing arrangements.Any failure to successfully complete or successfully integrate acquisitions could have a material adverse effect on our business and results of operations **.** We are exposed to risks relating to the use of subcontractors. We hire subcontractors to perform work on some projects and may depend on third- party labor suppliers to provide the personnel necessary to engineer, manufacture and ship our products. If our subcontractors do not perform as expected for any reason, we may experience delays in completing our projects or incur additional costs. In addition, we may have disputes with these independent subcontractors arising from, among other things, the price, quality or timeliness of the work performed. Some of the third parties we engage in support of our operations operate internationally and thus we may be impacted by the economic, political and labor conditions in those regions as well as uncertainty caused ~~from~~ **by** international relations issues between the ~~United States~~ **U. S.** and those countries. Any of these factors could adversely impact our business and results of operations. Misconduct by our employees or subcontractors, or a failure to comply with laws or regulations, could harm our reputation, damage our relationships with customers and subject us to criminal and civil enforcement actions. Misconduct, fraud, non- compliance with applicable laws and regulations, or other improper activities by one or more of our employees or subcontractors could have a significant negative impact on our business and reputation. While we take precautions to prevent and detect these activities, such precautions may not be effective and are subject to inherent limitations, including human error and fraud. Acts of misconduct, or our failure to comply with applicable laws or regulations, could subject us to fines and penalties, harm our reputation, **and / or** damage our relationships with customers and could adversely impact our business and results of operations. Unsatisfactory safety performance may subject us to penalties, negatively impact customer relationships, result in higher operating costs, and negatively impact employee morale and turnover. We place great emphasis on workplace safety in our entire organization through various safety initiatives and training. We have both indoor and outdoor manufacturing and fabrication facilities that are susceptible to numerous industrial safety risks that can lead to personal injury, loss of life, damage to property and equipment, as well as potential environmental damage. While we take every precaution to avoid incidents, we have experienced accidents in the past and may again in the future, which can negatively affect our safety record. A poor safety record can harm our reputation with existing and potential customers, jeopardize our relationship with employees, increase our insurance and operating costs and could adversely impact our business and results of operations. Catastrophic events, including natural disasters, health epidemics ~~(including the COVID- 19 pandemic and any new variants)~~ , acts of war and terrorism, among others, could disrupt our business. The occurrence of catastrophic events, ranging from natural disasters and extreme weather conditions to health epidemics ~~(including the COVID- 19 pandemic and any new variants)~~ , to acts of war and terrorism, among others, could increase operating costs ~~,~~ **and / or** disrupt or delay our ability to operate our business and complete projects for our customers and could potentially expose us to third- party liability claims or delay damages under our contracts. A significant portion of our operations are located near the Texas Gulf Coast; as a result, our operations have been and are subject to the potential impacts of weather- related events, including but not limited to hurricanes and flooding. Future weather events could cause significant damage to our property and equipment or customer projects and adversely impact our operations. We may declare the existence of a force majeure event under our contracts in certain situations; however, a customer may dispute our force majeure claim, which may result in additional liabilities. Losses or delays arising from such events may or may not be fully covered by our various insurance policies or may be subject to deductibles or exceed coverage limits. In addition, such events could result in temporary or long- term delays of existing projects as well as cancellations of orders for raw materials from our suppliers that could impact our project execution. These situations or other disruptions are outside of our control and may adversely impact our business and results of operations. Risk Factors Related to our Financial Condition and Markets Global economic uncertainty and financial market conditions may impact our customer base, suppliers and backlog. Various factors drive demand for our products and services, including the price and demand for oil and gas, capital expenditures, economic forecasts, global political environments (including war and terrorism) and ~~financial markets~~ **the cost of capital** . Unanticipated increases in raw material and component requirements or prices, the imposition of tariffs, and changes in supplier availability or supplier consolidation ~~,~~ could increase production costs and adversely affect profitability. Uncertainty regarding these factors could impact our customers and severely impact the demand for projects and orders for our products and services. Additionally, the loss of significant volume from one particular customer at one of our facilities could adversely impact the operating results of that facility. If one or more of our suppliers or subcontractors experiences difficulties that result in a reduction, delay or interruption in supply to us, or they fail to meet our manufacturing requirements, our business could be adversely impacted **, and we may incur delay damages** until we are able to secure alternative sources. Furthermore, our ability to maintain or expand our business would be limited in the future if we are unable to maintain or increase our bonding capacity or our bank credit facility on favorable terms or at all. Similarly, disruptions in the capital markets **or increased interest rates** may also adversely impact our customer' s ability to finance projects, which could result in contract cancellations or delays. These disruptions could lead to reduced demand for our products and services **and cancellation of existing projects,** and could have an adverse impact on our business, financial condition and results of operations. Our backlog is subject to unexpected adjustments, cancellations and scope reductions and, therefore, may not be a reliable indicator of our future earnings. We have a backlog of uncompleted contracts. Backlog represents management' s best estimate of the remaining performance obligation from work to be performed on **our firm orders under** uncompleted contracts **and customer purchase orders** , including **approved change orders as well as** new contractual agreements on which work has not begun. From time to time, projects are cancelled, delayed or modified due to customer, industry or macroeconomic conditions. While we may be reimbursed for certain costs, we may not have a contractual right to the total revenue reflected in our backlog. The ultimate realization of the future revenue in our backlog is based upon our ability to complete the projects **,** and we cannot control all of the various factors that might impact the timely delivery of our projects to our customers. We may be unable to recover certain costs **and an anticipated margin,** and cancelled or suspended projects may also result in additional unrecoverable costs due to the underutilization of our assets and personnel. Accordingly, the amounts recorded in backlog may not be a reliable indicator of our future operating results and may not be indicative of continuing revenue performance over future fiscal years or quarters. Revenues recognized over time from our fixed- price contracts could result in volatility in our results of operations. As discussed in " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates " and in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report, the majority of our revenues are recognized over time. Revenues are recognized as work is performed and costs are incurred. The revenue earned to date is calculated by multiplying the total contract price by the percentage of performance to date, which is based on total costs incurred to date compared to the total estimated costs at completion. The determination of the revenue recognized requires the use of estimates of costs to be incurred for the performance of the contract. The timing of the costs incurred may lead to fluctuations in revenue recognized on a quarterly and annual basis. The cost estimation process is based upon the professional knowledge and experience of our management teams, engineers, project managers and financial professionals. We bear the risk of cost overruns and delays in most of our contracts, which may result in reduced profits. Contract losses are recognized in full when determined, and estimates of revenue and cost to complete are adjusted based on ongoing reviews of estimated contract performance. Previously recorded estimates of revenues and costs are adjusted as the project progresses and circumstances change. In certain circumstances, it is possible that such adjustments to estimated costs and revenues could have an adverse impact on our results of operations. Many of our contracts contain performance obligations that may subject us to penalties or additional liabilities. Many of our customer contracts have schedule and performance obligation clauses that, if we fail to meet, could subject us to penalty provisions, liquidated damages or claims against ~~the company~~ **us,** or our outstanding letters of credit or performance bonds. In addition, some customer contracts stipulate protection against our gross negligence or willful misconduct. Each individual contract seeks to define the conditions under which the customer may make a claim against us **. Due to the growth in our backlog, our manufacturing and fabrication capacity as well as ability to recruit and retain qualified labor is challenged resulting in an increased risk of meeting delivery dates and other contract performance obligations** . It is possible that adjustments arising from such claims, or our failure to manage our contract risk, may not be covered by insurance and could have an adverse impact on our results of operations. Fluctuations in the price and supply of materials used to manufacture our products may reduce our profits and could adversely impact our ability to meet commitments to our customers. Our material costs represented ~~51~~ **49** % of our consolidated revenues for Fiscal ~~2022~~ **2023** . Unanticipated shortages in raw material and components, rising prices due to overall inflationary pressure, the imposition of tariffs, changes in supplier availability, delays in **production or** transportation, or supplier consolidation could increase production costs or lead times and adversely affect profitability as fixed- price contracts may prohibit our ability to charge the customer for the increase in raw material prices. We purchase a wide variety of materials and component parts from various suppliers around the world to manufacture our products, including steel, aluminum, copper and various components. Our supply base for certain key components and raw materials is limited and may come from a single supplier. If we are unable to obtain key components and raw materials from these suppliers, the key components and raw materials may not be readily available from other suppliers or available with acceptable terms and price levels. Our success depends on our ability to meet customer commitments and could be negatively impacted if a supplier experiences a disruption or discontinuance in their operations **,** or we experience a delay in transportation of materials and components from our suppliers. The time and effort associated with the selection and qualification of a new supplier and changes in our design and testing to accommodate similar components from other suppliers could be significant. Additionally, we rely on certain competitors for key materials used in our products. This could **result in damages and** negatively impact our ability to manufacture our products if the relationships change or become unfavorable and could have an adverse impact on our results of operations. We **typically** ~~have chosen to~~ mitigate our inventory risks by increasing the levels of inventory for certain key components and raw materials and entering into commodity hedges when appropriate. Such increased inventory levels may **not be adequate to meet future demand and may** increase the potential for excess and obsolete inventories **, which could have an adverse impact on our business and results of operations** . Obtaining surety bonds, letters of credit, bank guarantees, or other financial assurances ~~,~~ may be necessary for us to successfully bid on and obtain certain contracts. We are often required to provide our customers security for the performance of their projects in the form of surety bonds, letters of credit or other financial assurances. Our continued ability to obtain surety bonds, letters of credit or other financial assurances will depend on our capitalization, working capital and financial performance. Our ability to issue letters of credit is dependent upon the availability of adequate credit issued by our banks and could be negatively impacted by our compliance with our financial covenants. Future compliance with such financial covenants may be affected by factors beyond our control, including general or industry- specific economic downturns. We are also dependent on the overall bonding capacity, pricing and terms available in the surety markets. As such, we cannot guarantee our ability to maintain a sufficient level of bonding capacity in the future. The restriction, reduction or termination of our surety bond agreements could limit our ability to bid on new opportunities and would require us to issue letters of credit under our bank facilities in lieu of surety bonds, thereby reducing availability under our credit facility, which could have an adverse impact on our **liquidity,** business and results of operations. Failure to remain in compliance with covenants or obtain waivers or amendments under our credit agreement could adversely impact our business. Our credit agreement contains various financial covenants and restrictions, which are described in Note G of the Notes to Consolidated Financial Statements. Our ability to remain in compliance with such financial covenants and restrictions may be affected by factors beyond our control, including general or industry- specific economic downturns. If we fail to remain in compliance with such covenants and restrictions, absent an amendment or waiver, this could result in an event of default under the credit agreement. Among other things, the occurrence of an event of default could limit our ability to pay dividends, issue letters of credit, **or** obtain additional financing or result in acceleration of outstanding amounts under the credit agreement or a termination of the agreement, any of which could have an adverse impact on our liquidity, business and results of operations. We extend credit to customers in conjunction with our performance under fixed- price contracts which subjects us to potential credit risks. We typically agree to allow our customers to defer payment on projects until certain performance milestones have been met or until the projects are substantially completed, and customers often withhold some portion of amounts due to us as retainage. Our payment arrangements subject us to potential credit risk related to changes in business **, financial markets** and economic factors affecting our customers, including material changes in our customers' revenues or cash flows. If we are unable to collect amounts owed to us, or retain amounts paid to us, our cash flows would be ~~reduced~~ **adversely impacted** , and we could experience losses if those amounts exceed current allowances. Any of these factors could adversely impact our business and results of operations. A significant portion of our revenues may be concentrated among a small number of customers. Due to the nature and timing of large projects, a significant percentage of our revenues in a given period may result from one specific contract ~~or~~ **,** customer ~~. During Fiscal 2022, approximately 15 % of our~~ **or** ~~consolidated revenues were generated from our large domestic industrial~~ **industry** ~~project that was awarded in Fiscal 2020~~ . We believe the reduction in business volume from a particular industry or the loss of a major customer could have an adverse effect on our business. From time to time, ~~an individual~~ **one of our** manufacturing ~~facility~~ **facilities** may have significant volume from one particular customer **or industry** that would be material to that facility. If during that time the customer were to experience financial distress, a decline in business or circumstances that would otherwise necessitate a cancellation of a project with us, our revenue **and results of operations** could be adversely impacted. We carry insurance against many potential liabilities, but our management of risk may leave us exposed to unidentified or unanticipated risks. Although we maintain insurance policies with respect to our ~~related~~ **estimated** exposures, including certain casualty, property, professional, **employee liability,** business interruption, ~~cyber security~~ **cybersecurity** and self- insured medical ~~and dental~~ programs, these policies contain deductibles, self- insured retentions and limits of coverage. In addition, we may not be able to continue to obtain insurance at commercially reasonable rates, or at the policy limits we may require or may be faced with liabilities not covered by insurance, such as, but not limited to, ~~cyber security~~ **cybersecurity** , environmental contamination **, acts of war** or terrorist attacks. We estimate our liabilities for known claims and unpaid claims and expenses based on information available as well as projections for claims incurred but not reported. However, insurance liabilities, some of which are self- insured, are difficult to estimate due to various factors. If any of our insurance policies, coverage limits or programs are not effective in mitigating our risks, we may incur losses that are not covered by our insurance policies, that are subject to deductibles or that exceed our estimated accruals or our insurance policy limits, which could adversely impact our business and results of operations. Our international operations expose us to risks that are different from, or possibly greater than, the risks we are exposed to domestically and may adversely affect our operations. Revenues associated with projects located outside of the U. S., including revenues generated from our operations in the U. K. and Canada, accounted for approximately ~~24~~ **20** % of our consolidated revenues in Fiscal ~~2022~~ **2023** . While our manufacturing facilities are located in developed countries with historically stable operating and fiscal environments, our business and results of operations could be adversely affected by a number of factors, including ~~:~~ political and economic instability; social unrest, acts of terrorism, force majeure, war or other armed conflict; inflation; changes in tax laws; the application of foreign labor regulations; currency fluctuations, devaluations and conversion restrictions and / or governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds and trade restrictions or economic embargoes imposed by the U. S. or other countries. Additionally, compliance with foreign and domestic import and export regulations and anti- corruption laws, such as the U. S. Foreign Corrupt Practices Act, General Data Protection Regulation, or similar laws of other jurisdictions outside the U. S., could adversely impact our ability to compete for contracts in such jurisdictions. Moreover, the violation of such laws or regulations, by us or our representatives, could result in severe penalties including monetary fines, criminal proceedings and suspension of export privileges. Additionally, fluctuating foreign currency exchange rates may impact our financial results. The functional currency of our foreign operations is typically the currency of the country in which the foreign operation is located. Accordingly, our financial performance is subject to fluctuations due to changes in foreign currency exchange rates relative to the U. S. dollar **,** and such fluctuations could adversely impact our financial position and results of operations. Failures or weaknesses in our internal controls over financial reporting could adversely affect our ability to report on our financial condition and results of operations accurately and / or on a timely basis. We are required to comply with Section 404 of the Sarbanes- Oxley Act of 2002, which requires, among other things, an assessment by our management of our internal control over financial reporting. Preparing our financial statements involves a number of complex processes, many of which are performed manually and ~~are~~ dependent upon individual data input or review. We are continually working to maintain and strengthen our internal controls over operational and financial reporting, however, any system of controls has limitations, including the possibility of human error, availability of qualified personnel, circumvention or overriding of controls and / or fraud. Our failure to maintain effective internal controls over financial reporting could adversely affect our ability to report our financial results on a timely and accurate basis, which could result in a loss of investor confidence in our financial reports ~~,~~ **or** a decline in our stock price **,** or have an adverse impact on our business and results of operations. ~~A failure in our business systems or cyber security attacks on any of our facilities, or those of third parties, could adversely affect our business and our internal controls. Our organization is dependent upon the proper functioning of our business systems that support our production, engineering, human resources, estimating, finance, and project management functions. If any of our financial, operational, or other data processing systems fail or have other significant shortcomings due to natural disaster, power loss, telecommunications failures, cyber security attacks or other similar events, our business or results of operations could be adversely affected. In addition, despite implementation of security measures, our business systems may be vulnerable to computer viruses, ransomware attacks, cyber- attacks, social engineering, the accidental release of sensitive information and other unauthorized access. These failures of our business systems or security breaches could impact our customers, employees and reputation and result in a disruption to our operations or in legal claims or proceedings. A material breach of our business systems could involve the theft of intellectual property, financial data, employee or customer data, which may be used by competitors. We rely on third- party systems which could suffer operational system failure, engineered social manipulation or cyber- attacks. Any of these occurrences may not be covered by insurance and could disrupt our business, result in potential liability or reputational damage or otherwise have an adverse effect on our business and results of operations. Certain network security and internal control measures have been implemented to address these risks and disruptions to our business. However, our portfolio of hardware and software products, solutions and services and information contained within our enterprise information technology (IT) systems may be vulnerable to damage or disruption caused by circumstances beyond our control such as catastrophic events, cyber- attacks, other malicious activities from unauthorized third parties, power outages, natural disasters, computer system or network failures, insider attacks or computer viruses. Any significant disruption or failure could damage our reputation or have a material adverse effect on our business and our results of operations.~~ Risk Factors Related to our Common Stock Our stock price could decline or fluctuate significantly due to unforeseen circumstances ~~which~~ **that** may be outside of our control. These fluctuations may cause our stockholders to incur losses. Our stock price could fluctuate or decline due to a variety of factors including, but not limited to, the risk factors described herein, declines in the overall financial and economic outlook, timing and cancellation of projects **, declines in new orders or backlog** , changes in our estimated costs to complete projects, investors' opinions of the sectors and markets in which we operate or failure of our operating results to meet the expectations of securities analysts or investors, which could reduce investor confidence. These factors could adversely affect our business, and the trading price of our common stock could decline significantly. There can be no assurance that we will declare or pay future dividends on our common stock. Our Board of Directors has approved a regular quarterly dividend since our fiscal year ended September 30, 2014. The declaration, amount and timing of future dividends are subject to capital availability and determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and ~~are~~ in compliance with all respective laws and applicable agreements. Our ability to declare ~~and~~ **, increase or** pay dividends will depend upon, among other factors, our financial condition, results of operations, cash flows, current and anticipated expansion plans, requirements under Delaware law and other factors that our Board of Directors may deem relevant. A reduction in or elimination of our dividend payments could have a material negative effect on our stock price. Risk Factors Related to Legal and Regulatory Matters Our operations could be adversely impacted by the effects of government regulations. We are subject to various government regulations in the ~~United States~~ **U. S.** as well as various international locations where we operate. These regulations cover several areas including environmental **, social and governance (ESG)** compliance, import and export controls, economic sanctions, data and privacy protection, transfer pricing rules, anti- bribery, anti- trafficking and anti- trust provisions. These laws and regulations are administered by various state, federal and international agencies. Changes in policy, laws or regulations, including those affecting oil and gas exploration and development activities or climate change matters and the resulting decisions by customers and other industry participants, could reduce demand for our products and services, which would have a negative impact on our operations. Increased regulations and reporting requirements around the world may adversely affect the operators in the markets we serve. Further, we cannot predict future changes in any country in which we operate or do business and how those changes may affect our ability to perform projects in those regions. The Dodd- Frank Wall Street Reform and Consumer Protection Act requires disclosure of use of" conflict" minerals mined from the Democratic Republic of Congo and adjoining countries and our efforts to prevent the use of such minerals. In our industry, conflict minerals are most commonly found in metals. As there may be only a limited number of suppliers offering" conflict- free" metals, we cannot be sure that we will be able to obtain necessary metals in sufficient quantities or at competitive prices. Also, we may face challenges with our customers and suppliers if we are unable to sufficiently verify that the metals used in our products are" conflict- free." Provisions of our charter documents or Delaware law could delay or prevent an acquisition of our company,even if the acquisition would be beneficial to our stockholders,and could make it more difficult to change management.Because we are governed by Delaware law,we are subject to the provisions of Section 203 of the Delaware General Corporation Law.These provisions prohibit a publicly held Delaware corporation from engaging in a business combination with an interested stockholder,generally,a person who,together with its affiliates,owns,or within the last three years has owned,15 % of our voting stock,for a period of three years after the date of the transaction in which the person became an interested stockholder,unless the business combination is approved in a prescribed manner.In addition,provisions of our Certificate of Incorporation and bylaws may discourage,delay or prevent a merger,acquisition or other change in control that stockholders might otherwise consider favorable,including transactions in which stockholders might otherwise receive a premium for their shares.These provisions may frustrate or prevent any attempt by our stockholders to replace or remove our current management by making it more difficult to replace or remove our Board of Directors.Significant developments arising from tariffs and other economic proposals could adversely impact our business.Additional restrictions or economic disincentives on U.S.or international trade such as significant increases in tariffs on goods could adversely impact our business.Changes in U.S.or international social,political,regulatory and economic conditions or in laws and policies governing foreign trade,manufacturing,development and investment in the territories and countries where we currently develop and sell our products,and any negative sentiment towards the U.S.as a result of such changes,could adversely impact our business and results of operations.General Risk Factors Changes in and compliance with **ESG initiatives** ~~environmental laws and regulations, including those regarding climate change,~~ could adversely impact our ~~financial~~ **business. We strive to achieve ESG initiatives while maintaining the rights and interests of our employees and shareholders. There has been an increased focus on ESG matters by consumers, investors, as well as by governmental and non- governmental organizations. To the extent that our ESG initiatives are deemed to be insufficient by stakeholders, this could adversely impact our business,** results **of operations, stock price or competitive position** . Private lawsuits or enforcement actions by federal, state, provincial or foreign regulatory agencies may materially increase our costs. Certain environmental laws may make us potentially liable for the remediation of contamination at or emanating from our properties or facilities. Although we seek to obtain indemnities against liabilities relating to historical contamination at the facilities we own or operate, we cannot provide any assurance that we will not incur liabilities relating to the remediation of potential contamination, including contamination we did not cause. These potential environmental liabilities may or may not be fully covered by our various insurance policies and may adversely affect our business and results of operations. Climate change regulations could require us or our customers to incur additional expenditures to either purchase new, or modify existing ~~,~~ equipment or processes. These laws and regulations may also increase ~~our~~ **the cost of** raw materials ~~cost~~ from our suppliers. The potential for future ~~environmental, social and governance (~~ ESG ~~)~~ and climate risk reporting requirements may result in additional costs to monitor, track and report sustainability measures. Additionally, increased attention to climate change, conservation measures, energy transition and consumer demand for alternatives to hydrocarbons could reduce the demand for oil and gas **applications** and have an adverse impact on **the** demand for the products produced by our customers and therefore reduce demand for our products, which could adversely impact our business and results of operations. Provisions of our charter documents or Delaware...... results of operations. General Risk Factors Actual and potential claims, lawsuits and proceedings could ultimately reduce our profitability and liquidity and weaken our financial condition. We could be named as a defendant in legal proceedings that claim damages in connection with the operation of our business. Most of the actions against us arise out of the normal course of our performing services or manufacturing equipment. From time to time, we may be a plaintiff in legal proceedings against customers in which we seek to recover payment of contractual amounts due to us, as well as claims for increased costs incurred by us. When appropriate, we establish estimated provisions against certain legal exposures, and we adjust such provisions from time to time according to ongoing developments related to each exposure, as well as any potential recovery from our insurance, if applicable. If, in the future, our assumptions and estimates related to such exposures prove to be inadequate or wrong, or our insurance coverage is insufficient, our business and results of operations could be adversely affected. In addition, claims, lawsuits and proceedings may harm our reputation or divert management resources away from operating our business. Losses arising from such events may or may not be fully covered by our various insurance policies or may be subject to deductibles or exceed coverage limits. Changes in tax laws and regulations may change our effective tax rate and could have a material effect on our financial results. We are subject to income taxes in the U. S. and numerous foreign jurisdictions. A change in tax laws, deductions or credits, treaties or regulations, or their interpretation, in the countries in which we operate **,** could result in a higher tax rate on our pre-tax income, which could have a material impact on our net income. We are regularly under audit by tax authorities, and our tax estimates and tax positions could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations and related interpretations, our global mix of earnings, the extent to which deferred tax assets are realized and changes in uncertain tax positions. A significant increase in our statutory tax rates or loss of our ability to claim Research and Development Tax Credits could have a material impact on our net income or loss and cash flow. The departure of key personnel could disrupt our business. We depend on the continued efforts of our executive officers, senior management and other key personnel. We cannot be certain that any individual will continue in such capacity for any particular period of time. The loss of key personnel, or the inability to hire, train and retain qualified employees, could negatively impact our ability to perform and manage our business.