Risk Factors Comparison 2024-03-13 to 2023-03-10 Form: 10-K

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Below is a summary of the principal factors that make an investment in our Common Stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found immediately following this summary and should be carefully considered, together with other information in this Annual Report on Form 10- K and our other filings with the SEC before making an investment decision regarding our Common Stock. Operational Risks ● Our operations are and will be exposed to operational, economic, political and regulatory risks. ● We face significant competition in the specialty rental sector. ● We depend on several significant customers. The loss of one or more **of** such customers or the inability of one or more such customers to meet their obligations could adversely affect our results of operations. ● Our business depends on the quality and reputation of the Company and its communities, and any deterioration in such quality or reputation could adversely impact its market share, business, financial condition or results of operations. ● We derive a substantial portion of our revenue from the Government segment. The loss of, or a significant decrease in revenues from, any customer in this concentrated segment could seriously harm our financial condition and results of operations. ● **We are subject to extensive procurement laws, regulations and procedures, including those that enable the U. S. government to terminate contracts for convenience. ●** Our business may be adversely affected by periods of low commodity prices or unsuccessful exploration results which may decrease customers' spending and our results. ● Demand for our products and services is sensitive to changes in demand within a number of key industry end- markets and geographic regions **● We are subject to fluctuations in occupancy levels, and a decrease in occupancy levels could cause a decrease in revenues and profitability** ● Increased operating costs and obstacles to cost recovery due to the pricing and cancellation terms of our specialty rental and hospitality services contracts may constrain its ability to make a profit. ● Our future operating results may fluctuate, fail to match past performance, or fail to meet expectations. ● Public health crises such as the COVID- 19 pandemic and their impact on business and economic conditions and government requirements could adversely affect our business, financial condition or results of operations. Financial Accounting Risks ● If we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our reported operating results. ● The valuation of our Private Warrants could cause volatility in our net income (loss). Social, Political and Regulatory Risks ● Failure to comply with government regulations related to food and beverages may subject us to liability. ● Unanticipated changes in our tax obligations, the adoption of a new tax legislation, or exposure to additional income tax liabilities could affect profitability. ● We are subject to various laws and regulations including those governing our contractual relationships. Obligations and liabilities under these laws and regulations may materially harm our business. ● We are subject to evolving public disclosure, financial reporting and corporate governance expectations and regulations that impact compliance costs and risks of noncompliance. Growth, Development and Financing Risks ● We may not be able to successfully acquire and integrate new operations, which could cause our business to suffer. ● Global, national or local economic movements could have a material adverse effect on our business. Information Technology and Privacy Risks ● Any failure of our management information systems could disrupt our business and result in decreased revenue and increased overhead costs. ● Our business could be negatively impacted by security threats, including ~~cyber-security~~ **cybersecurity** threats. Risks Related to Our Indebtedness ● Our leverage may make it difficult for us to service our debt and operate our business. ● Global capital and credit markets conditions could materially adversely affect our ability to access the capital and credit markets or the ability of key counterparties to perform their obligations to it. ● We are, and may in the future become, subject to covenants that limit our operating and financial flexibility and, if we default under our debt covenants, we may not be able to meet our payment obligations. Risks Related to Ownership of Our Common Stock ● We have incurred and expect to continue to incur significantly increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance efforts. ● Our principal stockholder has substantial control over our business, which may be disadvantageous to other stockholders ~~. ● We are an " emerging growth company " and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our Common Stock may be less attractive~~ . Risk Factors Operational RisksOur operations are and will be exposed to operational economic, political and regulatory risks. Our operations could be affected by economic, political and regulatory risks. These risks include: ● multiple regulatory requirements that are subject to change and that could restrict our ability to build and operate our communities and other sites; ● inflation or other increases in costs relating to personnel, utilities, insurance, medical and food, ~~recession~~ **recessions** , fluctuations in interest rates; ● compliance with applicable export control laws and economic sanctions laws and regulations; ● trade protection measures, including increased duties and taxes, and import or export licensing requirements; ● ownership regulations; ● compliance with applicable antitrust and other regulatory rules and regulations relating to potential future acquisitions; ● different local product preferences and product requirements; ~~23~~ ● challenges in maintaining, staffing and managing national operations; **22** ● bankruptcy or insolvency of our customers, thereby reducing demand for our services; ● different labor regulations; ● potentially adverse consequences from changes in or interpretations of tax laws; ● political and economic instability; ● federal government budgeting and appropriations; ● enforcement of remedies in various jurisdictions; ● the risk that the business partners upon whom we depend for technical assistance or management and acquisition expertise will not perform as expected; and ● differences in business practices that may result in violation of our policies including but not limited to bribery and collusive practices. These and other risks could have a material adverse effect on our business, results of operations and financial condition. We face significant competition as a provider of specialty rental and hospitality services in the specialty rental sector. If we are unable to compete successfully, we could lose customers and our revenue and profitability could decline. Although our competition varies significantly by market, the specialty rental and hospitality services industry, in general, is highly competitive. We compete on the basis of a number of factors, including equipment availability, quality, price, service, reliability, appearance, functionality and delivery terms. We may experience pricing pressures in our operations in the future as some of our competitors seek to obtain market share by reducing prices. We may also face reduced demand for our products and services if our competitors are able to provide new or innovative products or services that better appeal to our potential customers. In each of our current markets, we face competition from national, regional and local companies who have an established market position in the specific service area. We expect to encounter similar competition in any new markets that we may enter. Some of our competitors may have greater market share, ~~less indebtedness,~~ greater pricing flexibility, more attractive product or service offerings, or superior marketing and financial resources. In addition, if some of our government customers have capacity at the facilities which they operate, they may choose to use less capacity at our facilities. Increased competition could result in lower profit margins, substantial pricing pressure, and reduced market share. Price competition, together with other forms of competition, may materially adversely affect our business, results of operations, and financial condition. We depend on several significant customers. The loss of one or more **of** such customers or the inability of one or more such customers to meet their obligations could adversely affect our results of operations. We depend on several significant customers. For the year ended December 31, ~~2022~~ **2023** , our five largest customers accounted for approximately ~~81~~ **83** % of our total revenue. For a more detailed explanation of our customers, see the section of this Annual Report on Form 10- K entitled " Business. " The loss of any one of our largest customers in any of our business segments or a sustained decrease in demand by any of such customers could result in a substantial loss of revenues and could have a material adverse effect on our results of operations. In addition, the concentration of customers in the industries in which we operate may impact our overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic, political and industry conditions. As a result of our customer concentration, risks of nonpayment and nonperformance by our counterparties are a concern in our business. We are subject to risks of loss resulting from nonpayment or nonperformance by our customers. Failure to manage our credit risk and receive timely payments on our customer accounts receivable may result in the write- off of ~~24customer~~ -- **customer** receivables. If we are not able to manage credit risk, or if a number of significant customers should have financial difficulties at the same time, our credit and equipment losses would increase above historical levels. If this should occur, our business, financial condition, and results of operations may be materially and adversely affected. The inability or failure of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. ~~Our~~ **23Our** business depends on the quality and reputation of the Company and its communities. Any deterioration in the quality and reputation of the Company or public resistance, potential legal challenges to, and increasing scrutiny of our industry, could affect our ability to obtain new contracts or result in the loss of existing contracts and negatively impact our brand or reputation, each of which could have a material adverse effect on our business, financial condition and results of operations. Many factors can influence our reputation and the value of our communities, including quality of services, food quality and safety, availability and management of scarce natural resources, supply chain management, diversity, human rights and support for local communities. In addition, events that may be beyond our control could affect the reputation of one or more of our communities or more generally impact the reputation of the Company, including protests directed at government immigration policies, violent incidents at one or more communities or other sites or criminal activity. Reputational value is also based on perceptions, and broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of the Company and its communities, and it may be difficult to control or effectively manage negative publicity, regardless of whether it is accurate. While reputations may take decades to build, negative incidents can quickly erode trust and confidence, particularly if they result in adverse mainstream and social media publicity, governmental investigations or penalties, or litigation. Negative incidents could lead to tangible adverse effects on our business, including customer boycotts, loss of customers, loss of development opportunities or employee retention and recruiting difficulties. A decline in the reputation or perceived quality of our communities or corporate image could negatively affect its market share, reputation, business, financial condition or results of operations. Increased public resistance, including negative media attention and public opinion, to the use of private companies for the management and operation of facilities supporting immigration, may negatively impact our brand and the public perception of the Company. Maintaining and promoting our brand will depend largely on our ability to differentiate ourselves from the direct participants in the ongoing conflict around immigration policy. If we are portrayed negatively in the press or associated with the ongoing social and political debates around immigration policy, our public image and reputation could be irreparably tarnished and our brand could be harmed. If we are unable to counter such negative media attention effectively, investors may lose confidence in our business, which could result in a decline in the trading price of our Common Stock, and our business could be materially adversely affected. Furthermore, our relationship with the U. S. government subjects us and our government contractor customers to unique risks such as unanticipated increased costs and litigation that could materially adversely affect our or their business, financial condition, or results of operations. These operational risks and others associated with privately managing residential facilities could result in higher costs associated with staffing and lead to increased litigation. Lawsuits, to which we are not a party, have challenged the government' s policy of detaining migrant families, and government policies with respect to family immigration may impact the demand for our facilities. Any court decision or government action that impacts our customers' existing contracts with the government could impact our subcontracts for the facilities and result in a reduction in demand for our services or reputational damage to us, and require us to devote a significant amount of time and expense to the defense of our operations and reputation, which could materially affect our business, financial condition, and results of operations. We derive a substantial portion of our revenue from the Government segment. The loss of, or a significant decrease in revenues from, any customer in this concentrated segment could seriously harm our financial condition and results of operations. We derive a significant portion of our revenues from our subcontracts with government contractors. These revenues depend on the U. S. government and its contractors receiving sufficient funding and providing it with timely payment under the terms of our contracts. If the applicable government entity does not receive sufficient appropriations to cover its contractual ~~25obligations~~ -- **obligations** , it may delay or reduce payment to its contractors and, as a result, our government contractor customers may delay or reduce payments to or terminate their contracts with us. Any future impasse or struggle impacting the federal government' s ability to reach agreement on the federal budget, debt ceiling or any future federal government shut downs could result in material payment delays, payment reductions or contract terminations. Additionally, our current and potential future government contractor customers may request in the future that we reduce our contract rates or forego increases to those rates as a way for those contractors to control costs and help their government customers to control their ~~spending~~ **24spending** and address their budgetary shortfalls. For additional information regarding our operation of the Government segment, see the section entitled " Business — Business Operations — Government ". The U. S. government and, by extension, our U. S. government contractor customers, may also from time to time adopt, implement or modify certain policies or directives that may adversely affect our business. For example, while the U. S. government is currently using private immigration sites like the South Texas Family Residential Center, federal, state or local governmental partners may in the future choose to undertake a review of their utilization of privately operated facilities, or may cancel or decide not to renew existing contracts with their government contractors, who may, in turn, cancel or decide not to renew their contracts with us. Changes in government policy, presidential administration or other changes in the political landscape relating to immigration policies may similarly result in a decline in our revenues in the Government segment. In addition, lawsuits, to which we are not a party, have challenged the U. S. government' s policy of detaining migrant families, and government policies with respect to immigration may impact the demand for our facilities and any facilities that we may operate in the future. Any court decision or government action that impacts our existing contracts or any future contracts for similar facilities could materially affect our cash flows, financial condition and results of operations. Further, we may not be able to renew our agreements with the government contractors or enter new agreements with these contractors. Any renewals or new agreements we may enter may be on terms that are materially less favorable to us than those in our current agreements. **We are subject to extensive procurement laws, regulations and procedures, including those that enable the U. S. government to terminate contracts for convenience. Our business and reputation could be adversely affected if we or those we do business with fail to comply with or adapt to existing or new procurement laws and regulations, which are regularly evolving. As a U. S. government subcontractor, we and others with which we do business must comply with laws and regulations relating to the award, administration and performance of U. S. government contracts. Government contract laws and regulations affect how we do business with our customers and impose certain risks and costs on our business. A violation of these laws and regulations by us, our employees, others working on our behalf or a supplier could harm our reputation and result in the imposition of fines and penalties, the termination of our contracts, suspension or debarment from bidding on or being awarded contracts, loss of our ability to export products or perform services and civil or criminal investigations or proceedings. In addition, costs to comply with new government regulations can increase our costs, reduce our margins and adversely affect our competitiveness. Government contract laws and regulations can impose terms or obligations that are different than those typically found in commercial transactions. One of the significant differences is that the U. S. government generally may terminate its contracts, not only for default based on our performance, but also at its convenience. Generally, prime contractors have a similar right under subcontracts related to government contracts. If a contract is terminated for convenience, we typically would be entitled to receive payments for our allowable costs incurred and the proportionate share of fees or earnings for the work performed. However, to the extent insufficient funds have been appropriated by the U. S. government to the program to cover our costs upon a termination for convenience, the U. S. government may assert that it is not required to appropriate additional funding. If a contract is terminated for default, the U. S. government could make claims to reduce the contract value or recover its procurement costs and could assess other special penalties, exposing us to liability and adversely affecting our ability to compete for future contracts and orders. In addition, the U. S. government could terminate a prime contract under which we are a subcontractor, notwithstanding the fact that our performance and the quality of the services we delivered were consistent with our contractual obligations as a subcontractor. Similarly, the U. S. government could indirectly terminate a program or contract by not appropriating funding. The decision to terminate programs or contracts for convenience or default could adversely affect our business and future financial performance. Additionally, the U. S. government increasingly has relied on competitive contract award types, including indefinite- delivery, indefinite- quantity and other multi- award contracts, which have the potential to create pricing pressure and to increase costs by requiring prime contractors to submit multiple bids and proposals. Multi- award contracts require our prime contractor to make sustained efforts to obtain task orders under the contract. Additionally, procurements that do not evaluate whether the cost assumptions in the bids are realistic can lead to bidders taking aggressive pricing positions, which could result in the winner realizing a loss upon contract award or an increased risk of lower margins or realizing a loss over the term of the contract. For a broader discussion of the indirect exposure to statutes and regulations applicable to U. S. government contractors please see " We are subject to various laws and regulations including those governing our contractual 25relationships with the U. S. government and U. S. government contractors and the health and safety of our workforce and our customers. Obligations and liabilities under these laws and regulations may materially harm our business. " below.** Our natural resource development customers are exposed to a number of unique operating risks and challenges which could also adversely affect us. Demand for our services is sensitive to the level of exploration, development and production activity of, and the corresponding capital spending by, natural resource development companies. The natural resource development industries' willingness to explore, develop, and produce depends largely upon the availability of attractive resource prospects and the prevailing view of their future cash flows.

Prices for energy products can be subject to large fluctuations in response to changes in the supply of and demand for these commodities, market uncertainty, and a variety of other factors that are beyond our control. This volatility causes natural resource development companies to change their strategies and expenditure levels. Accordingly, we could be impacted by disruptions to our customers' operations caused by, among other things, any one of or all of the following singularly or in combination: ● worldwide economic activity including growth in developing countries, U. S. and international tax policies, pricing and demand for the natural resources being produced at a given project (or proposed project); ● national government political requirements, including the ability of the Organization of Petroleum Exporting Companies (" OPEC ") to set and maintain production levels and government policies which could nationalize or expropriate natural resource development exploration, production, refining or transportation assets; ● the level of activity in U. S. shale development; ● unexpected problems, higher costs and delays during the development, construction, and project start- up which may delay the commencement of production; ● unforeseen and adverse geological, geotechnical, and seismic conditions; ● lack of availability of sufficient water or power to maintain their operations; ~~26~~ ● lack of availability or failure of the required infrastructure necessary to maintain or to expand their operations; ● the breakdown or shortage of equipment and labor necessary to maintain their operations; ● risks associated with the natural resource industry being subject to various regulatory approvals. Such risks may include governmental actions; ● interruptions to the operations of our customers caused by industrial accidents or disputes or weather conditions and natural disasters; and ● delays in or failure to commission new infrastructure in timeframes so as not to disrupt customer operations. The carrying value of our communities could be reduced by extended periods of limited or no activity by our customers, which would require us to record impairment charges equal to the excess of the carrying value of the communities over fair value. We may incur asset impairment charges in the future, which charges may affect negatively our results of operations and financial condition as well as our borrowing base. Our business is contract intensive. Servicing existing contracts may lead to customer disputes or delays in receipt of payments, and failure to retain our current customers, renew existing customer contracts, and obtain new customer contracts, or the termination of existing contracts, could adversely affect our business. Our business is contract intensive and we are party to many contracts with customers. We periodically review our compliance with contract terms and provisions. If customers were to dispute our contract determinations, the resolution of such disputes in a manner adverse to our interests could negatively affect sales and operating results. In the past, some of our customers have opted to withhold payment due to contract or other disputes, which has delayed our receipt of payments. While we do not believe any reviews, audits, delayed payments, or other such matters should result in material ~~adjustments~~ **26adjustments** , if a large number of our customer arrangements were modified or payments withheld in response to any such matter, the effect could be materially ~~averse~~ **adverse** to our business or results of operations. Our success depends on our ability to retain our current customers, renew or replace our existing customer contracts, and obtain new business. Our ability to do so generally depends on a variety of factors, including overall customer expenditure levels and the quality, price and responsiveness of our services, as well as our ability to market these services effectively and differentiate ourselves from our competitors. We cannot assure you that we will be able to obtain new business, renew existing customer contracts at the same or higher levels of pricing, or at all, or that our current customers will not turn to competitors, cease operations, elect to self- operate, or terminate contracts with us. In the context of a potential depressed commodity price environment, our customers may not renew contracts on terms favorable to us or, in some cases, at all, and we may have difficulty obtaining new business. As a result, our customers may choose to terminate their contracts. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness as we encountered with various customers during the COVID- 19 pandemic. Further, if any of our customers fail to reach final investment decisions with respect to projects for which such customers have already awarded us contracts to provide related accommodations, those customers may terminate such contracts. Customer contract cancellations, the failure to renew a significant number of our existing contracts, or the failure to obtain new business would have a material adverse effect on our business, results of operations and financial condition **. We are subject to fluctuations in occupancy levels, and a decrease in occupancy levels could cause a decrease in revenues and profitability. While a substantial portion of our cost structure is fixed, a substantial portion of our revenue is generated under facility management contracts that, to a certain extent, are based on variable occupancy levels. We are dependent upon our customers and, with respect to our subcontracts with the U. S. government, U. S. government agencies, to provide occupants for facilities we operate. We cannot control occupancy levels at the facilities we operate. Under a variable rate structure, a decrease in our occupancy rates could cause a decrease in revenue and profitability. Occupancy rates have decreased in the past and may decrease in the future, including as a result of changes in public policy or increased public resistance to our industry. When combined with relatively fixed costs for operating each facility, a decrease in occupancy levels could have an adverse impact on our revenues and profitability. Because of the uncertainty in estimating future occupancy levels, our estimates and Company forecast may prove to be inaccurate. Therefore, any business deterioration, including as a result of contract cancellations or decreased occupancy levels, could cause our actual revenues, earnings and cash flows to decline below our current financial outlook** . We may be adversely affected if customers reduce their specialty rental and hospitality services outsourcing. Our business and growth strategies depend in large part on customers outsourcing some or all of the services that we provide. We cannot be certain that these customer preferences for outsourcing will continue or that customers that have outsourced accommodations will not decide to perform these functions themselves or only outsource accommodations during the development or construction phases of their projects. In addition, labor unions representing customer employees and contractors may oppose outsourcing accommodations to the extent that the unions believe that third-party ~~27accommodations~~ -- **accommodations** negatively impact union membership and recruiting. The reversal or reduction in customer outsourcing of accommodations could negatively impact our financial results and growth prospects. Our operations could be subject to natural disasters and other business disruptions, which could materially adversely affect our future revenue and financial condition and increase its costs and expenses. Our operations could be subject to natural disasters and other business disruptions such as fires, floods, hurricanes, earthquakes, outbreaks of epidemic or pandemic disease and terrorism, which could adversely affect its future revenue and financial condition and increase its costs and expenses. For example, extreme weather, particularly periods of high rainfall, hail, tornadoes, or extreme cold, in any of the areas in which we operate may cause delays in our community construction activities or result in the cessation of customer operations at one or more communities for an extended period of time **such as during the COVID- 19 pandemic** . See " We are exposed to various possible claims relating to our business and our insurance may not fully protect us. " and " Management' s Discussion and Analysis of Financial Condition and Results of ~~Operations~~ **27Operations** — Factors Affecting Results of Operations — Natural Disasters or Other Significant Disruption. " In addition, the occurrence and threat of terrorist attacks may directly or indirectly affect economic conditions, which could in turn adversely affect demand for our communities and services. In the event of a major natural or man- made disaster, we could experience loss of life of our employees, destruction of our communities or other sites, or business interruptions, any of which may materially adversely affect our business. If any of our communities were to experience a catastrophic loss, it could disrupt our operations, delay services, staffing and revenue recognition, and result in expenses to repair or replace the damaged facility not covered by asset, liability, business continuity or other insurance contracts. Also, we could face significant increases in premiums or losses of coverage due to the loss experienced during and associated with these and potential future natural or man- made disasters that may materially adversely affect our business. In addition, attacks or armed conflicts that directly impact one or more of our properties or communities could significantly affect our ability to operate those properties or communities and thereby impair our results of operations. More generally, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the global economy and worldwide financial markets. Any of these occurrences could have a material adverse effect on our business, results of operations and financial condition. Construction risks exist which may adversely affect our results of operations. There are a number of general risks that might impinge on companies involved in the development, construction and installation of facilities as a prerequisite to the management of those assets in an operational sense. We are exposed to the following risks in connection with our construction activities: ● the construction activities of our accommodations are partially dependent on the supply of appropriate construction and development opportunities; ● development approvals, slow decision making by counterparties, complex construction specifications, changes to design briefs, legal issues, and other documentation changes may give rise to delays in completion, loss of revenue, and cost over- runs which may, in turn, result in termination of accommodation supply contracts; ● other time delays that may arise in relation to construction and development include supply of labor, scarcity of construction materials, real estate or leasing issues, lower than expected productivity levels, inclement weather conditions, land contamination or environmental claims, cultural heritage claims, difficult site access, or industrial relations issues; ● objections to our activities or those of our customers aired by community interests, political, environment and / or neighborhood groups which may cause delays in the granting or approvals and / or the overall progress of a project; ● where we assume design responsibility, there is a risk that design problems or defects may result in rectification and / or costs or liabilities which we cannot readily recover; ~~and28~~ -- **and** ● there is a risk that we may fail to fulfill our statutory and contractual obligations in relation to the quality of our materials and workmanship, including warranties and defect liability obligations. Demand for our products and services is sensitive to changes in demand within a number of key industry end- markets and geographic regions. Our financial performance is dependent on the level of demand for our facilities and services, which is sensitive to the level of demand within various sectors, in particular, the natural resource development and government end- markets. Each of these sectors is influenced not only by the state of the general global economy but by a number of more specific factors as well. For example, demand for workforce accommodations within the natural resources sector may be materially adversely affected by a decline in global commodity prices. Demand for our facilities and services may also vary among different localities or regions. The levels of activity in these sectors and geographic regions may also be cyclical, and we may not be able to predict the timing, extent or duration of the activity cycles in the markets in which we or our key customers operate. A decline or slowed growth in any of these sectors or geographic regions could result in reduced ~~demand~~ **28demand** for our products and services, which may materially adversely affect our business, results of operations, and financial condition. Certain of our major communities are located on land subject to leases. If we are unable to renew a lease, we could be materially and adversely affected. Certain of our major communities are located on land subject to leases. Accordingly, while we own the accommodations assets, we only own a leasehold interest in those properties. If we are found to be in breach of a lease, we could lose the right to use the property. In addition, unless we can extend the terms of these leases before their expiration, as to which no assurance can be given, we will lose our right to operate our facilities located on these properties upon expiration of the leases. In that event, we would be required to remove our accommodations assets and remediate the site. Generally, our leases have an average term of ~~three~~ **seven** years and generally contain unilateral renewal provisions ~~for up to seven additional years~~ . We can provide no assurances that we will be able to renew our leases upon expiration on similar terms, or at all. If we are unable to renew leases on similar terms, it may have an adverse effect on our business. Third parties may fail to provide necessary services and materials for our communities and other sites. We are often dependent on third parties to supply services and materials for our communities and other sites. We typically do not enter into long- term contracts with third- party suppliers. We may experience supply problems as a result of logistical, financial or operating difficulties or the failure or consolidation of our suppliers. We may also experience supply problems as a result of shortages and discontinuations resulting from product obsolescence or other shortages or allocations by suppliers. Unfavorable economic conditions may also adversely affect our suppliers or the terms on which we purchase products. In the future, we may not be able to negotiate arrangements with third parties to secure products and services that we require in sufficient quantities or on reasonable terms. If we cannot negotiate arrangements with third parties to produce or supply our products or if the third parties fail to produce our products to our specifications or in a timely manner, our business, results of operations, and financial condition may be materially adversely affected. It may become difficult for us to find and retain qualified employees, and failure to do so could impede our ability to execute our business plan and growth strategy. One of the most important factors in our ability to provide reliable and quality services and profitably execute our business plan is our ability to attract, develop and retain qualified personnel. The competition for qualified personnel in the industries in which we operate is intense and there can be no assurance that we will be able to continue to attract and retain all personnel necessary for the development and operation of our business. In periods of higher activity, it may become more difficult to find and retain qualified employees which could limit growth, increase operating costs, or have other material adverse effects on our operations. In addition, labor shortages, the inability to hire or retain qualified employees nationally, regionally or locally or increased labor costs could have a material adverse effect on our ability to control expenses and efficiently conduct operations. ~~29Many -~~- **Many** of our key executives, managers, and employees have knowledge and an understanding of our business and our industry that cannot be readily duplicated and they are the key individuals that interface with customers. In addition, the ability to attract and retain qualified personnel is dependent on the availability of qualified personnel, the impact on the labor supply due to general economic or political conditions, and the ability to provide a competitive compensation package. Significant increases in operating costs, including raw material and labor costs, could increase our operating costs significantly and harm our profitability. We incur labor costs and purchase raw materials, including steel, lumber, siding and roofing, fuel and other products to construct and perform periodic repairs, modifications and refurbishments to maintain physical conditions of our facilities as well as the construction of our communities and other sites. The volume, timing, and mix of such work may vary quarter- to- quarter and year- to- year. Generally, increases in labor and raw material costs will increase the acquisition costs of new facilities and also increase the construction, repair, and maintenance costs of our facilities. During periods of rising prices for labor or raw materials, and in particular, when the prices increase rapidly or to levels significantly higher than ~~normal~~ **29normal**, we may incur significant increases in our costs for new facilities and incur higher operating costs that we may not be able to recoup from customers through changes in pricing, which could have a material adverse effect on our business, results of operations and financial condition. Our profitability can also be adversely affected to the extent we are faced with cost increases for food, wages and other labor related expenses, insurance, fuel and utilities, especially to the extent we are unable to recover such increased costs through increases in the prices for our services, due to one or more of general economic conditions, competitive conditions or contractual provisions in our customer contracts. Substantial increases in the cost of fuel and utilities have historically resulted in cost increases in our communities. From time to time we have experienced increases in our food costs. In addition, food prices can fluctuate as a result of inflation, foreign exchange rates and temporary changes in supply, including as a result of incidences of severe weather such as droughts, heavy rains, and late freezes. Although we negotiate the pricing and other terms for the majority of our purchases of food and related products directly with national manufacturers, we purchase these products and other items through national distributors and suppliers. If our relationship with, or the business of a primary distributor were to be disrupted, we would have to arrange alternative distributors and our operations and cost structure could be adversely affected in the short term. We may be unable to fully recover costs, and such increases would negatively impact its profitability on contracts that do not contain such inflation protections. Our future operating results may fluctuate, fail to match past performance, or fail to meet expectations. Our operating results may fluctuate, fail to match past performance, or fail to meet the expectations of analysts and investors. Our financial results may fluctuate as a result of a number of factors, some of which are beyond our control, including but not limited to: ● general economic conditions in the geographies and industries where we own or operate communities; ● natural disasters, including pandemics and endemics, and business interruptions; ● executive and legislative policies where we provide our services; ● the budgetary constraints of the government and / or our customers; ● the success of our strategic growth initiatives; ● the costs associated with the launching or integrating new or acquired businesses; ● the cost, type, and timing of customer orders; ● the nature and duration of the needs of our customers; ~~30~~ ● the raw material or labor costs of servicing our facilities; ● the timing of new product or service introductions by us, our suppliers, and our competitors; ● changes in end- user demand requirements **, including variable occupancy levels associated with contracts in the Government segment** ; ● the mix, by state and region, of our revenue, personnel, and assets; ● movements in interest rates, or tax rates; ● changes in, and application of, accounting rules; ● changes in the regulations applicable to us; ● litigation matters; ● the success of large scale capital intensive projects; ● liquidity, including the impact of our debt service costs; and ● attrition and retention risk. ~~As~~ **30As** a result of these factors, our historical financial results are not necessarily indicative of our future results. We are exposed to various possible claims relating to our business, and our insurance may not fully protect us. We are exposed to various possible claims relating to our business, and our operations are subject to many hazards. In the ordinary course of business, we may become the subject of various claims, lawsuits, and administrative proceedings seeking damages or other remedies concerning our commercial operations, products, employees, and other matters, including occasional claims by individuals alleging exposure to hazardous materials as a result of our products or operations. Some of these claims relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of such businesses. Our insurance policies have deductibles or self- insured retentions which would require us to ~~expand~~ **expend** amounts prior to taking advantage of coverage limits. We believe that we have adequate insurance coverage for the protection of our assets and operations. However, our insurance may not fully protect us for certain types of claims such as dishonest, fraudulent, criminal or malicious acts; terrorism, war, hostile or warlike action during a time of peace; automobile physical damage; natural disasters; and certain cyber- crime. A judgment could be rendered against us in cases in which we could be uninsured and beyond the amounts that we currently have reserved or anticipate incurring for such matters. Even a partially uninsured or underinsured claim, if successful and of significant size, could have a material adverse effect on our results of operations or consolidated financial position. The specifications and insured limits under those policies, however, may be insufficient for such claims. We also face the following other risks related to our insurance coverage, including we may not be able to continue to obtain insurance on commercially reasonable terms; the counterparties to our insurance contracts may pose credit risks; and we may incur losses from interruption of our business that exceed our insurance coverage each of which, individually or in the aggregate, could materially and adversely impact our business. Further, due to rising insurance costs and changes in the insurance markets, we cannot provide any assurance that our insurance coverage will continue to be available at all or at rates or on terms similar to those presently available. Public health crises such as the COVID- 19 pandemic and their impact on business and economic conditions and government requirements could adversely affect our business, financial condition or results of operations. We are subject to risks related to public health crises, such as the COVID- 19 pandemic and the various measures that are implemented to protect public health, which can adversely affect the economy and financial markets. We have ~~31implemented~~ -- **implemented** business continuity plans to continue to provide specialty rental and hospitality services to our customers and to support our operations, while taking health and safety measures such as incentivizing employee vaccination, implementing worker distancing measures and masking measures and using a remote workforce where possible. There can be no assurance that the continued spread of COVID- 19, or any future health public crisis, and efforts to contain such public health crisis (including, but not limited to, vaccination, social distancing and masking policies, restrictions on travel and reduced operations) will not materially impact our results of operations and financial position. ~~In particular, the continued spread of COVID- 19 and its variants and efforts to contain the virus could: ● impact customer demand for our specialty rental and hospitality services; ● reduce the availability and productivity of our employees; ● cause us to experience an increase in costs as a result of our emergency and business continuity measures; ● impact our ability to complete any strategic plans on time, or at all; and ● cause other unpredictable events. The situation surrounding COVID- 19 remains fluid and the likelihood of an impact on us that could be material increases the longer the virus impacts activity levels in the locations in which we operate. Even after the COVID- 19 pandemic subsides, the U. S. economy and other major global economies may experience a recession, and we anticipate our business and operations could be materially adversely affected by a prolonged recession in the U. S. and other major markets. Therefore, it remains difficult to predict the potential impact of the virus on our results of operations and financial position. In addition, to the extent that COVID- 19 adversely affects our results of operations or financial position, it may also heighten the other risks described in this Item 1A- Risk Factors.~~ Financial Accounting RisksIf we determine that our goodwill and intangible assets have become impaired, we may incur impairment charges, which would negatively impact our reported operating results. We have goodwill, which represents the excess of the total purchase price of our acquisitions over the fair value of the assets acquired, and other intangible assets. As of December 31, ~~2022~~ **2023** , we had approximately $ 41. 0 million and $ ~~75~~ **66** . ~~2~~ **3** million of goodwill and other intangible assets, net, respectively, in our statement of financial position, which represents approximately 5. ~~3~~ **9** % and 9. ~~7~~ **5** % of total assets, respectively. We review goodwill and intangible assets at least annually for impairment. In the event impairment is identified, a charge to earnings would be recorded. Impairment may result from significant changes in the manner of use of the acquired asset, negative industry or economic trends and significant underperformance relative to historic or projected operating results. Any impairment charges could adversely affect our reported results of operations and financial condition. ~~The~~ **31The** valuation of our Private Warrants could increase the volatility in our net income (loss) in our consolidated statements of comprehensive income (loss). The change in fair value of our Private Warrants is the result of changes in stock price and Private Warrants outstanding at each reporting period. Our Private Warrants are required to be carried at fair value, with changes in the valuation impacting net income (loss). The Private Warrants **, which expire on March 15, 2024,** are valued using a Black- Scholes option- pricing model under which fair value is impacted by various assumptions, including the volatility of stock prices. Significant changes to our stock price or number of Private Warrants outstanding may adversely affect our net income (loss) in our consolidated statements of comprehensive income (loss). ~~32Social~~ -- **Social** , Political, Regulatory and Litigation RisksA failure to maintain food safety or comply with government regulations related to food and beverages may subject us to liability. Claims of illness or injury relating to food quality or food handling are common in the food service industry, and a number of these claims may exist at any given time. Because food safety issues could be experienced at the source or by food suppliers or distributors, food safety could, in part, be out of our control. Regardless of the source or cause, any report of food- borne illness or other food safety issues such as food tampering or contamination at one of our locations could adversely impact our reputation, hindering our ability to renew contracts on favorable terms or to obtain new business, and have a negative impact on our sales. Future food product recalls and health concerns associated with food contamination may also increase our raw materials costs and, from time to time, disrupt its business. A variety of regulations at various governmental levels relating to the handling, preparation, and serving of food (including, in some cases, requirements relating to the temperature of food), and the cleanliness of food production facilities and the hygiene of food- handling personnel are enforced primarily at the local public health department level. We cannot assure you that we are in full compliance with all applicable laws and regulations at all times or that we will be able to comply with any future laws and regulations. Furthermore, legislation and regulatory attention to food safety is very high. Additional or amended regulations in this area may significantly increase the cost of compliance or expose us to liabilities. If we are unable to maintain food safety or comply with government regulations related to food and beverages, the effect could be materially ~~averse~~ **adverse** to our business or results of operations. Unanticipated changes in our tax obligations, the adoption of a new tax legislation, or exposure to additional income tax liabilities could affect profitability. We are subject to income taxes in the United States. Our tax liabilities are affected by the amounts charged for ~~inventory,~~ services, funding, and other intercompany transactions. Tax authorities may disagree with our intercompany charges, ~~cross- jurisdictional transfer pricing~~ or other tax positions and assess additional taxes. We regularly assess the likely outcomes of examinations in order to determine the appropriateness of its tax provision. However, there can be no assurance that we will accurately predict the outcomes of potential examinations, and the amounts ultimately paid upon resolution of examinations could be materially different from the amounts previously included in our income tax provision and, therefore, could have a material impact on its results of operations and cash flows. In addition, our future effective tax rate could be adversely affected by changes to its operating structure, changes in the mix of earnings in countries and / or states with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws, and the discovery of new information in the course of our tax return preparation process. We ~~may be unable to recognize deferred tax assets and,~~

~~as a result, lose future tax savings, which could have a negative impact on our liquidity and financial position. We recognize deferred tax assets primarily related to deductible temporary differences based on our assessment that the item will be utilized against future taxable income and the benefit will be sustained upon ultimate settlement with the applicable taxing authority. Such deductible temporary differences primarily relate to tax loss carryforwards and deferred revenue. Tax loss carryforwards arising in a given tax jurisdiction may be carried forward to offset taxable income in future years from such tax jurisdiction and reduce or eliminate income taxes otherwise payable on such taxable income, subject to certain limitations. We may have to write down, via a valuation allowance, the carrying amount of certain of the deferred tax assets to the extent we determine it is not probable such deferred tax assets will continue to be recognized. The taxing authorities could challenge our calculation of the amount of our tax attributes, which could reduce certain of our recognized tax benefits. In addition, tax laws in certain jurisdictions may limit the ability to use carryforwards upon a change in control. 33We~~ are subject to various laws and regulations including those governing our contractual relationships with the U. S. government and U. S. government contractors and the health and safety of our workforce and our customers. Obligations and liabilities under these laws and regulations may materially harm our business. Our customers include U. S. government contractors, which means that we may, indirectly, be subject to various statutes and regulations applicable to doing business with the U. S. government. These types of contracts customarily contain provisions that give the U. S. government substantial rights and remedies, many of which are not typically found in ~~commercial~~ **32commercial** contracts and which are unfavorable to contractors, including provisions that allow the government to unilaterally terminate or modify our customers' federal government contracts, in whole or in part, at the government' s convenience. Under general principles of U. S. government contracting law, if the government terminates a contract for convenience, the terminated party may generally recover only its incurred or committed costs and settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, the defaulting party may be liable for any extra costs incurred by the government in procuring undelivered items from another source. In addition, our or our customers' failure to comply with these laws and regulations might result in administrative penalties or the suspension of our customers' government contracts or debarment and, as a result, the loss of the related revenue which would harm our business, results of operations and financial condition. We are not aware of any action contemplated by any regulatory authority related to any possible non- compliance by or in connection with our operations. In addition, U. S. government contracts and grants normally contain additional requirements that may increase our costs of doing business, reduce our profits, and expose us to liability for failure to comply with these terms and conditions. These requirements include, for example: ● specialized disclosure and accounting requirements unique to U. S. government contracts; ● financial and compliance audits that may result in potential liability for price adjustments, recoupment of government funds after such funds have been spent, civil and criminal penalties, or administrative sanctions such as suspension or debarment from doing business with the U. S. government; ● public disclosures of certain contract and company information; and ● mandatory socioeconomic compliance requirements, including labor requirements, non- discrimination and affirmative action programs and environmental compliance requirements. If we fail to maintain compliance with these requirements, our contracts may be subject to termination, and we may be subject to financial and / or other liability under its contracts or under the False Claims Act. The False Claims Act' s " whistleblower " provisions allow private individuals, including present and former employees, to sue on behalf of the U. S. government. The False Claims Act statute provides for treble damages and other penalties and, if our operations are found to be in violation of the False Claims Act, we could face other adverse action, including suspension or prohibition from doing business with the U. S. government. Any penalties, fines, suspension or damages could adversely affect our financial results as well as our ability to operate our business. Further, our operations are subject to an array of other governmental regulations in each of the jurisdictions in which we operate. Our activities are subject to regulation by several federal and state government agencies, including OSHA and by federal and state laws. Our operations and activities in other jurisdictions are subject to similar governmental regulations. Similar to conventionally constructed buildings, the workforce housing industry is also subject to regulations by multiple governmental agencies in each jurisdiction relating to, among others, environmental, zoning and building standards, and health, safety and transportation matters. Noncompliance with applicable regulations, implementation of new regulations or modifications to existing regulations may increase costs of compliance, require a termination of certain activities or otherwise have a material adverse effect on our business, results of operations, and financial condition. ~~34We~~ **We** are subject to various anti- corruption laws and we may be subject to other liabilities which could have a material adverse effect on our business, results of operations and financial condition. We are subject to various anti- corruption laws that prohibit improper payments or offers of payments to foreign governments and their officials by a U. S. person for the purpose of obtaining or retaining business. Our activities create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of various laws, including the U. S. Foreign Corrupt Practices Act (the " FCPA "). We have implemented safeguards and policies to discourage these practices by our employees and agents. However, existing safeguards and any future improvements may prove to be ineffective and employees or agents may engage in conduct for which we might be held responsible. If employees violate our policies or we fail to maintain adequate record- keeping and internal accounting practices to accurately record its transactions, we may be subject to regulatory sanctions. Violations of the FCPA or other anti- ~~corruption~~ **33corruption** laws may result in severe criminal or civil sanctions and penalties, including suspension or debarment from U. S. government contracting, and we may be subject to other liabilities which could have a material adverse effect on our business, results of operations and financial condition. We are also subject to similar anti- corruption laws in other jurisdictions. We may be exposed to certain regulatory and financial risks related to climate change and other environmental laws and regulations. All of our and our customers' operations may be affected by federal, state and local laws and regulations governing the discharge of substances into the environment or otherwise relating to environmental protection. Among other things, these laws and regulations impose limitations and prohibitions on the discharge and emission of, and establish standards for the use, disposal and management of, regulated materials and waste, and impose liabilities for the costs of investigating and cleaning up, and damages resulting from, present and past spills, disposals or other releases of hazardous substances or materials. In the ordinary course of business, we use and generate substances that are regulated or may be hazardous under environmental laws. We have an inherent risk of liability under environmental laws and regulations, both with respect to ongoing operations and with respect to contamination that may have occurred in the past on our properties or as a result of our operations. From time to time, our operations or conditions on properties that we have acquired have resulted in liabilities under these environmental laws. We may in the future incur material costs to comply with environmental laws or sustain material liabilities from claims concerning noncompliance or contamination. We have no reserves for any such liabilities. Environmental laws and regulations are likely to change in the future under **different** ~~the Biden administration~~ **administrations** , possibly resulting in more stringent requirements. Our or any of our customers' failure to comply with applicable environment laws and regulations may result in any of the following: ● issuance of administrative, civil and criminal penalties; ● denial or revocation of permits or other authorizations; ● reduction or cessation of operations; and ● performance of site investigatory, remedial or other corrective actions. While it is not possible at this time to predict how environmental legislation may change or how new regulations that may be adopted would impact our business, any such future laws and regulations could result in increased compliance costs or additional operating restrictions for us or our customers and could have a material adverse effect on our business or demand for our services. There are a number of legislative and regulatory proposals to address greenhouse gas emissions, which are in various phases of discussion or implementation. For example, on January 27, 2021, President Biden issued an executive order that commits to substantial action on climate change, calling for, among other things, an indefinite suspension of new oil and natural gas leases on public lands pending completion of a comprehensive review and reconsideration of federal energy and natural resource permitting and leasing practices. It remains unclear what additional actions President Biden **, or a future administration,** will take ~~35and~~ -- **and** what support he will have for any potential legislative changes from Congress. The outcome of U. S. federal, regional, provincial, and state actions to address global climate change could result in a variety of regulatory programs including potential new regulations, additional charges to fund energy efficiency activities, or other regulatory actions. These actions could: ● result in increased costs associated with our operations and our customers' operations; ● increase other costs to our business; ● reduce the demand for carbon- based fuels; and ● reduce the demand for our services. Any adoption of these or similar proposals by U. S. federal, regional, provincial, or state governments mandating a substantial reduction in greenhouse gas emissions could have far-reaching and significant impacts on the energy industry. ~~Although~~ **34Although** it is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such future laws and regulations could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on our business or demand for our services. See " Business — Regulatory and Environmental Compliance " for a more detailed description of our climate- change related risks. We may be subject to litigation, judgments, orders or regulatory proceedings that could materially harm our business. We are subject to claims arising from disputes with customers, employees, vendors and other third parties in the normal course of business. The risks associated with any such disputes may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. If the plaintiffs in any suits against us were to successfully prosecute their claims, or if we were to settle such suits by making significant payments to the plaintiffs, our business, results of operations and financial condition would be harmed. Even if the outcome of a claim proves favorable to us, litigation can be time consuming and costly and may divert management resources. To the extent that our senior executives are named in such lawsuits, our indemnification obligations could magnify the costs. We are subject to evolving public disclosure, financial reporting and corporate governance expectations and regulations that impact compliance costs and risks of noncompliance. We are subject to changing rules and regulations promulgated by a number of governmental and self- regulatory organizations, including the SEC and Nasdaq, as well as evolving investor expectations around disclosures, financial reporting, corporate governance and environmental and social practices. These rules and regulations continue to evolve in scope and complexity, and many new requirements have been created in response to laws enacted by the U. S. and foreign governments, making compliance more difficult and uncertain. The increase in costs to comply with such evolving expectations, rules and regulations, as well as any risk of noncompliance, could adversely impact us. Growth, Development and Financing RisksWe may not be able to successfully acquire and integrate new operations, which could cause our business to suffer. We may not be able to successfully complete potential strategic acquisitions for various reasons. We anticipate that we will consider acquisitions in the future that meet our strategic growth plans. We cannot predict whether or when acquisitions will be completed, and we may face significant competition for certain acquisition targets. Acquisitions that are completed involve numerous risks, including the following: ● difficulties in integrating the operations, technologies, products and personnel of the acquired companies; ~~36~~ ● diversion of management' s attention from normal daily operations of the business; ● difficulties in entering markets in which we have no or limited direct prior experience and where our competitors in such markets have stronger market positions; ● difficulties in complying with regulations, such as environmental regulations, and managing risks related to an acquired business; ● an inability to timely complete necessary financing and required amendments, if any, to existing agreements; ● an inability to implement uniform standards, controls, procedures and policies; ● undiscovered and unknown problems, defects, liabilities or other issues related to any acquisition that become known to us only after the acquisition, particularly relating to rental equipment on lease that are unavailable for inspection during the diligence process; and ● potential loss of key customers or employees. In connection with acquisitions we may assume liabilities or acquire damaged assets, some of which may be unknown at the time of such acquisitions; record goodwill and non- amortizable intangible assets that will be subject to future ~~impairment~~ **35impairment** testing and potential periodic impairment charges; or incur amortization expenses related to certain intangible assets. The condition and regulatory certification of any facilities or operations acquired is assessed as part of the acquisition due diligence. In some cases, facility condition or regulatory certification may be difficult to determine due to that facility being on lease at the time of acquisition and / or inadequate certification records. Facility acquisitions may therefore result in a rectification cost which may not have been factored into the acquisition price, impacting ability to deploy and ultimate profitability of the facility acquired. Acquisitions are inherently risky, and no assurance can be given that our future acquisitions will be successful or will not materially adversely affect our business, results of operations, and financial condition. If we do not manage new markets effectively, some of our new communities and acquisitions may lose money or fail, and we may have to close unprofitable communities. Closing a community in such circumstances would likely result in additional expenses that would cause our operating results to suffer. To successfully manage growth, we will need to continue to identify additional qualified managers and employees to integrate acquisitions within our established operating, financial and other internal procedures and controls. We will also need to effectively motivate, train and manage our employees. Failure to successfully integrate recent and future acquisitions and new communities into existing operations could materially adversely affect our results of operations and financial condition. Global, national or local economic movements could have a material adverse effect on our business. We operate in the United States, but our business may be negatively impacted by economic movements or downturns in that market or in global markets generally, including those that could be caused by policy changes by the U. S. administration in areas such as trade and immigration. These adverse economic conditions may reduce commercial activity, cause disruption and volatility in global financial markets, and increase rates of default and bankruptcy. Reduced commercial activity has historically resulted in reduced demand for our products and services. For example, reduced commercial activity in the natural resource development sector in certain markets in which we operate may negatively impact our business. U. S. federal spending cuts or further limitations that may result from presidential or congressional action or inaction may also negatively impact our arrangements with government contractor customers. Disruptions in financial markets could negatively impact the ability of our customers to pay their obligations to us in a timely manner and increase our counterparty risk. If economic conditions worsen, we may face reduced demand and an increase, relative to historical levels, in the time it takes to receive customer payments. If we are not able to adjust our business in a timely ~~37and~~ -- **and** effective manner to changing economic conditions, our business, results of operations and financial condition may be materially adversely affected. Information Technology and Privacy RisksAny failure of our management information systems could disrupt our business and result in decreased revenue and increased overhead costs. We depend on our management information systems to actively manage our facilities and provide facility information, and availability of our services. These functions enhance our ability to optimize facility utilization, occupancy, costs of goods sold, and average daily rate. The failure of our management information systems to perform as anticipated could damage our reputation with our customers, disrupt our business or result in, among other things, decreased revenue and increased overhead costs. For example, an inaccurate utilization rate could cause us to fail to have sufficient inventory to meet consumer demand, resulting in decreased sales. Any such failure could harm our business, results of operations and financial condition. In addition, the delay or failure to implement information system upgrades and new systems effectively could disrupt our business, distract management' s focus and attention from business operations and growth initiatives, and increase our implementation and operating costs, any of which could materially adversely affect our operations and operating results. Furthermore, these technologies may require refinements and upgrades. The development and maintenance of these technologies may require significant investment by us. As various systems and technologies become outdated or new technology is required, we may not be able to replace or introduce them as quickly as needed or in a cost- effective and timely manner. As a result, we may not achieve the benefits we may have been anticipating from any new technology or ~~systemLike~~ **system36Like** other companies, our information systems may be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, telecommunications failures, computer viruses, security breaches (including cyber- attacks), and other security issues. In addition, because our systems contain information about individuals and businesses, the failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities leading to lower revenue, increased costs, regulatory sanctions, and other potential material adverse effects on our business, results of operations, and financial condition. Our business could be negatively impacted by security threats, including ~~cyber- security~~ **cybersecurity** threats and other disruptions. We face various security threats, including ~~cyber- security~~ **cybersecurity** threats to gain unauthorized access to sensitive information or to render data or systems unusable; threats to the safety of our employees; threats to the security of our facilities and infrastructure or third- party facilities and infrastructure; and threats from terrorist acts. Although we utilize various procedures and controls to monitor these threats and mitigate our exposure to such threats, there can be no assurance that these procedures and controls will be sufficient in preventing security threats from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities essential to our operations and could have a material adverse effect on our reputation, financial position, results of operations or cash flows. ~~Cyber- security~~ **Cybersecurity** attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. Even if we are fully compliant with legal standards and contractual or other requirements, we still may not be able to prevent security breaches involving sensitive data. Breaches, thefts, losses or fraudulent uses of customer, employee or company data could cause consumers to lose confidence in the security of our website, point of sale systems and other information technology systems and choose not to stay in our communities or contract with us in the future. **While we have a cybersecurity program designed to protect and preserve the integrity of our information systems, the Company also maintains cybersecurity insurance in line with industry standards to manage potential liabilities resulting from specific cyber- attacks. However, it is important to note that although we maintain cybersecurity insurance, there can be no guarantee that our insurance coverage limits will protect against any future claims or that such insurance proceeds will be paid to us in a timely manner.** Risks Related to Our IndebtednessOur leverage may make it difficult for us to service our debt and operate our business. As of December 31, ~~2022~~ **2023** , we, through our wholly- owned indirect subsidiary, Arrow Bidco, LLC (" Arrow Bidco "), had $ ~~334~~ **181** . ~~5~~ **4** million of total indebtedness consisting of $ 0 ~~of~~ borrowings under the ABL Facility and $ ~~334~~ **181** . ~~5~~ **4** million of our ~~2024~~ **2025** Senior Secured Notes. ~~38Our~~ -- **Our** leverage could have important consequences, including: ● making it more difficult to satisfy our obligations with respect to our various debt (including the **2025 Senior Secured** Notes) and liabilities; ● requiring us to dedicate a substantial portion of our cash flow from operations to debt payments, thus reducing the availability of cash flow to fund internal growth through working capital and capital expenditures on our existing communities or new communities and for other general corporate purposes; ● increasing our vulnerability to a downturn in our business or adverse economic or industry conditions; ● limiting our flexibility in planning for or reacting to changes in our business and industry; ● restricting us from pursuing strategic acquisitions or exploiting certain business opportunities or causing us to make non- strategic divestitures; and ● limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings. ~~Our~~ **37Our** ability to meet our debt service obligations, including those under the ABL Facility and the **2025 Senior Secured** Notes, or to refinance our debt depends on our future operating and financial performance, which will be affected by our ability to successfully implement our business strategy as well as general economic, financial, competitive, regulatory and other factors beyond our control. If our business does not generate sufficient cash flow from operations, or if future borrowings are not available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs, we may need to refinance all or a portion of our indebtedness on or before the maturity thereof, sell assets, reduce or delay capital investments or seek to raise additional capital, any of which could have a material adverse effect on our operations. In addition, we may not be able to ~~affect~~ **effect** any of these actions, if necessary, on commercially reasonable terms or at all. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of our existing or future debt instruments may limit or prevent us from taking any of these actions. If we default on the payments required under the terms of certain of our indebtedness, that indebtedness, together with debt incurred pursuant to other debt agreements or instruments that contain cross- default or cross- acceleration provisions, may become payable on demand, and we may not have sufficient funds to repay all of our debts. As a result, our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our debt obligations. We and our subsidiaries may be able to incur substantial additional indebtedness (including additional secured obligations) in the future. Although the Indenture governing our ~~2024~~ **2025** Senior Secured Notes ~~(defined below)~~ and the ABL Facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt, including future additional secured obligations, is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. Global capital and credit markets conditions could materially adversely affect our ability to access the capital and credit markets or the ability of key counterparties to perform their obligations to it. In the future, we may need to raise additional funds to, among other things, refinance existing indebtedness, fund existing operations, improve or expand our operations, respond to competitive pressures or make acquisitions. If adequate funds are not available on acceptable terms, we may be unable to achieve our business or strategic objectives or compete effectively. Our ability to pursue certain future opportunities may depend in part on our ongoing access to debt and equity capital markets. We cannot assure you that any such financing will be available on terms satisfactory to us or at all. If we are unable to obtain financing on acceptable terms, we may have to curtail our growth. ~~39Economic~~ -- **Economic** disruptions affecting key counterparties could also have a material adverse effect on our business. We monitor the financial strength of our larger customers, derivative counterparties, lenders, and insurance carriers on a periodic basis using publicly- available information in order to evaluate its exposure to those who have or who it believes may likely experience significant threats to their ability to adequately perform their obligations to it. The information available will differ from counterparty to counterparty and may be insufficient for us to adequately interpret or evaluate our exposure and / or determine appropriate or timely responses. We are, and may in the future become, subject to covenants that limit our operating and financial flexibility and, if we default under our debt covenants, we may not be able to meet our payment obligations. The ABL Facility and the Indenture, as well as any instruments that will govern any future debt obligations, contain covenants that impose significant restrictions on the way the Arrow Bidco and its subsidiaries can operate, including restrictions on the ability to: ● incur or guarantee additional debt and issue certain types of stock; ● create or incur certain liens; ● make certain payments, including dividends or other distributions, with respect to our equity securities; **38** ● prepay or redeem junior debt; ● make certain investments or acquisitions, including participating in joint ventures; ● engage in certain transactions with affiliates; ● create unrestricted subsidiaries; ● create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the issuer or any restricted subsidiary; ● sell assets, consolidate or merge with or into other companies; ● sell or transfer all or substantially all our assets or those of our subsidiaries on a consolidated basis; and ● issue or sell share capital of certain subsidiaries. Although these limitations will be subject to significant exceptions and qualifications, these covenants could limit our ability to finance future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Arrow Bidco' s ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If Arrow Bidco defaults on their obligations under the ABL Facility and the **2025 Senior Secured Notes** Indenture **(as defined below)** , then the relevant lenders or holders could elect to declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable and proceed against any collateral securing that debt. If the debt under the ABL Facility, the Indenture or any other material financing arrangement that we enter into were to be accelerated, our assets may be insufficient to repay in full the ABL Facility, the **2025 Senior Secured** Notes and our other debt. The ABL Facility also requires our subsidiaries to satisfy specified financial maintenance tests ~~in the event that~~

~~certain excess liquidity requirements are not satisfied~~ . The ability to meet these tests could be affected by deterioration in our operating results, as well as by events beyond our control, including increases in raw materials prices and unfavorable economic conditions, and we cannot assure you that these tests will be met. If an event of default occurs under the ABL Facility, the lenders thereunder could terminate their commitments and declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be immediately due and payable. Borrowings under other debt instruments ~~40that~~ -- **that** contain cross- acceleration or cross- default provisions also may be accelerated or become payable on demand. In these circumstances, Target Hospitality' s assets may not be sufficient to repay in full that indebtedness and its other indebtedness then outstanding. The amount of borrowings permitted at any time under the ABL Facility will be subject to compliance with limits based on a periodic borrowing base valuation of the borrowing base assets thereunder. As a result, our access to credit under the ABL Facility will potentially be subject to significant fluctuations depending on the value of the borrowing base of eligible assets as of any measurement date, as well as certain discretionary rights of the agent in respect of the calculation of such borrowing base value. As a result of any change in valuation, the availability under the ABL Facility may be reduced, or we may be required to make a repayment of the ABL Facility, which may be significant. The inability to borrow under the ABL Facility or the use of available cash to repay the ABL Facility as a result of a valuation change may adversely affect our liquidity, results of operations and financial position. Restrictions in Arrow Bidco' s existing and future debt agreements could limit our growth and our ability to respond to changing conditions. The ABL Facility contains a number of significant covenants including covenants restricting the incurrence of additional debt. The credit agreement governing the ABL Facility requires Arrow Bidco, among other things, to maintain certain financial ratios or reduce our debt. These restrictions also limit our ability to obtain future financings to withstand a future downturn in its business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under the ABL Facility and the Indenture impose on it. In addition, complying with these covenants may also cause us to take actions that are not favorable to our securityholders and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions. **39** ~~Credit rating downgrades could adversely affect our businesses, cash flows, financial condition and operating results. Arrow Bidco' s credit ratings will impact the cost and availability of future borrowings, and, as a result, cost of capital. Arrow Bidco' s ratings reflect each rating agency' s opinion of our financial strength, operating performance and ability to meet our debt obligations. Each rating agency will review these ratings periodically and there can be no assurance that such ratings will be maintained in the future. A downgrade in Arrow Bidco' s rating could adversely affect our businesses, cash flows, financial condition and operating results. Risks Related to Ownership of Our Common Stock We have incurred and expect to continue to incur significantly increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance efforts. We have incurred and expect to continue to incur significant legal, accounting, insurance, and other expenses as a result of being a public company. The Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, as amended (the " Dodd- Frank Act ") and the Sarbanes- Oxley Act of 2002, as amended (" SOX "), as well as related rules implemented by the SEC, have required changes in corporate governance practices of public companies. In addition, rules that the SEC is implementing or is required to implement pursuant to the Dodd- Frank Act may require additional change. Compliance with these and other similar laws, rules and regulations, including compliance with Section 404 of SOX, will substantially increase our expenses, including legal and accounting costs, and make some activities more time- consuming and costly. It is possible that these expenses will exceed the increases projected by management. These laws, rules, and regulations may also make it more expensive to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage, which may make it more difficult to attract and retain qualified persons to serve on its board of directors or as officers. Although the JOBS Act may, for a limited period of time, somewhat lessen the cost of complying with these additional regulatory and other requirements, we nonetheless expect a substantial increase in legal, accounting, insurance, and certain other expenses in the future, which will negatively impact its results of operations and financial condition. 41Our principal stockholder has substantial control over our business, which may be disadvantageous to other stockholders. Arrow Holdings and MFA Global S. a r. l., entities controlled by TDR Capital, together beneficially owned approximately 65 % of our outstanding shares of Common Stock as of December 31, 2022. As a result of its ability to control a significant percentage of the voting power of our outstanding Common Stock, TDR Capital may have substantial control over matters requiring approval by our stockholders, including the election and removal of directors, amendments to our certificate of incorporation and bylaws, any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions. TDR Capital may have interests that are different from those of other stockholders. We are an " emerging growth company " and as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, our Common Stock may be less attractive to investors. We are an " emerging growth company " as defined in the JOBS Act, and we intend to utilize some of the exemptions from reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and adopting new accounting standards using private company effective dates. We cannot predict if investors will find our Common Stock less attractive because we will rely on these exemptions. If some investors find our Common Stock less attractive as a result, there may be a less active trading market for our Common Stock and our stock price may be more volatile. We will take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of the Public Offering, (b) in which we have total annual gross revenue of at least $ 1. 0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our Common Stock that is held by non- affiliates exceeds $ 700 million as of the prior June 30th, and (2) the~~

~~date on which we have issued more than $ 1. 0 billion in non- convertible debt during the prior three- year period. 42~~