Risk Factors Comparison 2024-03-08 to 2023-03-10 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our future results may differ materially from past results and from those projected in the forward- looking statements contained in this Form 10- K due to various uncertainties and risks, including those risks set forth below, nonrecurring events and other important factors disclosed previously and from time to time in our other reports filed with the SEC. Operational Risks We face various risks related to health epidemics, pandemics and similar outbreaks, which could adversely affect our business. We face a wide variety of risks related to health epidemics, pandemics **,** and similar outbreaks ~~, including COVID- 19~~ . ~~The~~ **These events have** ~~ongoing COVID- 19 pandemic has~~ adversely affected, and may continue to adversely affect, our operations, supply chains and distribution systems. **Public health crises pose a risk that we or our employees, customers, suppliers, manufacturers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to the spread of the disease or shutdowns requested or mandated by governmental authorities.** The **extent to** ~~global aviation market experienced a significant decline during the peak of the COVID- 19 pandemic, specifically in global commercial air travel,~~ which ~~had~~ **public health crises may have** a ~~significant impact~~ **material adverse effect** on ~~the parts distribution and maintenance, repair and overhaul services markets supporting general aviation and commercial aircraft. Our Aviation segment experienced the most impactful reduction in demand for~~ our **future business** ~~products and services during fiscal 2021 and fiscal 2020 compared to fiscal 2019~~ , **financial condition** ~~as a decline in commercial aircraft revenue passenger miles contributed to a reduction in demand for aftermarket parts~~ and **results of operations will depend on many factors** ~~MRO services. While we have seen recovery in the overall demand for commercial air travel and currently expect~~ that **are not within** ~~recovery to continue, any future outbreaks of COVID- 19 or~~ **our control, including but not limited to** ~~other~~ -- **the path and effect of** epidemics, pandemics, crises or public health concerns ~~in regions of the world where we have operations or sell products~~ , **including factors like new variants** ~~together with governmental and regulatory responses thereto~~ , ~~could adversely~~ **vaccinations, potential supply chain disruptions, and inflation, which can** impact ~~the Aviation segment and our operating results. The extent of the impact of COVID- 19 or~~ **our key** ~~other epidemics, pandemics, crises or public health concerns on our business, including our ability to execute our near- term and long- term business strategies and initiatives in the expected time frame, will depend on numerous evolving factors that we cannot accurately predict or assess, including the negative impact it has on global and regional economies and economic activity; decisions by our customers to delay the use of, or permanently retire, certain aircraft, demand levels for aviation disruption inventory, which could result in a and adversely affect our results of operations; write- down of existing inventory to adjust to current market~~ **markets** ~~trends; and disruption in demand, which adversely impacts our commercial customers in the Aviation segment. Any of these events could exacerbate the other risks and uncertainties described herein, or in other reports filed with the SEC from time to time, and could materially adversely affect our business, financial condition, results of operations and / or stock price~~ . Supply chain delays, disruptions, and potential geopolitical uncertainty could adversely affect our business operations and expenses **.** Due to current economic and geopolitical uncertainty and supply chain disruptions, our business could be adversely impacted by delays or the inability to source products and services for our customers. If our suppliers experience increased disruptions to their operations as a result of these dynamics, they may be unable to fill our supply needs in a timely, compliant and cost- effective manner. We have incurred and may in the future incur additional costs and delays in our business, including higher prices, schedule delays or the costs associated with identifying alternative suppliers. In instances where we may not be able to mitigate these consequences, our ability to perform on our contracts may be impacted, which could result in reduced revenues and profits. **Certain** ~~We continue to monitor these dynamics and assess potential implications to our business, supply chain and~~ customers ~~, and take certain actions in an effort to mitigate potential adverse impacts. Given the uncertainties, we are unable to predict the extent, nature or duration of these impacts at this time. Certain programs~~ comprise a material portion of our revenue. Our work on large government ~~programs~~ **fleets** ~~presents~~ - **present** a risk to revenue growth and sustainability and profit margins. The ~~eventual expiration of large government programs or the~~ loss of or disruption of revenues on a single ~~contract~~ **customer** may reduce our revenues and profits ~~. Such revenue losses could also erode profits on our remaining programs that would have to absorb a larger portion of the fixed corporate costs previously allocated to the expiring programs or discontinued contract work~~ . Our USPS managed inventory program ~~and our FMS Program each constitute~~ **constitutes** a material portion of our revenues and profits. This concentration of our revenue subjects us to the risk of material adverse revenue disruptions if customer operational decisions, government ~~contractual~~ --- **contract matters,** or other issues prevent or delay the fulfillment of work requirements associated with these key ~~programs~~ **customer fleets** . ~~In recent years, revenue levels for our FMS Program have fluctuated widely enough to cause material changes in our- 10- overall revenue levels and affect our profit margins. Similarly, variations~~ **Variations** in volume and types of parts purchased by the USPS in recent years have caused changes in our profit margins. The USPS has initiated a fleet replacement program for ~~a~~ **the** next generation of the delivery vehicle fleet. The timing of ~~both~~ the ~~roll out of a~~ new ~~fleet~~ **vehicle deployment** and the retirement of **existing** ~~the current~~ vehicles ~~and their decision on how many of such vehicles will remain in the fleet~~ could potentially have a significant impact on our future revenues and profits. Acquisitions, which are a part of our business strategy, present certain risks. A key element of our business strategy is growth through the acquisition of additional companies. ~~VSE is~~ **We are** focused on acquiring complementary assets that add new products, new customers, and new capabilities or new geographic and / or operational competitive advantages in both new and existing markets within our core competencies. Our acquisition strategy is affected by, and poses a number of challenges and risks, including **the** availability of suitable acquisition candidates, availability of capital, diversion of management' s attention, effective integration of the operations and personnel of acquired companies, potential write downs of acquired intangible assets, potential loss of key employees of acquired companies, use of a significant portion of our available cash, compliance with debt covenants and consummation of acquisitions on satisfactory terms. We may not be able to successfully execute our acquisition strategy, and the failure to do so could have a material adverse effect on our business, financial condition **,** and results of operations **.- 9- Circumstances associated with divestitures could adversely affect the Company' s results of operations and financial condition. We may periodically divest or seek to divest certain businesses, including remaining assets in our former Federal and Defense segment that are no longer a part of our ongoing strategic plan and are held for sale. A decision to divest or discontinue assets, businesses, or product lines may result in asset impairments, including those related to goodwill and other intangible assets, and losses upon disposition, both of which could have adverse effects on our results of operations and financial condition. In addition, we may encounter difficulty in finding buyers or executing alternative exit strategies at acceptable prices and terms in a timely manner and prospective buyers may have difficulty obtaining financing. These divestitures may require a significant investment of time and resources and may disrupt our business, distract management from other responsibilities, and may involve the retention of certain current or future liabilities in order to induce a buyer to complete a divestiture or may otherwise result in losses on disposal or continued financial involvement in the divested business, including through indemnification or other arrangements, for a period of time following the transaction, which could adversely affect our financial results. We may not be successful in managing these or any other significant risks that we may encounter in divesting or discontinuing a business or product line, which could have a material adverse effect on our business** . Changes in future business conditions could cause business investments, recorded goodwill, and / or purchased intangible assets to become impaired, resulting in substantial losses and write- downs that would reduce our operating income. As part of our business strategy, we make acquisitions and investments following careful analysis and due diligence processes designed to achieve a desired return or strategic objective. Business acquisitions involve estimates, assumptions, and judgments to determine acquisition prices, which are allocated among acquired assets, including goodwill, based upon fair market values. Notwithstanding our analyses, due diligence processes, and business integration efforts, actual operating results of acquired businesses may vary significantly from initial estimates. In such events, we may be required to write down our carrying value of the related goodwill and / or purchased intangible assets. In addition, declines in the trading price of our common stock or the market as a whole can result in goodwill and / or purchased intangible asset impairment charges associated with our existing businesses. As of December 31, ~~2022~~ **2023** , goodwill and intangible assets, net of amortization, accounted for ~~25~~ **28** % and 9 %, respectively, of our total assets **(excluding assets held for sale)** . We test our goodwill for impairment annually in the fourth quarter or when evidence of potential impairment exists. We test acquired intangible assets for impairment whenever events or changes in circumstances indicate their carrying value may be impaired. The impairment tests are based on several factors requiring judgments. As a general matter, a significant decrease in expected cash flows or changes in market conditions may indicate potential impairment of recorded goodwill or intangible assets. Adverse equity market conditions that result in a decline in market multiples and the trading price of our common stock, or other events, such as reductions in future contract awards or significant adverse changes in our operating margins or the operating results of acquired businesses that vary significantly from projected results on which purchase prices are based, could result in an impairment of goodwill or other intangible assets. Any such impairments that result in us recording ~~additional~~ goodwill or intangible asset impairment charges could have a material adverse effect on our financial position or results of operations. Competition from existing and new competitors may harm our business. The aviation and vehicle parts industries are highly fragmented, have several highly visible leading companies, and are characterized by intense competition. Some of our **original equipment manufacturer ("** OEM **")** competitors have greater name recognition than VSE or our subsidiaries, as well as complementary lines of business and financial, marketing and other resources that we do not have. In addition, OEMs, aircraft maintenance providers, leasing companies and U. S. Federal Aviation Administration (" FAA") certificated repair facilities may attempt to bundle their services and product offerings in the supply industry, thereby significantly increasing industry competition. ~~Pressure on government budgets may adversely affect the flow of work to federal contractors, particularly new programs. Competitor contractors that experience a loss of government work have tended to redirect their marketing efforts toward the types of work that we perform. This increase in competition for our service offerings may adversely affect our ability to win- 11- new work or successor contracts to continue work that is currently performed by us under expiring contracts. Unsuccessful bidders frequently protest contract awards, which can delay or reverse the contract awards. Additionally, the government has frequently used contract award criteria that emphasizes lowest price, technically acceptable bids, which further intensifies competition in our government markets.~~ Our success is highly dependent on the performance of the aviation aftermarket, which could be impacted by lower demand for business aviation and commercial air travel or airline fleet changes causing lower demand for our goods and services. General global industry and economic conditions that affect the aviation industry may also affect our business. We are subject to macroeconomic cycles, and when recessions occur, we may experience reduced orders, payment delays, supply chain disruptions or other factors as a result of the economic challenges faced by our customers, prospective customers and suppliers. Further, the aviation industry has historically, from time to time, been subject to downward cycles which reduce the overall demand for jet engine and aircraft component replacement parts and repair and overhaul services, and such downward cycles **- 10-** result in lower sales and greater credit risk. Demand for commercial air travel can be influenced by airline industry profitability, world trade policies, government- to- government relations, terrorism, disease outbreaks, environmental constraints imposed upon aircraft operations, technological changes, price **,** and other competitive factors. These global industry and economic conditions may have a material adverse effect on our business, financial condition **,** and results of operations. Global economic conditions and political factors could adversely affect our revenues. Revenues for work performed in or products delivered to foreign countries are subject to economic conditions in these countries and to political risks posed by ongoing foreign conflicts and potential terrorist activity. Significant domestic and political unrest in client countries can constrain our ability to maintain consistent staffing levels, resulting in a fluctuating level of services performed by our employees. We cannot predict when these conditions will occur or the effect it will have on our revenues. Regime changes in these countries can result in government restrictions upon the continuation of ongoing work. Economic conditions in both the United States and foreign countries, and global prices and availability of oil and other commodities could potentially have an adverse effect on the demand for some of our services, including our aviation services. Prolonged periods of inflation where we do not have adequate inflation protections in our customer contracts may adversely affect us by increasing costs beyond what we can recover through price increases. ~~Recently, inflation has increased throughout the U. S. economy.~~ Inflation can adversely affect us by increasing the costs of labor, material and other costs. In addition, inflation is often accompanied by higher interest rates, which ~~could increase~~ **increases** the cost ~~of~~ **associated with** our **variable rate** outstanding debt obligations **and could increase rates for any new debt obligations that we incur** . In an inflationary environment, depending on economic conditions, we may be unable to raise prices enough to keep up with the rate of inflation, which would reduce our profit margins. ~~Although we have minimized the effect of inflation on our business through contractual protections, the presence of longer pricing periods within our contracts increases the likelihood that there will be sustained or higher than anticipated increases in costs of labor or material.~~ We have experienced, and continue to experience, increases in the prices of labor, materials **,** and other costs of providing service. Continued inflationary pressures could impact our profitability. The nature of our operations and work performed by our employees ~~present~~ **presents** certain challenges related to workforce management. Our financial performance is heavily dependent on the abilities of our operating and administrative staff with respect to technical skills, operating performance, pricing, cost management, safety, and administrative and compliance efforts. A wide diversity of contract types, nature of work, work locations, and legal and regulatory complexities ~~challenges~~ **challenge** our administrative staff and skill sets. We also face challenges associated with our quality of workforce, quality of work, safety, and labor relations compliance. Our current and projected work in foreign countries exposes us to challenges associated with export and ethics compliance, local laws and customs, workforce issues, extended supply chain, political unrest **,** and war zone threats. Failure to attract or retain an adequately skilled workforce, lack of knowledge or training in critical functions, or inadequate staffing levels **,** can result in lost work, reduced profit margins, losses from cost overruns, performance deficiencies, workplace accidents, and regulatory noncompliance. Our business could be adversely affected by incidents that could cause an interruption in our operations or impose a significant financial liability on us. Disruption of our operations due to internal or external system or service failures, accidents or incidents involving employees or third parties working in high- risk locations, or ~~natural disasters, health crisis, epidemics or pandemics, including the COVID- 19- 12- pandemic, or~~ other crises could adversely affect our financial performance and condition. ~~The COVID- 19 pandemic could potentially impact our global supply chain network for any of our segments.~~ A fire, flood, earthquake, ~~or~~ other natural disaster, ~~health crises, epidemic, pandemic~~ or other crisis at or affecting physical facilities ~~that support key revenue generating operations~~ , ~~or a~~ procurement ~~system~~ **systems ,** or contractual ~~delay~~ **deliveries** could potentially interrupt the revenues from our operations. Investments in inventory and facilities could cause losses if certain work is disrupted or discontinued. We have made investments in inventory, facilities **,** and lease commitments to support specific business programs, work requirements, and service offerings. A slowing or disruption of these business programs, work requirements, or service offerings that results in operating below intended levels could cause us to suffer financial losses. We are dependent on access to and the performance of third **-** party package delivery companies. Our ability to provide efficient distribution of the products we sell to our customers is an integral component of our overall business strategy, both domestic and international. We do not maintain our own delivery networks, and instead rely on third - party package delivery companies. We cannot ~~assure~~ **guarantee** that we will always be able to ensure access to preferred shipping and delivery companies or that these companies will continue to meet our needs or provide reasonable pricing terms. In **- 11-** addition, if the package delivery companies on which we rely on experience delays resulting from inclement weather or other disruptions, we may be unable to maintain ~~products in~~ **appropriate stock of** inventory ~~and~~ **or** deliver products to our customers on a timely basis, which may adversely affect our results of operations and financial condition. ~~Uncertain government budgets and shifting government priorities could delay contract awards and funding and adversely affect our ability to continue work under our government contracts. Additionally, federal procurement directives could result in our loss of work on current programs to small business set- asides and large multiple award contracts. Our government business is subject to funding delays, terminations (including at the government' s convenience), reductions, in- sourcing, extensions and moratoriums associated with the government' s budgeting and contracting process. The federal procurement environment is unpredictable and could adversely affect our ability to perform work under new and existing contracts. We have experienced delays in contract awards and funding on our contracts in recent years that have adversely affected our ability to continue existing work and to replace expiring work. Additionally, our government business is subject to the risk that one or more of our potential contracts or contract extensions may be diverted by the contracting agency to a small or disadvantaged or minority- owned business pursuant to set- aside programs administered by the U. S. Small Business Administration, or may be bundled into large multiple award contracts for very large businesses. These risks can potentially have an adverse effect on our revenue growth and profit margins. Changes to DoD business practices could have a material effect on DoD' s procurement process and adversely impact our current programs and potential new awards. The defense industry has experienced, and we expect will continue to experience, significant changes to business practices resulting from greater DoD focus on affordability, efficiencies, business systems, recovery of costs, and a re- prioritization of available defense funds to key areas for future defense spending. The DoD continues to adjust its procurement practices, requirements criteria, and source selection methodology in an ongoing effort to reduce costs, gain efficiencies, and enhance program management and control. We expect the DoD' s focus on business practices to impact the contracting environment in which we operate as we and others in the industry adjust our practices to address the DoD' s initiatives and the reduced level of spending by the DoD. Depending on how these initiatives are implemented, they could have an impact on our current programs, as well as new business opportunities with the DoD. As a~~

~~result of certain of these initiatives, we experienced, and may continue to experience, a higher number of audits and / or lengthened periods of time required to close open audits. Such additional or lengthier audits could have a material adverse effect on our business, financial condition and results of operations.~~ Legal and Regulatory Risks ~~Our business could be adversely affected by government audits or investigations. Government agencies, including the Defense Contract Audit Agency, the Defense Contract Management Agency and the Department of Labor, routinely audit and investigate government contractors. These agencies review a contractor' s performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The government also may review the adequacy of, and a contractor' s compliance with, its internal control systems and policies, including the- 13- contractor' s purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed and any such costs already reimbursed must be refunded. The scope and rigor of government agency audits and investigations have increased in recent years, resulting in a greater likelihood that an audit or investigation may result in an adverse outcome. We have been subject to unfavorable findings and recommendations from various government agencies from time to time. We expect that government agencies will continue to rigorously audit and investigate us and there may be adverse or disputed findings, resulting in corrective action plans and / or settlements. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with the government. In addition, we could suffer serious harm to our reputation if allegations of impropriety were made. Performance of international work can expose us to risks associated with the Foreign Corrupt Practices Act and Export Control Act compliance.~~ We are subject to numerous government rules and regulations that could expose us to potential liabilities or work loss ~~. We must comply with and are affected by laws and regulations relating to the award, administration and performance of government contracts. A violation of laws or regulations could result in the imposition of fines and penalties or the termination of contracts or debarment from working or bidding on government contracts. In some instances, these government contract laws and regulations impose terms or rights that are significantly more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the government may terminate any government contract or subcontract at its convenience, as well as for performance default. A termination for default could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. A termination for default could also impact our past performance and ability to obtain new or additional work. In addition, the government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of services provided by us as a subcontractor. Additionally, our contract work that is performed by our subcontractors is subject to government compliance, performance requirements and financial risks. If any of our subcontractors fail to timely meet their contractual obligations or have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor may be jeopardized~~ . The aviation industry is highly regulated by the FAA and similar regulatory agencies in other countries. Aviation engines, engine accessories and components that we sell **components and repair services for** must meet certain airworthiness standards established by the FAA or the equivalent agencies in certain other countries. We also operate repair facilities that are licensed by the FAA and equivalent agencies of certain other countries to perform such services. New and more stringent regulations may be adopted in the future that could have an adverse effect on us. Lastly, border tariffs and new trade deals could have significant effects on our customers and, in turn, on our suppliers, which may impact our business. Due to the nature of our work, we could potentially be exposed to legal actions arising from our operations. Our work includes many manual tasks, including warehousing, shipping **,** and packing of truck parts inventory, **and** maintaining and repairing ~~military and non- military vehicles,~~ aircraft **components** and equipment ~~, and maintaining and overhauling U. S. Navy ships~~ . Some of our work efforts involve the handling of hazardous materials. These services may pose certain challenges that could cause us to be exposed to legal and other liabilities arising from performance issues, work related incidents or employee misconduct that result in damages, injury or death to third parties. Such events could cause us to suffer financial losses and adversely affect our financial condition. See Item 3," Legal Proceedings " below. Environmental and pollution risks could potentially impact our financial results. Our operations are subject to and affected by a variety of existing federal, state, and local environmental protection laws and regulations. In addition, we could be affected by future laws or regulations, including those imposed in response to concerns over climate change, other aspects of the environment, or natural resources. We expect to incur future capital and operating costs to comply with current and future environmental laws and regulations, and such costs could be substantial, depending on ~~- 14-~~ the future proliferation of environmental rules and regulations and the extent to which we discover currently unknown environmental conditions. Some of our contract work includes the use of chemical solvents and the handling of hazardous materials to maintain, repair, and refurbish vehicles, aircraft engines, and equipment. This exposes us to certain environmental and pollution risks. Various federal, state, and local environmental laws and regulations impose restrictions on the discharge of pollutants into the environment and establish standards for the transportation, storage, and disposal of toxic and hazardous wastes. Substantial fines, penalties, and criminal sanctions may be imposed for noncompliance, and certain environmental laws impose joint and several" strict liability" for remediation of spills and releases of oil and hazardous substances. Such laws and regulations impose liability upon a party for environmental cleanup and remediation costs and damage without regard to negligence or fault on the part of such party and could expose us to liability for the conduct of or conditions caused by third parties. Costs associated with compliance with Federal, State **,** and local provisions regulating the discharge of materials or that otherwise relate to the protection of the environment have not had a material adverse effect on our capital expenditures, earnings, or competitive position. However, we cannot predict the likelihood of such a material adverse effect should we experience the occurrence of a future environmental or pollution event. The adoption of new environmental laws and regulations, stricter enforcement of existing laws and regulations, imposition of new cleanup requirements, discovery of previously unknown or more extensive contamination, litigation involving environmental impacts, our inability to recover related costs under our government contracts, or the financial insolvency of other responsible parties could cause us to incur costs that could have a material adverse effect on our financial position, results of operations, or cash flows. **- 12-** Technology Risks Technology **and** ~~security~~ **cybersecurity threats** and ~~cyber- attack~~ risks could potentially impact our financial results. We face ~~the threat~~ **cybersecurity risk related** to our computer systems ~~of~~ **and data, which may include** unauthorized access, **acts by** computer hackers, computer viruses, malicious code, organized **cybersecurity** ~~cyber-~~ attacks and other security problems and system disruptions, including possible unauthorized access to our and our ~~clients~~ **customers** ' ~~proprietary or classified~~ information. ~~Some of~~ **We also rely on third- parties to host certain enterprise systems and manage and host** our ~~contract work includes~~ data ~~management~~ and **that** ~~technology services associated with Social Security Administration and military medical and health records. This exposes us to certain information and technology security risks. If there is a security breach~~ of ~~sensitive data in our custody or~~ **our customers. Our ability** ~~for which we provide services, we could possibly be held liable for damages~~ to **monitor such** third parties **'** ~~related to such~~ security ~~breach~~ **measures** and ~~incur costs to prevent future incidents~~ **the full impact of the systemic risk is limited** . **If our systems** ~~We also provide refurbishment~~ , ~~maintenance and training~~ **data, or any third party** ~~services -~~ **service** ~~support~~ **that we use is unavailable** to ~~international~~ **us for any reason, our customers may experience service interruptions, which could significantly impact our operations, reputation, business, and financial results. Lack of access to our data and that of our** clients ~~directly and through~~ **, or failure of our systems or** ~~the~~ **those of our third** ~~DoD. Foreign nations with interests that conflict with the international clients we support could be motivated to conduct a cyber - attack~~ **party service providers, may result in interruptions in our service, all of which may cause a loss in customers, refunds of product fees, and / or material harm** to ~~access information on these programs~~ **our reputation and operating results** . We maintain a cybersecurity risk management program to monitor and mitigate cybersecurity threats and an incident response plan for emerging threats. **To date,** ~~Costs~~ **costs** associated with preventing or remediating information management security breaches or complying with related laws and regulations have not had a material adverse effect on our capital expenditures, earnings or competitive position. Additionally, we have obtained insurance that provides coverage for certain cybersecurity incidents. **Despite** ~~However, the~~ **these** ~~occurrence of a future security breach~~ **efforts, we can make no assurances that we will be able to mitigate, detect,** ~~event~~ **prevent , timely and adequately respond, or fully recover from the negative effects of cybersecurity incidents or other cybersecurity compromises, and such cybersecurity incidents, depending on their nature and scope,** could potentially ~~have such~~ **result in the misappropriation, destruction, corruption, or unavailability of personal information, critical data** ~~an~~ **and confidential or proprietary information (our own or that of third parties) and the disruption of business operations. The potential consequences of a material cybersecurity incident include financial loss, reputational damage, damage to our IT systems, data loss, litigation with third parties, theft of intellectual property, fines, customer attrition, diminution in the value of our investment in research and development, and increased cybersecurity protection and remediation costs due to the increasing sophistication and proliferation of threats, which in turn could** ~~adverse~~ **adversely** ~~effect~~ **affect our competitiveness and results of operations. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could materially harm our operating results and financial condition** . Financial Risks There can be no assurance we will continue to pay dividends at current levels or in the future. The payment of cash dividends and repurchases of our common stock are subject to limitations under applicable law and our **credit** ~~bank loan~~ agreement, and to the discretion of our board of directors, considered in the context of then current conditions, including our earnings, other operating results, and capital requirements. Declines in asset values or increases in liabilities, including liabilities associated with benefit plans and assets and liabilities associated with taxes, can reduce stockholders' equity. A deficit in stockholders' equity could limit our ability under Delaware law to pay dividends. ~~- 15-~~ Our debt exposes us to certain risks. As of December 31, ~~2022~~ **2023** , we had $ ~~286~~ **429** million of total debt outstanding (net of unamortized debt issuance costs). The amount of our existing debt, combined with our ability to incur significant amounts of debt in the future, could have important consequences, including: • Increasing our vulnerability to adverse economic or industry conditions; • Requiring us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, strategic initiatives, and general corporate purposes; • Increasing our vulnerability to, and limiting our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate; • Exposing us to the risk of higher interest rates on borrowings under our ~~Credit~~ **credit** ~~Facility~~ **facility** , which ~~are~~ **is** subject to variable rates of interest; • Placing us at a competitive disadvantage compared to our competitors that have less debt; and • Limiting our ability to borrow additional funds. **- 13-** Market volatility and adverse capital market conditions may affect our ability to access cost- effective sources of funding and may expose us to risks associated with the financial viability of suppliers ~~and subcontractors~~ . The financial markets can experience high levels of volatility and disruption, reducing the availability of credit **and other capital sources** for certain issuers. We may access these markets from time to time to support certain business activities, including funding acquisitions and refinancing existing indebtedness. We may also access these markets to acquire credit support for our letters of credit. A number of factors could cause us to incur higher borrowing costs ~~and~~ **,** experience greater difficulty accessing public and private markets for debt **or prevent us from raising capital in the equity capital markets** . These factors include disruptions or declines in the global capital markets **,** ~~and / or~~ a decline in our financial performance, outlook, or credit ratings **and / or volatility in the price of shares of our common stock due to our trading volume and public float** . The occurrence of any or all of these events may adversely affect our ability to fund our operations, meet contractual commitments, make future investments or desirable acquisitions, or respond to competitive challenges.