UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2022
Commission File No. 001-16501

Williams Industrial Services Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	**73-1541378**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Ashford Center North, Suite 425
Atlanta, GA 30338
(Address of registrant's principal executive offices and zip code)

Registrant's telephone number, including area code: **(770) 879-4400**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	WLMS	NYSE American

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of July 1, 2022, the last business day of our most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $23,197,687 (based upon the closing price on July 1, 2022 of $1.34 per share).

As of March 27, 2023, there were 27,058,317 shares of common stock of Williams Industrial Services Group Inc. outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of the Form 10-K to the extent stated herein. The Proxy Statement or an amended report on Form 10-K will be filed within 120 days of the registrant's year ended December 31, 2022.

Table of Contents

Statements we make in this Annual Report on Form 10-K where we express a belief, expectation or intention or otherwise are not limited to recounting historical facts are forward-looking statements. These forward-looking statements are subject to various risks, uncertainties and assumptions, including those noted under the headings "Cautionary Note Regarding Forward-Looking Statements" and "Part I—Item 1A. Risk Factors" in this Annual Report on Form 10-K.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K for the year ended December 31, 2022 (this "Form 10-K") and its exhibits contain or incorporate by reference various forward-looking statements that express a belief, expectation or intention or are otherwise not statements of historical fact. Forward-looking statements generally use forward-looking words, such as "may," "will," "could," "should," "would," "project," "believe," "anticipate," "expect," "estimate," "continue," "potential," "plan," "forecast" and other words that convey the uncertainty of future events or outcomes. These forward-looking statements are not guarantees of our future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, our actual outcomes and results may differ materially from those expressed in these forward-looking statements. Investors should not place undue reliance on any of these forward-looking statements.

The forward-looking statements in this filing do not constitute guarantees or promises of future performance. The following important factors could cause actual outcomes and results to differ materially from those expressed in our forward-looking statements:

- our ability to continue to implement our liquidity improvement plan and to continue as a going concern;
- our level of indebtedness and our ability to make interest and principal payments on our debt and satisfy the amended financial and other covenants contained in our amended debt facilities, as well as our ability to engage in certain transactions and activities due to limitations and covenants contained in such facilities;
- our ability to generate sufficient cash resources to continue funding operations, including investments in working capital required to support growth-related commitments that we make to our customers, and the possibility that we may be unable to obtain any additional funding as needed or incur losses from operations in the future;
- the results of our ongoing strategic alternatives review process;
- our ability to obtain adequate surety bonding and letters of credit;
- our ability to maintain effective internal control over financial reporting and disclosure controls and procedures in the future;
- our ability to attract and retain qualified personnel, skilled workers, and key officers;
- failure to successfully implement or realize our business strategies, plans and objectives of management, and liquidity, operating and growth initiatives and opportunities, including any expansion into new markets, and our ability to identify potential candidates for, and consummate, acquisition, disposition, or investment transactions (including any that may result from our review of strategic alternatives);
- the loss of one or more of our significant customers;
- our competitive position;
- market outlook and trends in our industry, including the possibility of reduced investment in, or increased regulation of, nuclear power plants and declines in public infrastructure construction and reductions in government funding, including funding by state and local agencies;
- costs exceeding estimates we use to set fixed-price contracts;
- harm to our reputation or profitability due to, among other things, internal operational issues, poor subcontractor performance or subcontractor insolvency;
- potential insolvency or financial distress of third parties, including our customers and suppliers;
- our contract backlog and related amounts to be recognized as revenue;
- our ability to maintain our safety record, the risks of potential liability and adequacy of insurance;
- adverse changes in our relationships with suppliers, vendors, and subcontractors, including increases in cost, disruption of supply or shortage of labor, freight, equipment or supplies, including as a result of the COVID-19 pandemic, geopolitical conditions and other economic factors;
- compliance with environmental, health, safety and other related laws and regulations, including those related to climate change;
- limitations or modifications to indemnification regulations of the U.S.;
- our expected financial condition, future cash flows, results of operations and future capital and other expenditures;
- the impact of unstable market and economic conditions on our business, financial condition and stock price, including inflationary cost pressures, supply chain disruptions and constraints, labor shortages, the effects of the Ukraine-Russia conflict and ongoing impact of COVID-19, and a possible recession;
- our ability to meet publicly announced guidance or other expectations about our business, key metrics and future operating results;
- information technology vulnerabilities and cyberattacks on our networks;
- our failure to comply with applicable laws and regulations, including, but not limited to, those relating to privacy and anti-bribery;

- our ability to successfully implement our new enterprise resource planning (ERP) system;
- our participation in multiemployer pension plans;
- the impact of any disruptions resulting from the expiration of collective bargaining agreements;
- the impact of natural disasters, which may be exacerbated as a result of climate change, and other severe catastrophic events;
- the impact of corporate citizenship and environmental, social and governance matters;
- the impact of changes in tax regulations and laws, including future income tax payments and utilization of net operating loss and foreign tax credit carryforwards;
- volatility of the market price for our common stock;
- our ability to maintain our stock exchange listing;
- the effects of anti-takeover provisions in our organizational documents and Delaware law;
- the impact of future offerings or sales of our common stock on the market price of such stock;
- the potential impact of activist stockholder actions;
- expected outcomes of legal or regulatory proceedings (whether claims made by or against us) and their anticipated effects on our results of operations; and
- any other statements regarding future growth, future cash needs, future operations, business plans and future financial results.

These forward-looking statements represent our intentions, plans, expectations, assumptions, and beliefs about future events and are subject to risks, uncertainties, and other factors, including unpredictable or unanticipated factors that we have not discussed in this Form 10-K. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by the forward-looking statements.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. Investors should consider the areas of risk and uncertainty described above, as well as those discussed below under "Part I—Item 1A. Risk Factors." Except as may be required by applicable law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and we caution investors not to rely upon them unduly.

Some of the market and industry data contained in this Form 10-K is based on independent industry publications or other publicly available information. Although we believe that these independent sources are relevant and reliable, we have not independently verified and cannot assure you as to the accuracy or completeness of this information. As a result, you should be aware that the market and industry data contained herein, and our beliefs and estimates based on such data, may not be reliable.

Part I

Item 1. Business.

Overview

Williams Industrial Services Group Inc. (together with its wholly owned subsidiaries, "Williams," the "Company," "we," "us" or "our", unless the context indicates otherwise) was initially formed in 1998 as GEEG Inc., a Delaware corporation, and in 2001 changed its name to "Global Power Equipment Group Inc.," and, as part of a reorganization, became the successor to GEEG Holdings, L.L.C., a Delaware limited liability company. Effective June 29, 2018, the Company changed its name to Williams Industrial Services Group Inc. to better align its name with the Williams business, and the Company's stock trades on the NYSE American LLC (the "NYSE American") under the ticker symbol "WLMS." Williams has been safely helping plant owners and operators enhance asset value for more than 50 years. It provides a broad range of infrastructure services including construction, maintenance, and support, to customers in energy, power, and industrial end markets. The Company's mission is to be the preferred provider of construction, maintenance, and specialty services through commitment to superior safety performance, focus on innovation, and dedication to delivering unsurpassed value to its customers.

Our Strategy

Beginning in 2016, we shifted our strategy to become a preferred provider of construction, maintenance, and specialty infrastructure services, to exit all product manufacturing businesses and to use the proceeds from the sales to reduce and restructure our term debt, and during 2018, we completed the restructuring of our Company and began expanding our services. This resulted in us selling our wholly owned subsidiaries, Hetsco Holdings, Inc. and Hetsco, Inc. in January 2017 and our Mechanical Solutions segment and liquidating, in a Chapter 7 bankruptcy process, the entity comprising the Electrical Solutions segment in 2017 and 2018, respectively. The Mechanical Solutions and Electrical Solutions segments qualified as discontinued operations for all periods presented. This allowed us to review financial information presented on a company-wide basis as a single reporting segment which is comprised of Williams Industrial Services Group, LLC and related subsidiaries (collectively, the "Williams business"). Unless otherwise specified, the financial information and discussion in this Form 10-K are based on our continuing operations (previously referred to as our Services segment); they exclude any results of our discontinued operations. Please refer to "Note 5—Changes in Business" to the consolidated financial statements included in this Form 10-K for additional information.

In 2018, we implemented major cost reduction initiatives to reduce our overhead costs, including restructuring and consolidating our corporate functions, and began working on a comprehensive strategic plan to grow and improve our business, which was finalized in early 2019. Our strategy has been focused on a comprehensive plan to grow and improve our operations, strengthen our core competencies, aggressively manage working capital, and reduce costs in order to improve liquidity and reduce debt. Our common stock now trades on the NYSE American under the ticker symbol "WLMS".

On December 16, 2020, we entered into new credit facilities which included senior secured term loan facilities in an aggregate principal amount of up to $50.0 million (collectively, the "Term Loan"), consisting of a $35.0 million closing date term loan facility and up to $15.0 million of borrowing under a delayed draw term loan facility with EICF Agent LLC ("EICF"), an affiliate of Energy Impact Partners, as agent, and CION Investment Corporation as lender and co-lead arranger, and the other lenders party thereto, and a senior secured asset-based revolving line of credit of up to $30.0 million (the "Revolving Credit Facility") with PNC Bank, National Association ("PNC"), which refinanced and replaced our previous credit facilities. The original delayed draw term loan facility expired in June 2022. The Term Loan and the Revolving Credit Facility mature on December 16, 2025. In connection with the refinancing, the Company repaid the outstanding balance of the prior facilities and all interest in full. For additional information, please refer to "Note 11—Debt" to the consolidated financial statements included in this Form 10-K.

During November 2021, we changed our corporate management structure in an effort to reinforce our customer focus and strengthen operations, and, among other changes, added a Chief Operating Officer and a Vice President of Safety. Our Chief Financial Officer was appointed Chief Operating Officer and our Corporate Controller was appointed Chief Financial Officer. Additionally, in 2022, the Company promoted its Senior Vice President of Energy and Industrial to Executive Vice President of Business Development. We are enhancing our management methods to provide additional process capabilities and focus on customer relations and sales.

In early 2022, we lost a major contract with a customer in Canada, and as a result, we exited the Canadian market. This customer contributed 12% of our revenue and approximately 15% of our gross margin in 2021. In addition, in February 2022, we lost a major multi-year contract with a customer within the nuclear decommissioning market contributing to a loss of approximately $374.6 million in backlog for the years 2022 through 2029. We continue to target other growth opportunities within our end markets with greater customer focus and strengthened operational effectiveness. This loss was not a result of performance and does not diminish the Company's ability to serve its customers. Please refer to Item 1. Business under "Backlog" included in this Form 10-K for additional information.

In the third quarter of 2022, management assessed the Company's financial condition, resulting in the Company developing a liquidity plan to alleviate the substantial doubt about the Company's ability to continue as a going concern during 2023. Further, as a result of the Company being unable to comply with its debt covenants and in an effort to address its liquidity constraints, the Company amended its Term Loan and Revolving Credit Facility and entered into two unsecured promissory notes (the "Wynnefield Notes") in favor of Wynnefield Partners Small Cap Value, LP and Wynnefield Partners Small Cap Value, LP I (collectively, the "Wynnefield Lenders") during the first quarter of 2023.

In addition, we have engaged an investment banking firm to explore a range of strategic alternatives for the Company to maximize shareholder value, which could include a potential sale. We have not set a timetable for the conclusion of this review, nor made decisions related to further actions or possible strategic alternatives. There can be no assurance that the exploration of strategic alternatives will result in the identification or consummation of any transaction, or that any strategic alternative identified, evaluated and consummated will provide the anticipated benefits or otherwise preserve or enhance stockholder value. If the Company's liquidity improvement plan and the January 9, 2023 and February 24, 2023 amendments to the Term Loan and the Revolving Credit Facility do not have the intended effect of addressing the Company's liquidity problems through its review of strategic alternatives, including if the Company is unable to obtain future advances under the discretionary delayed draw term loans, the Company will continue to consider all strategic alternatives, including restructuring or refinancing its debt, seeking additional debt or equity capital, reducing or delaying the Company's business activities and strategic initiatives, or selling assets, other strategic transactions and/or other measures, including obtaining relief under the U.S. Bankruptcy Code. The Company's continuation as a going concern is dependent upon its ability to successfully implement its liquidity improvement plan and obtain necessary debt or equity financing to address the Company's liquidity challenges and continue operations until the Company returns to generating positive cash flow or is otherwise able to execute on a transaction pursuant to its review of strategic alternatives, including a potential sale of the Company. For additional information, please refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Note 2—Liquidity", "Note 11—Debt" and "Note 18—Subsequent Events" to the consolidated financial statements included in this Form 10-K.

Our Business

We provide a comprehensive range of infrastructure services, including construction, maintenance, and support, to customers in energy, power, and industrial end markets. We provide these services both on a constant presence basis and for discrete projects. The services we provide are designed to improve or sustain operating efficiencies and extend the useful lives of these plants and facilities.

Our services include the following:

- *Plant Maintenance, Modification and Construction.* We perform a full range of critical services, including maintenance, modification, repair and other capital project services designed to extend the life cycles of nuclear, paper, chemical, fossil fuel, industrial gas, hydro power, natural gas and other facilities for customers in energy, power and industrial end markets. The Company is in the process of exiting the chemical end market based on its underperforming chemical projects.

- *Water/Wastewater System New Installation, Expansions and Modifications.* We install, maintain, and modify water and wastewater systems, including piping, pumping, storage tank and other related facilities. Due to a $6 million write-down in revenue in the fourth quarter of 2022 relating to our two largest Florida water contracts, the Company is no longer pursuing any fixed price water projects. These two projects will generate revenue without any gross margin until completion in the second and fourth quarter of 2023.

- *Painting and Coatings.* We perform cleaning, surface preparation, coatings application, quality control and inspection testing on major coating projects for nuclear and fossil fuel power plants, industrial facilities, and petrochemical plants.

- *Insulation.* We provide a variety of industrial insulation services, primarily in power generation installations.

- *Asbestos and Lead Abatement.* We provide abatement services for the removal of asbestos and heavy metal-based coatings such as lead paint. We do not take ownership of hazardous materials and do not assume responsibility for the liability associated with the materials other than for our actions meeting applicable statutory and regulatory requirements.

- *Roofing Systems.* We replace, repair and upgrade industrial facility roofing systems, primarily at pulp and paper manufacturing facilities and nuclear power plant locations.

- *Analog to Digital Conversions.* We provide services to convert analog control systems to digital control systems to enhance reliability and accuracy, and increase output of operating plants. Utilities will continue to make significant capital investments in these upgrades throughout the industry. We have extensive experience in performing these upgrades, based on our successful history of completing several projects across our fleet of customers. Moreover, we see substantial opportunity to leverage our experience with performing these projects in the future as the industry continues to invest in these upgrades.

- *Transmission and Distribution and Substation Construction and Maintenance.* We provide quality maintenance and construction services to support the Electric Distribution and Substation Industry by offering a full range of capabilities that provided continuous, cost-effective solutions for overhead and underground distribution lines and substations. Due to our underperformance in the transmission and distribution business in Florida and Connecticut, the Company is no longer pursuing any new projects in these markets. We have exited the Florida transmission and distribution market during the first quarter of 2023 and we are in the process of exiting the Connecticut transmission and distribution market.

- *Decommissioning.* We have provided decommissioning services to U.S. nuclear stations that have been retired. Several U.S. nuclear stations have already been shut down, and several more shutdowns are planned. After shutdown, the plants must be decommissioned. This process takes many years. We have worked with owners and prime contractors for decommissioning work and are targeting the decommissioning market as it grows. We are also exploring opportunities related to the decommissioning of fossil power plants.

- *Nuclear Power Plant Services and New Nuclear Power Plant Construction.* We are one of a limited number of companies qualified to perform comprehensive services anywhere in U.S. nuclear power facilities under the rules issued by the U.S. Nuclear Regulatory Commission (the "NRC"). Additionally, we are one of only a small number of contractors with a qualified and audited Nuclear Quality Assurance ("NQA-1") Program, which is required to perform construction of "Safety" related systems in new nuclear power plants. Through our Appendix B Program and other programs, we provide training, certifications, and ongoing safety monitoring to all of our employees working at nuclear sites and have been one of the leading providers of coatings at U.S. nuclear facilities for over 40 years. Under the rules issued by the NRC, owners of nuclear facilities must qualify contractors by requiring the contractors to demonstrate that they will comply with NRC regulations on quality assurance, reporting of safety issues, security and control of personnel access and conduct. For the majority of our maintenance and project work, we directly hire the labor and provide the management and supervision to perform the work directly for the owner. In some cases, we act as a general contractor and subcontract portions of the work or, alternatively, subcontract our services to full scope engineering, procurement, and construction ("EPC") firms or general contractor firms. We maintain good relationships with the utilities, the EPC firms, the general contractor firms, and relevant engineering firms.

  The Biden administration's key focus is to reduce fossil fuel emissions in the United States power sector and to drive the development of zero-carbon technologies and domestic clean energy supply chains. This led to the establishment of subsidies at the federal level for the nation's nuclear generating fleet. The Infrastructure Investment and Jobs Act established a $6 billion Nuclear Credit Program, which when fully implemented, will provide credits to subsidize the operation of qualifying units. Additionally, the Inflation Reduction Act was signed into law containing nearly $369 billion in climate and clean energy investments and a ten year extension and modification of key tax Credits which includes, among other credits, the Nuclear Power Production Credit which is estimated to be worth approximately $30 billion.

We provide these services throughout the U.S., primarily on a direct hire basis, with experienced craft laborers who are directed and managed by an experienced team of supervisors and project managers across our network. We also act as a general contractor where we manage multiple subcontractors and, in other cases, we are retained as a subcontractor on a project. Our flexible staffing model enables us to meet seasonal and outage demand without being restricted by internal capacity limitations, thereby minimizing our fixed costs.

We bid against other contractors based on customer specifications. Fixed-price contracts present certain inherent risks, including the possibility of ambiguities in the specifications received, problems with new technologies and economic and other changes that may occur over the contract period. Alternatively, because of efficiencies that may be realized during the contract term, fixed-price contracts may offer greater profit potential than cost-plus contracts.

In 2022, 78.5% of our revenue was generated from cost-plus contracts that provide for reimbursement of costs incurred plus an amount of profit. The remaining 21.5% of our revenue was generated from fixed-price contracts.

Safety

For over 15 years, we have maintained a safety record in the top quartile of the industry, benefiting both us and our customers. We also maintain a broad range of professional certifications and memberships in national organizations relevant to the performance of many of the specialized services we provide. We use the Total Recordable Incident Rate ("TRIR") to measure safety, which is calculated by multiplying the number of recordable incidents by 200,000 and dividing that number by the total hours worked each year. This metric is also used by others in our industry, which allows for a more objective comparison of our performance. Our TRIR was 0.43 and 0.61 during fiscal years 2022 and 2021, respectively. We continue to maintain safety measures necessary to preserve the health and wellbeing of our workforce.

Market Overview

Power Generation Market and the Industrial Services Industry. The U.S. industrial services industry is a multi-billion dollar industry, broadly defined as routine modification, maintenance and technical services provided to industrial facilities ranging from manufacturing facilities to power generation plants. The industry continues to benefit from a shift towards outsourcing as plant operators seek to alleviate financial constraints, reduce labor costs, increase labor utilization and productivity, and eliminate operational redundancies.

We expect that power industry demand for these services will be driven by the following factors in the future:

- *Aging Power Generation Infrastructure Increases Demand for Plant Maintenance and Decommissioning Services.* According to the U.S. Energy Information Administration (the "EIA"), more than half of the electrical generating capacity in the U.S. was placed in service before 1990. Coupled with the relatively limited number of large-scale power generation facilities being constructed in the U.S., the efforts to maintain older plants of all types and to take advantage of newer and more efficient technologies at existing sites result in opportunities for companies providing services to plant operators. Although natural gas prices are expected to remain elevated, driving higher electricity prices, the outlook for natural gas generation is expected to remain steady over the near term, due to continuing constrains on coal-fired power from rapid plant retirements and low inventories, according to Fitch research.

  Additionally, at the end of December 2021, the United States had 93 operating commercial nuclear reactors at 55 nuclear power plants in 28 states. The average age of these nuclear reactors is about 40 years old. Although in 2022 there were fewer operating nuclear reactors than in 2012, from 2013 through 2019, annual nuclear generation capacity and electricity generation increased each year (except in 2017) even as the number of operating reactors declined according to the EIA. Power plant uprates—modifications to increase capacity—at nuclear power plants have made it possible for the entire operating nuclear reactor fleet to maintain a relatively consistent total electricity generation capacity. These uprates, combined with high-capacity utilization rates (or capacity factors), have helped nuclear power plants maintain a consistent share of about 20% of total annual U.S. electricity generation since 1990. Some reactors have also increased annual electricity generation by shortening the length of time reactors are offline for refueling.

  While the remainder of the operating plants are planned to operate 60 to 80 years with a stable amount of required generating capacity, utilities plan to invest in maintenance, modification, and upgrades to enable continued operations. Older nuclear reactors require extensive ongoing engineering and maintenance services to support operations and improve performance. Nuclear power plants in the U.S. are subject to a rigorous program of NRC oversight, inspection, preventive and corrective maintenance, equipment replacement and equipment testing. Nuclear power plants are required to go offline to refuel at intervals of no more than 24 months and to perform condition monitoring and preventive maintenance during every refueling outage. While decommissioning work on retired nuclear reactors provides opportunities for growth, the focus is on extending the life of plants through capital improvements.

- *North America Infrastructure Growth.* Oil and natural gas production remains at historically high levels, and is expected to continue until 2050, according to the EIA. The United States continues to be an integral part of the global oil and natural gas markets and a significant source of global supply. Increased levels of crude oil, natural gas, and natural gas liquid production and accelerated new build and expansion of pipeline and related infrastructure to reduce transportation bottlenecks have combined to supply additional petroleum products to key markets. Infrastructure growth and modifications provide opportunities for us to assist in the construction and maintenance of these facilities.

- *Standby and Distributed Power Generation.* Unlike central station generation, standby and distributed power generation equipment can sit on either side of the utility meter and may be owned by a utility, a customer or a third party. Peak energy demand requirements and higher costs, as well as transmission and distribution infrastructure limits, are driving investment into this space. The growth in industries with high power demand and sensitivity to power supply instability, such as datacenters, medical centers, universities and remotely located industrial loads, are straining the traditional power infrastructure. The electric power needs for these markets have historically been served by small-scale utility-owned diesel or gas engine generators strategically located to support distributed system operations. The power supply is trending toward larger (greater than 1,000 kilowatts) diesel engine generator systems and expanding into alternative energy assets.

- *Water and Wastewater Treatment Infrastructure Maintenance and Capital Improvements Demand.* In the fourth quarter of 2022, we decided to exit our Florida water business. This was largely based on a $6 million write-down in revenue on our two largest water projects in Florida. The Company is no longer pursuing water projects. These two projects are scheduled to be completed in the second and fourth quarter of 2023, respectively.

Customers, Marketing and Seasonality

Our customers include major private and government-owned utilities throughout the U.S., as well as leaders in the U.S. pulp and paper and industrial sectors. We market our services using dedicated sales and marketing personnel as well as our experienced on-site operations personnel. We use our safety and service track record with long-term renewable contracts to expand our services and supplement existing contracts with small- to medium-sized capital projects. Our sales initiatives directly seek to apply operational strengths to specific facilities within our targeted industries and customers throughout the U.S. We are impacted by seasonality, resulting in fluctuations in revenue and gross profit during our fiscal year. Generally, this is driven by our customers' schedule of planned outages which are typically scheduled for every other year.

We depend on a relatively small number of customers for a significant portion of our revenue, and the loss of any of those customers could have a material adverse effect on our business. For a listing of our major customers, please refer to "Note 16—Major Customers and Concentration of Credit Risk" to the consolidated financial statements included in this Form 10-K.

In early 2022, we lost a major contract with a customer in Canada, and as a result, we exited the Canadian market. This customer contributed 12% of our revenue and approximately 15% of our gross margin in 2021. In addition, the Company lost a multi-year contract within the nuclear decommissioning market in February 2022 that contributed to a loss of approximately $374.6 million of backlog for the years 2022 through 2029. This contract did not represent a material amount of gross profit. Please refer to Item 1. Business under "Backlog" in this Form 10-K for additional information.

Materials and Suppliers

The markets for most of the materials we use are served by a large number of suppliers, and we believe that we can obtain required materials from more than one supplier. Although we are not dependent on any single supplier, vendor or subcontractor, our ability to obtain necessary supplies to complete our projects is contingent on our ability to successfully implement our liquidity plan. For additional information, please refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Note 2—Liquidity" to the consolidated financial statements included in this Form 10-K.

Competition

Our competitors vary depending on geography and the scope of services to be rendered. Several national service providers, which are significantly larger and have significantly greater financial resources than we do, will often compete for larger maintenance and capital project opportunities that become available. These service providers include, among others, Allied Power, BHI Energy and Day & Zimmermann. Additionally, smaller contractors that operate on a regional basis often compete for smaller opportunities associated with open shop labor sources. We compete based on reputation, safety, price, service, quality, and our breadth of service capabilities. We believe our strong reputation, longevity in the industry, project management capabilities, including service diversity, long-term customer relationships, safety record and performance, and our success at identifying and retaining qualified personnel differentiate us from our competitors. We also believe that the fact that we maintain a presence at several of our customers' sites is a competitive advantage because it provides us with an intimate understanding of these facilities, which allows us to better identify our customers' service needs. Specific to our customers that operate nuclear power plants, barriers to entry include the requirement to hold and maintain the rigorous NRC qualifications and safety standards.

Insurance

We maintain insurance coverage for various aspects of our operations; however, we remain exposed to potential losses because we are subject to deductibles, coverage limits and retention requirements.

Typically, our contracts require us to indemnify our customers for third party injury, damage or loss arising from the performance of our services and provide for warranties for materials and workmanship. We may also be required to name the customer as an additional insured up to the limits of insurance available, or we may be required to purchase special insurance policies for specific customers. We maintain performance and payment bonding lines to support our business. In rare cases we may provide a letter of credit in lieu of a bond to satisfy performance and financial guarantees on a project.

We generally require all subcontractors working with us at a customer's location to indemnify us and our customers and name us as an additional insured for activities arising out of such subcontractors' work. We also require certain subcontractors to provide additional insurance policies, including surety bonds in favor of us, to secure such subcontractors' work or as required by contract. It is possible that our insurance and the additional insurance coverage provided by our subcontractors will not fully protect us against a valid claim or loss under the contracts with our customers.

Intellectual Property

As of December 31, 2022, we used the Williams trade name and its logo. We have registered federal trademarks related to certain Company logos as well as registered trademarks related to certain Company logos in Canada. We presently have no U.S. patents in force. We rely on trade secret laws and employee and third-party nondisclosure agreements to protect our intellectual property rights. This Form 10-K may refer to brand names, trademarks, service marks and trade names of other companies and organizations, and those brand names, trademarks, service marks and trade names are the property of their respective owners.

Compliance with Government Regulations

We are subject to certain federal, state, and local environmental, occupational health and nuclear regulatory laws applicable in the U.S. We also purchase materials and equipment from third parties and engage subcontractors who are also subject to these laws and regulations. Below is a summary of certain laws and regulations applicable to our business.

- *Environmental.* We are subject to extensive and changing environmental laws and regulations in the U.S. These laws and regulations relate primarily to air and water pollutants and the management and disposal of hazardous materials. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure, or other accident involving such pollutants, substances, or hazardous materials.

- *Health and Safety Regulations.* We are subject to the requirements of the U.S. Occupational Safety and Health Act and comparable state and international laws. Regulations promulgated by these agencies require employers and independent contractors who perform construction services, including electrical and repair and maintenance, to implement work practices, medical surveillance systems and personnel protection programs to protect employees from workplace hazards and exposure to hazardous chemicals and materials. In recognition of the potential for accidents within various scopes of work, these agencies have enacted very strict and comprehensive safety regulations.

- *NRC.* Owners of nuclear power plants in the U.S. are licensed to build, operate, and maintain those plants by the NRC. Their license requires that they qualify their suppliers and contractors to ensure that the suppliers and contractors comply with NRC regulations. We must demonstrate to our customers that we comply with NRC regulations related to quality assurance, reporting of safety issues, security and control of personnel access and conduct.

- *Department of the Treasury.* The Office of Foreign Assets Control of the U.S. Department of the Treasury administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. A failure to comply with these laws and regulations could result in civil or criminal sanctions, including the imposition of fines and suspension or debarment from participation in U.S. government contracts.

While we believe that we operate safely and prudently and in material compliance with all environmental, occupational health, nuclear regulatory and other applicable laws, there can be no assurance that accidents will not occur or that we will not incur substantial liability in connection with the operation of our business. We do not anticipate any material capital expenditures or material adverse effect on earnings or cash flows as a result of complying with these laws.

Backlog

The services we provide are typically carried out under construction contracts, long-term maintenance contracts and master service agreements. Total backlog represents the dollar amount of revenue expected to be recorded in the future for work performed under awarded contracts.

Revenue estimates included in our backlog can be subject to change as a result of project accelerations, cancellations or delays due to various factors, including, but not limited to, the customer’ s budgetary constraints and adverse weather. These factors can also cause revenue amounts to be recognized in different periods and at levels other than those originally projected. Additional work that is not identified under the original contract is added to our estimated backlog when we reach an agreement with the customer as to the scope and pricing of that additional work. Backlog is reduced as work is performed and revenue is recognized, or upon cancellation.

Backlog is not a measure defined by accounting principles generally accepted in the U.S. (“GAAP”), and our methodology for determining backlog may vary from the methodology used by other companies in determining their backlog amounts. Backlog may not be indicative of future operating results and projects in our backlog may be cancelled, modified, or otherwise altered by our customers. We utilize our calculation of backlog to assist in measuring aggregate awards under existing contractual relationships with our customers. We believe our backlog disclosures will assist investors in better understanding this estimate of the services to be performed pursuant to awards by our customers under existing contractual relationships.

The following table summarizes our backlog on December 31, 2022 and 2021:

(in thousands)	December 31, 2022	December 31, 2021
Cost plus	$ 291,894	$ 559,417
Lump sum	41,309	72,276
Total	$ 333,203	$ 631,693

Backlog as of December 31, 2022 decreased $298.5 million, or 47.3%, from December 31, 2021, which was primarily driven by the loss of a multi-year contract within the nuclear decommissioning market in February 2022, contributing to a loss of approximately $374.6 million in backlog for the years 2022 through 2029. As of December 31, 2022, approximately $130.1 million, or 39.1%, of the total backlog was related to nuclear projects, $128.1 million, or 38.5%, was related to fossil projects, $27.4 million, or 8.2%, was related to energy delivery projects,$24.0 million, or 7.2%, was related to water and wastewater projects, $19.1 million, or 5.7%, was related to decommissioning projects and the remaining $4.5 million was related to pulp and paper and chemical projects.

As of December 31, 2021, approximately $122.8 million, or 19.4%, of the total backlog was related to nuclear projects, $14.2 million, or 2.2%, was related to fossil projects, $27.2 million, or 4.3%, was related to energy delivery projects, $40.4 million, or 6.4%, was related to water and wastewater projects and $424.8 million, or 67.2%, was related to decommissioning projects and the remaining $2.3 million was related to pulp and paper and chemical projects.

The following table summarizes our estimated backlog conversion period:

(in thousands)	Estimated Conversion Period 2023	Estimated Conversion Period Thereafter	Total
Cost plus	$ 137,527	$ 154,367	$ 291,894
Lump sum	41,061	248	41,309
Total	$ 178,588	$ 154,615	$ 333,203

For additional discussion of our backlog, see “Item 1A. Risk Factors—Risk Factors Related to Our Operations.”

Employees

We believe our employees are our greatest asset. Our business success is dependent upon our ability to attract, develop, and retain high performing talent by providing a culture that is built on our core values of safety, integrity, excellence, and results.

Along with our core values, we act in accordance with our Code of Business Conduct and Ethics. Our Code of Business Conduct and Ethics requires a commitment from employees, officers and directors at the Company and its subsidiaries to conduct business honestly and ethically. Among other things, our Code of Business Conduct and Ethics encourages employees to talk to supervisors, managers, or other appropriate personnel, including the Chief Executive Officer, the Chief Financial Officer, or the General Counsel, about observed illegal or unethical behavior and the best course of action in a particular situation. The Company has a confidential hotline administered by an outside firm that an employee can call or visit on the internet to anonymously submit a report in the event he or she has ethical concerns or suspects instances of misconduct.

For over 15 years, we have maintained a safety record in the top quartile of the industry, benefiting both us and our customers. We also maintain a broad range of professional certifications and memberships in national organizations relevant to the performance of many of the services we provide.

We have implemented a robust human performance strategy that focuses on organizational factors, job-site conditions, individual behavior, and results. This strategy has contributed to a highly reliable organizational culture that has produced and consistently sustained positive results.

As of December 31, 2022, we had 506 full-time employees (excluding temporary staff and craft labor), and we did not have any part-time employees. The number of our employees, including temporary staff and craft labor, fluctuates greatly, depending on the timing and requirements for craft labor. Many of the craft labor employees are employed through various union agreements. As of December 31, 2022, there were 758 craft labor employees, of which 644 were under collective-bargaining agreements. We believe that our relationships with our employees, both full-time and temporary, are satisfactory.

Information about our Executive Officers

The following information is being furnished with respect to the Company's executive officers as of March 31, 2023:

Name	Position
Tracy D. Pagliara	President and Chief Executive Officer and Director
Randall R. Lay	Executive Vice President and Chief Operating Officer
Charles E. Wheelock	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary
Damien A. Vassall	Vice President and Chief Financial Officer
Dawn A. Jenkins	Vice President, Human Resources
Michael J. Bruno	Executive Vice President, Business Development

Tracy D. Pagliara, 60, has served as our President and CEO starting in April 2018, having previously served as Co-President and Co-CEO from July 2017 through April 2018. Mr. Pagliara has also served as a member of our Board of Directors since July 2017. Prior to July 2017, he served as our Chief Administrative Officer, General Counsel and Secretary from January 2014, and also as Senior Vice President from November 2015. He previously served as our General Counsel, Secretary and Vice President of Business Development from April 2010 through December 2013. Prior to joining the Company in April 2010, Mr. Pagliara served as the Chief Legal Officer of Gardner Denver, Inc., a leading global manufacturer of highly engineered compressors, blowers, pumps and other fluid transfer equipment, from August 2000 through August 2008. He also had responsibility for other roles during his tenure with Gardner Denver, including Vice President of Administration, Chief Compliance Officer and Corporate Secretary. Prior to joining Gardner Denver, Mr. Pagliara held positions of increasing responsibility in the legal departments of Verizon Communications/GTE Corporation from August 1996 to August 2000 and Kellwood Company from May 1993 to August 1996, ultimately serving in the role of Assistant General Counsel for each company. Mr. Pagliara currently serves on the board of directors and audit, compensation and nominating and corporate governance committees of Westwater Resources, Inc. (NYSE American: WWR), a diversified energy materials developer, where he has served since July 2017. He is a member of the Missouri and Illinois State Bars and a Certified Public Accountant. In addition, in accordance with customary practice, Mr. Pagliara and other officers of the Company have served as officers of the Company's various subsidiaries, although not acting in an executive role for the relevant subsidiary. As previously disclosed, such subsidiaries included Koontz-Wagner Custom Controls Holdings LLC, which filed a voluntary petition for relief under Chapter 7 of the U.S. Bankruptcy Code in July 2018 and ceased operations at such time.

Randall R. Lay, 68, was appointed to serve as our Executive Vice President, Chief Operating Officer in November 2021. He previously served as our Senior Vice President, Chief Financial Officer and our principal financial and accounting officer from September 2019 until November 2021. Prior to joining the Company, Mr. Lay served as Executive Vice President, Chief Financial Officer, Secretary and Treasurer of GEO Specialty Chemicals, Inc., a supplier of specialty chemicals and materials to the coatings, adhesives, medical, water treatment and construction markets, from December 2017 to August 2019, when it was acquired by CPS Performance Materials. From 2007 to June 2017, Mr. Lay served as Vice President and Chief Financial Officer of Lazy Days' R.V. Center, Inc. (now a subsidiary of Lazydays Holdings, Inc.), which operates RV dealerships. From 2006 through 2007, Mr. Lay served as Senior Vice President of Buccino & Associates, Inc., a financial advisory and turnaround firm. Prior to that, Mr. Lay served at Universal Access Global Holdings Inc., a communications network integrator, from 2002 to 2006, including as Chief Financial Officer from June 2002 to July 2003; director and Chief Executive Officer from July 2003; and additionally, as President from November 2003 until June 2006. From October 2001 to April 2002, Mr. Lay served as Senior Vice President and Chief Financial Officer of Metromedia Fiber Networks, Inc., a telecommunications company. From September 1993 to September 2001, Mr. Lay was employed by International Specialty Products Inc., a global supplier of specialty chemicals, most recently as Executive Vice President and Chief Financial Officer.

Charles E. Wheelock, 54, has served as our Senior Vice President, Chief Administrative Officer, General Counsel and Secretary since August 2019. He previously served as our Vice President, Administration, General Counsel and Secretary beginning July 2017. He joined the Company in September 2011 as Associate General Counsel and thereafter assumed roles of increasing responsibility, including Vice President, Deputy General Counsel and Chief Compliance Officer. He led the human resources, recruiting and labor relations groups in our Tucker, Georgia office prior to his July 2017 appointment. Prior to joining the Company, Mr. Wheelock spent 10 years at General Electric Company, serving in a variety of roles in its Energy Services and Power Generation businesses. Mr. Wheelock is a member of the State Bar of Georgia.

Damien A. Vassall, 46, was appointed Vice President, Chief Financial Officer and principal financial and accounting officer in November 2021. He previously served in a variety of financial roles for the Company, including our Vice President and Controller from February 2020 until November 2021, a consultant for the Company from June 2019 to February 2020, Chief Financial Officer of our Services division from October 2015 until November 2018, and our Controller of the Services division from October 2010 to October 2015. Prior to joining the Company, Mr. Vassall served at Delta Apparel, Inc., an apparel company, as a division controller from June 2008 until October 2010 and as manager of accounting and financial reporting from November 2006 through May 2008. Previously, he also served as senior associate at both Grant Thornton LLP and KPMG LLP.

Dawn A. Jenkins, 51, has served as our Vice President, Human Resources since August 2021. She has served in a variety of roles at the Company and its subsidiaries since January 2007, including as our Vice President, Treasurer from December 2020 to August 2021, as Treasurer from January 2019 until December 2020, as Director, Transactional Accounting from August 2018 to January 2019, as Director ERP, Operations Support and Trade Compliance from November 2013 to August 2018, and as Assistant Director Supply Chain of a former subsidiary from January 2007 to November 2013.

Michael J. Bruno, 56, has served as our Executive Vice President of Business Development since May 2022. He previously served as Senior Vice President, Energy and Industrial and Vice President, Business Development from December 2020 to May 2022. Mr. Bruno previously worked for the Company, from 2009 to 2015, holding several roles of increasing responsibility including Operations Manager, Operations Director, General Manager, and Vice President in our Williams Industrial Services division, including five years within the nuclear power market. Prior to returning to the Company in 2020, he served as Fleet Director of Maintenance Services at Day & Zimmermann, a family-owned company specializing in construction and engineering, operations and maintenance, staffing, security and defense, with overall responsibility for nuclear project services at multiple facilities, as well as Director of Projects. Additionally, Mr. Bruno served in a variety of roles at General Electric in combustion turbines and plant management, domestically and internationally.

Available Information

We file reports with the U.S. Securities and Exchange Commission (the "SEC"), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished to the SEC pursuant to the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The SEC maintains an Internet site, www.sec.gov, which contains the Company's reports, proxy and information statements and other information we have filed electronically with the SEC.

We make available on our website, www.wisgrp.com, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports as soon as reasonably practicable after we electronically file the reports with, or furnish them to the SEC. The information disclosed on our website is not incorporated by this reference and is not a part of this Form 10-K. The following corporate governance related documents are also available free on our website:

Code of Business Conduct and Ethics;

Corporate Governance Guidelines;

Related Party Transactions Policy;

Charter of the Audit Committee;

Charter of the Compensation Committee;

Charter of the Nominating and Corporate Governance Committee; and

Procedures for Reporting Complaints Regarding Accounting or Auditing Matters of Williams Industrial Group Inc.

Item 1A. Risk Factors

Our business, financial condition and results of operations may be impacted by one or more of the following factors, any of which could cause actual results to vary materially from historical and current results or anticipated future results. The disclosure of any risk factor should not be interpreted to imply that the risk has not already materialized. There may be additional risks that are not presently material or known.

Risk Factors Related to Our Liquidity and Capital Resources

Our ability to continue to operate as a going concern depends on our ability to successfully implement our liquidity plan and, if necessary, raise additional capital in the future to continue funding our operations.

Our ability to continue as a going concern is dependent on our ability to successfully implement our liquidity plan, which includes taking steps to address profitability of non-performing businesses, aggressively reducing operating expenses, shortening the collection cycle time on the Company's accounts receivable, and lengthening the payment cycle time on its accounts payable. The Company has continued to experience material intra-week liquidity pressure as it has attempted to manage the short-term negative cash flows that result from, among other things, having to fund significant weekly craft labor payrolls on large outage projects before those payrolls can be billed to the Company's customers and collected. Although the Company has utilized the Revolving Credit Facility to address such time period negative cash flows, contract terms restricting customer invoicing frequency, delays in customer payments, and underlying surety bonds have negatively impacted the Company's borrowing base and the availability of funds, and the Company has been required to amend its credit facilities to amend the covenants and to obtain additional capital.

While management believes its liquidity plan alleviates the substantial doubt regarding the Company's ability to continue as a going concern during the ensuing twelve-month period, the Company cannot provide any assurance that it will be able to implement its liquidity plan successfully or, even if successfully implemented, that the plan will ultimately result in the Company continuing as a going concern.

While the recent amendments to the Company's existing credit facilities and additional debt incurred may permit the Company to operate while it continues to engage in its process to explore strategic alternatives to maximize value for the Company and its shareholders or other stakeholders, additional liquidity support may be necessary. If the Company is unable to address any potential liquidity shortfalls that may arise in the future, it will need to seek additional funding from third party sources, which may not be available on reasonable terms, if at all, and the Company's inability to obtain this capital or execute an alternative solution to its liquidity needs could have a material adverse effect on the Company's shareholders and creditors. In addition, any such additional funding could only be obtained in compliance with the restrictions contained in the agreements governing the Company's existing indebtedness. If the Company is unable to comply with its covenants applicable to its indebtedness, or otherwise is unable to meet its obligations under such indebtedness, the Company's liquidity would be further adversely affected. In addition, such occurrences could result in an event of default under such indebtedness and the potential acceleration of outstanding indebtedness thereunder and the potential foreclosure on the collateral securing such debt, and would likely cause a cross-default under the Company's other outstanding indebtedness or obligations.

If the liquidity plan and recent amendments to agreements governing the Company's indebtedness do not have the intended effect of addressing the Company's liquidity problems through its review of strategic alternatives, including if the Company is unable to obtain future advances under the discretionary delayed draw term loans, the Company will continue to consider all strategic alternatives, including restructuring or refinancing its debt, seeking additional debt or equity capital, reducing or delaying the Company's business activities and strategic initiatives, or selling assets, other strategic transactions and/or other measures, including obtaining relief under the U.S. Bankruptcy Code. The Company's continuation as a going concern is dependent upon its ability to successfully implement its liquidity plan and obtain necessary debt or equity financing to address the Company's liquidity challenges and continue operations until the Company returns to generating positive cash flow or is otherwise able to execute on a transaction pursuant to its review of strategic alternatives, including a potential sale of the Company. For additional information, please refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Note 2—Liquidity" to the consolidated financial statements included in this Form 10-K.

If we do not timely pay amounts due and comply with the covenants under our debt facilities, our business, financial condition, and ability to continue as a going concern would be materially and adversely impacted.

Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Term Loan and the Wynnefield Notes, among other things, require high interest payments, and both the Term Loan and the Revolving Credit Facility place encumbrances on our assets, and subject us to restrictive covenants that limit our operating flexibility. Any increase in applicable interest rates may negatively affect our cash flow and financial condition.

The terms of the Term Loan and the Revolving Credit Facility have been structured in such a way that, if we default under one, we will also default under the other; any default under such facilities will also result in a default under the Wynnefield Notes. In the event of a continuing default, our lenders would have the right to accelerate the then-outstanding amounts under each such facility to become immediately due and payable and to exercise their respective rights and remedies to collect such amounts, which, for the senior secured lenders, would include foreclosing on collateral constituting substantially all of our assets and those of our subsidiaries. Our obligations under the Term Loan are secured by first-priority security interests in substantially all of our assets and those of our subsidiaries guaranteeing our obligations, as well as a second-priority security interest on such entities' accounts receivable and inventory, while our obligations under the Revolving Credit Facility are secured by first-priority security interests on substantially all of our and certain subsidiaries' accounts and a second-priority security interest in substantially all other assets of such entities, in each case subject to the terms of an intercreditor agreement.

We do not currently have sufficient cash on hand to repay the outstanding balances, so if our lenders exercised their rights and remedies, we would likely be forced to seek bankruptcy protection and our investors could lose the full value of their investment in our common stock. Accordingly, a default would likely have a material adverse effect on our business.

For additional information, please refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Note 2—Liquidity", "Note 11—Debt" and "Note 18—Subsequent Events" to the consolidated financial statements included in this Form 10-K.

Our strategic review may not result in an executed or consummated transaction or other strategic alternative, and the process of reviewing strategic alternatives or its conclusion could adversely affect our business and our stockholders.

In January 2023, we announced that we engaged an investment banking firm to explore a range of strategic alternatives for us to maximize shareholder value, which could include a potential sale. We are actively working with financial advisors and legal counsel in connection with this strategic review process. Any potential transaction or other strategic alternative would be dependent on a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, regulatory approvals, and the availability of financing for a potential transaction on reasonable terms, as well as our ability to continue to fund our operations throughout the review process. The process of reviewing potential strategic alternatives may be time consuming, distracting and disruptive to our business operations, which may cause concern to our current or potential employees, investors, strategic partners and other constituencies and may have a material impact on our business and operating results and/or result in increased volatility in our stock price. It could also expose us to potential litigation in connection with this process or any resulting transaction. We have and will continue to incur substantial expenses associated with identifying, evaluating and negotiating potential strategic alternatives. Further, the process may affect our ability to recruit and retain qualified personnel, business partners, and other stakeholders important to our success. No decision has been made with respect to any transaction, and there can be no assurance that the exploration of strategic alternatives will result in the identification or consummation of any transaction, or that any strategic alternative identified, evaluated and consummated will provide the anticipated benefits or otherwise preserve or enhance stockholder value. Until the review process is concluded, perceived uncertainties related to our future may result in the loss of potential business opportunities and volatility in the market price of our common stock. If we are unable to consummate a transaction or other strategic alternative, and our liquidity challenges remain unresolved by growth in our business or new sources of debt or equity capital, we may file to obtain relief under the U.S. Bankruptcy Code, following which other strategic transactions could be pursued.

The limitations and covenants in our debt facilities constrain our ability to borrow additional money, sell assets and make acquisitions, which may impair our ability to fully implement elements of our business strategy and otherwise adversely affect our liquidity and financial condition.

Both the Term Loan and the Revolving Credit Facility contain certain limitations and covenants that limit our ability, and that of our subsidiaries, to, among other things, incur additional debt, make capital expenditures, incur liens, pay dividends or make other restricted payments, merge or sell assets, make acquisitions, and enter into transactions with affiliates.

The Term Loan and the Revolving Credit Facility also include restrictive covenants, including certain financial covenants. If we do not comply with the restrictive covenants, including failing to satisfy the required financial covenants, or obtain waivers as needed, our lenders could accelerate our debt and foreclose on our assets, and our stockholders may lose the full value of an investment in our common stock. Our ability to comply with the restrictive covenants in the debt facilities depends upon our ability to successfully implement our business strategy and liquidity plan, as well as other general economic and competitive conditions and financial, business and other factors, many of which are beyond our control. Our business has not generated sufficient cash flow from operations to fund our cash requirements and debt service obligations, which has required us to obtain additional debt and amend our outstanding debt, and we may continue to face significant liquidity constraints. For additional information, please refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Note 2—Liquidity", "Note 11—Debt" and "Note 18—Subsequent Events" to the consolidated financial statements included in this Form 10-K.

Any inability to finance our business or repay our outstanding indebtedness, including due to deterioration of the credit markets, could adversely affect our business.

We intend to finance our operations with existing cash and cash equivalents, cash flows from operations, the Term Loan, the Revolving Credit Facility and the Wynnefield Notes. The Term Loan and the Revolving Credit Facility contain a number of restrictive covenants and other terms that limit our operating flexibility. Any deterioration in the credit markets could adversely affect the ability of many of our customers to pay us on time and the ability of many of our suppliers to meet our needs on a competitive basis. Any inability to pay amounts due under our indebtedness or access necessary additional funds on acceptable terms or at all may negatively impact our business or operations. In addition, we have required, and may require in the future, additional sources of funds in order to meet our working capital requirements and fund our ongoing operations. If we are unable to access sufficient capital from our existing lenders or otherwise, our business and operations would be adversely impacted. For additional information, please refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Note 2—Liquidity", "Note 11—Debt" and "Note 18—Subsequent Events" to the consolidated financial statements included in this Form 10-K.

If we become unable to obtain adequate surety bonding, or letters of credit, our ability to bid on new work could be reduced, which could, in turn, have a material adverse effect on our future revenue and business prospects.

Consistent with industry practice, we are at times required to provide performance and payment surety bonds to customers. These bonds provide credit support for the customer if we fail to perform our obligations under the contract. If security is required for a particular project and we are unable to obtain a bond on terms commercially acceptable to us, we may not be able to pursue that project. In addition, bonding may be more difficult to obtain in the future or may only be available at significant additional cost.

In addition, in line with industry practice, we are at times required to provide letters of credit. These letters of credit provide credit support for the client if we fail to perform our obligations under the contract. Each of the Term Loan and the Revolving Credit Facility contains restrictions on the maximum amount that may be drawn against letters of credit. The Revolving Credit Facility provides for a letter of credit sublimit in an amount up to $2.0 million. As of December 31, 2022, we had $0.5 million letters of credit outstanding under the Revolving Credit Facility letter of credit sublimit and had $0.4 million outstanding cash collateralized standby letters of credit pursuant to our prior revolving credit facility with Wells Fargo Bank, National Association, which we refinanced and replaced in June 2017. If security is required for a particular project and we are unable to obtain a letter of credit on terms commercially acceptable to us, we may not be able to pursue that project. Any inability to obtain letters of credit on commercially reasonable terms could have a material adverse effect on our revenue and business prospects.

Changes to tax regulations, laws, accounting principles, future business operations or examinations by tax authorities may adversely impact our provision for income taxes and ability to use deferred tax assets, increase our tax burden or otherwise adversely affect our financial condition, results of operations and cash flows.

Changes in tax laws or exposures to additional tax liabilities could negatively impact our effective tax rate and results of operations. The evolving and at times overlapping regulatory regimes to which the Company is subject may change at any time, including as a result of changes in the U.S. political environment; for instance, various levels of government are increasingly focused on tax reform and other legislative actions to increase tax revenue, including the adoption of the Inflation Reduction Act of 2022, which includes a new corporate alternative minimum tax of 15% for certain large companies, and the reduction in the corporate income tax rate resulting from the Tax Cuts and Jobs Act (the "Tax Act") enacted into U.S. law in December 2017 could be reduced or rescinded by future tax law changes. In addition it is possible in the future that net operating loss ("NOL") and/or interest deductibility limitations implemented under the Tax Act could have the effect of causing us to incur income tax liability sooner than we otherwise would have incurred such liability or, in certain cases, could cause us to incur income tax liability that we might otherwise not have incurred, in the absence of these tax law changes.

In addition, our ability to use our deferred tax assets is subject to volatility and could be adversely affected by earnings differing materially from our projections, changes in the valuation of our deferred tax assets and liabilities, expiration of or lapses in tax credits, changes in ownership as defined by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), and outcomes as a result of tax examinations or changes in tax laws, regulations and accounting principles. As a result, our income tax provisions are also subject to volatility from these changes, as well as changes in accounting for uncertain tax positions, or interpretations thereof.

Significant judgment is required in determining the recognition and measurement attributes prescribed in GAAP related to accounting for income taxes. In addition, GAAP applies to all income tax positions, including the potential recovery of previously paid taxes, which, if settled unfavorably, could adversely impact our provision for income taxes or additional paid-in capital. We could also be subject to examinations of our income tax returns by the Internal Revenue Service and other tax authorities. We assess the likelihood of adverse outcomes resulting from these examinations in determining the adequacy of our provision for income taxes. There may be exposure that the outcomes from these examinations will have an adverse effect on our operating results and financial condition.

Our ability to use NOL carryforwards or other tax attributes may be subject to limitations under the Code.

As of December 31, 2022, we had U.S. federal tax NOL, foreign tax credits and general business tax credit carryforwards of $242.8 million, $3.7 million, and $0.4 million, respectively. Generally, NOL, foreign tax credit and general business credit carryforwards may be used to offset future taxable income and thereby reduce or eliminate U.S. federal income tax liabilities. Section 382 of the Code limits a corporation's ability to utilize NOL carryforwards to reduce tax liabilities if the corporation undergoes an "ownership change." For these purposes, an ownership change is deemed to occur if there has been a change of more than 50% in the ownership of shareholders owning 5% or greater of the value of a corporation's stock over a three-year period. Code Section 383 applies the same limitations to foreign tax credit, general business credit and capital loss carryforwards after an ownership change.

Based upon our review, we had not experienced an ownership change as defined under Code Section 382 as of December 31, 2022. If we issue additional equity in the future, an ownership change pursuant to Code Section 382 may occur. In addition, an ownership change under Code Section 382 could be caused by circumstances beyond the Company's control, such as market purchases or sales by certain 5% or greater shareholders of our stock. There is also a risk that, due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. In addition, under the Tax Act, the amount of NOLs incurred after the end of the 2017 fiscal year that we are permitted to deduct in any taxable year is limited to 80% of our taxable income in such year, where taxable income is determined without regard to the NOL deduction itself. The Tax Act also generally eliminates the ability to carry back any NOLs to prior taxable years, while allowing post-2017 unused NOLs to be carried forward indefinitely. There is a risk that, due to changes in tax laws, regulatory changes, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. Thus, there can be no assurance that the Company will not experience an ownership change which would significantly limit the utilization of the Company's NOL, foreign tax credit or general business credit carryforwards in calculating future federal tax liabilities.

Risk Factors Related to Our Operations

A substantial portion of our revenue is related to services performed at nuclear power plants, and reduced investment in, or increased regulation related to, nuclear power plants could have a material adverse effect on our business and prospects.

The demand for the services we provide at nuclear power plants is directly tied to the number of nuclear power facilities that utilize our services. Additionally, the demand for U.S. nuclear capacity and electricity generation is expected to decline due to an increase in domestic energy production supporting natural gas exports and the rapid expansion of low-cost renewable energy and new technologies in the U.S., displacing more traditional sources of power, including nuclear power. Declining demand for U.S. nuclear power generation and related construction and maintenance budgets could have a material adverse effect on our business, operations, and cash flow.

There are two new nuclear power plants at one U.S. site under construction, and several nuclear reactors are undergoing decommissioning. Pricing pressure has resulted in a decrease in the maintenance budgets for existing nuclear plants.

In addition, decreases in state and federal government subsidies and increased regulation could negatively impact the financial viability of merchant nuclear power plants, decreasing the demand for the services we provide.

If our costs exceed the estimates we use to set the fixed prices on certain of our contracts, our earnings will be reduced.

Fixed-price contracts present certain inherent risks, including the possibility of ambiguities in the specifications received, erroneous or incomplete cost estimates, problems with new technologies and economic and other changes that may occur over the contract period.

In addition, we have a limited ability to recover any cost overruns, such as those experienced during 2022 related to our fixed cost projects in Florida, which negatively impacted our gross profit for the year ended December 31, 2022. Contract prices are established based in part on our projected costs, which are subject to a number of assumptions. The costs that we incur in connection with each contract can vary, sometimes substantially, from our original projections. Because of the large scale and complexity of our contracts, unanticipated changes may occur, such as customer budget decisions, design changes, delays in receiving permits and cost increases. Unanticipated cost increases or delays may occur as a result of several factors, including: increases in the cost of commodities, labor or freight; unanticipated technical problems; problems related to successfully managing contract performance; suppliers' or subcontractors' failure to perform, requiring modified execution plans or re-work; and decreases in labor efficiency realized.

We often are contractually subject to liquidated damages in the event that we fail to perform our obligations in a timely manner. Such damages can be significant and may have a negative impact on our profit margins and financial results.

Cost increases or overruns that we cannot pass on to our customers or our payment of liquidated damages or other penalties under our contracts will lower our earnings. In addition, increases in commodity prices may adversely affect our gross margins.

If we are unable to control the delivery of services provided because of internal operational issues or poor subcontractor performances, our reputation could be adversely affected, and we could lose customers. In the event of subcontractor insolvency, if we are unable to recover any advance progress payments made to subcontractors, our profitability could be adversely affected.

We rely on subcontractors to perform services on various projects for scopes of work that are outside of our current service offerings. Our subcontractors do not account for a significant percentage of our service costs. The quality and performance of our subcontractors are not entirely under our control. Our subcontractors may not always meet the requisite level of quality control or our delivery schedules. The failure of our subcontractors to perform quality services in a timely manner could adversely affect our reputation and result in the cancellation of orders for our services, significant warranty and repair costs and the loss of customers. In addition, our contracts with customers may contain liquidated damages, and triggering such provisions could result in significant financial penalties, or, even if not triggered, could affect our ability to recognize revenue in a given period.

Other potential consequences of the failure of our subcontractors to meet our standards include a potential need to change subcontractors, resulting in increased costs. At times, we make advance progress payments to subcontractors in anticipation of completion of services, and we may be unable to recover those advances if a subcontractor fails to complete the scope of work. In addition, we generally provide warranties for terms of two years or less on our services; defects with respect to services previously provided, whether caused by our actions or a subcontractor's, could require us to incur costs fixing such issues. The occurrence of any of the above may adversely affect our financial condition, profitability, and cash flow.

We operate our business in regions subject to natural disasters, including hurricanes, and other severe catastrophic events, such as public health emergencies, acts of war and terrorism, and any disruption to our business resulting from such events will adversely affect our revenue and results of operations.

We operate our business in regions subject to natural disasters and other extreme weather events, the nature, frequency and severity of which may be negatively impacted by climate change, and other severe catastrophic events. Any disaster could adversely affect our ability to conduct business and provide services to our customers, including damage to work sites, and the insurance we maintain may not be adequate to cover our losses resulting from any business interruption due to a natural disaster or other catastrophic events. Such events could also reduce the availability or increase the cost of insurance. These and any future disruptions to our operations, including outbreak of contagious diseases and other adverse public health developments, epidemics or pandemics, such as the COVID-19 pandemic, civil unrest, geopolitical instability, acts of war, terrorism or other force majeure, could have a material adverse impact on our liquidity, financial condition and results of operations. Although preventative measures may help to mitigate damage, we cannot provide any assurance that any measures we may take will be successful, and delays in recovery may be significant.

Our business has been affected by numerous economic factors, including inflation, volatile financial markets, supply chain disruptions and shortages of materials and labor.

Economic conditions, including inflation, supply chain disruptions and labor and materials shortages, have negatively impacted us, and may continue to do so in the future. Following the onset of the pandemic and with the ongoing conflict between Ukraine and Russia in Europe, there has been a high degree of volatility in commodity and energy markets that affects our customers' businesses. In addition, inflationary factors, such as increases in the labor costs, material costs, and overhead costs, may also adversely affect our financial position and operating results. Inflation in the United States has reached multi-decade highs and has been increasing since 2021. In some cases, we have had to bid more competitively than before to win work, which has compressed margins given the higher inflation. Additionally, in March 2023, the FDIC took control and was appointed receiver of Silicon Valley Bank and New York Signature Bank. While the Company does not have any direct exposure to these banks, if other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our operations may be negatively impacted, including any inability on our part, or on our customers' parts, to access cash, cash equivalents or investments. Inflation, increases in interest rates and energy costs, bank failures, and other economic factors may have the effect of further increasing economic uncertainty and heightening the risks caused by volatility in financial markets, which may result in economic downturn or recession.

We may not be able to compete successfully against current and future competitors.

The industry in which we operate is highly competitive. Some of our competitors and potential competitors are less leveraged than we are, have greater financial or other resources than we have and may be better able to withstand adverse market conditions within the industry. Our competitors typically compete aggressively on the basis of pricing, and such competition may continue to impact our ability to attract and retain customers or maintain the rates we charge. To the extent that we choose to match our competitors' prices, it may result in lower margins and, as a result, could harm our results of operations. Should we choose not to match, or remain within a reasonable competitive distance from, our competitors' pricing, our sales volume would likely decrease, which could harm our results of operations. In addition, our future growth will depend on our ability to gauge the direction of the commercial and technological progress in our markets that may be adopted by our competitors. However, any such developments would likely require additional financing, and we may not be able to obtain the necessary financing on acceptable terms, if at all. A failure to keep pace with our competitors or the technological innovations in the markets we serve could have a material adverse impact on our business.

Our future revenue and operating results may vary significantly from reporting period to reporting period.

Our quarterly and annual revenue and earnings have varied in the past and are likely to vary in the future. Our service contracts contain customer-specific commercial terms that, coupled with other factors beyond our control, may result in uneven recognition of revenue and earnings over time. Customer-imposed delays can significantly impact the timing of revenue recognition and lengthen our cash conversion cycle, which can negatively impact our ability to fund our operations. Due to our relatively large average contract size, our volume during any given period may be concentrated to relatively few contracts, intensifying the magnitude of these fluctuations. Furthermore, some of our operating costs are fixed. As a result, we may have limited ability to reduce our operating costs in response to unanticipated decreases in our revenue or the demand for our services in any given reporting period. Therefore, our operating results in any reporting period may not be indicative of our future performance. Because we must make significant estimates related to potential costs when we recognize revenue on a percentage-of-completion basis, these costs may change significantly from reporting period to reporting period based on new project information.

A small number of major customers account for a significant portion of our revenue, and the loss of any of these customers could negatively impact our business.

We depend on a relatively small number of customers for a significant portion of our revenue. In 2022, our top two customers accounted for 57%, and in 2021, our top four customers accounted for 50% of our consolidated revenue. For a listing of our major customers, please refer to "Note 16—Major Customers and Concentration of Credit Risk" to the consolidated financial statements included in this Form 10-K. We expect to continue to depend upon a relatively small number of customers for a significant percentage of our revenue. Because our major customers represent a large part of our business, the loss of any of our major customers could negatively impact our business and results of operations. Our business volume with each of our largest customers is highly dependent on operations and maintenance budgets for U.S. utilities. Fluctuations in any of these factors could materially adversely impact our financial results.

In early 2022, we lost a contract with a customer in Canada, and as a result, we exited the Canadian market. This former customer contributed 12% of total revenue in 2021. In addition, in early 2022, we lost a major multi-year contract with a customer within the nuclear decommissioning market. This former customer accounted for 10% of our revenue in 2021 and contributed to a loss of approximately $374.6 million in backlog for the years 2022 through 2029. Please refer to Item 1. Business under "Backlog" included in this Form 10-K for additional information.

We are subject to potential insolvency or financial distress of third parties, including our customers and suppliers.

We are exposed to the risk that third parties to various arrangements who owe us money or goods, or who purchase services from us, will be unable to perform their obligations or continue to place orders due to insolvency or financial distress. If such third parties fail to perform their obligations under arrangements with us, we may be forced to replace the underlying commitment at current or above market prices or on other terms that are less favorable to us, or we may have to write off receivables in the case of a customer failing to pay.

If a customer becomes insolvent or files for bankruptcy, our ability to recover accounts receivable from that customer would be adversely affected and any payment we received during the preference period prior to a bankruptcy filing may be potentially recoverable by the bankruptcy estate. Any of the foregoing could adversely impact our results of operations, financial position, and liquidity.

The dollar amount of our backlog, as stated at any time, is not necessarily indicative of our future revenue.

Our backlog consists of firm orders or blanket authorizations from our customers. Backlog may vary significantly from reporting period to reporting period due to the timing of customer commitments. The time between receipt of an order and actual completion of services can vary. However, backlog may not be indicative of future operating results, and projects in our backlog may be cancelled, modified, or otherwise altered by our customers. To the extent projects are delayed, the timing of our revenue could be affected. If a customer cancels an order, we may be reimbursed for the costs we have incurred. Typically, however, we have no contractual right to the full amount of the revenue reflected in our backlog contracts in the event of cancellation. In addition, projects may remain in our backlog for extended periods of time. Furthermore, a portion of our backlog for multi-year service maintenance contracts is based on what we expect to realize in the future and is therefore not necessarily supported by a firm purchase order. If that work does not materialize, then our backlog would be negatively impacted, as that work would be considered a "cancellation." For example, our backlog was negatively affected by the loss of a multi-year contract in the nuclear decommissioning market in early 2022, as described further in Item 1. Business under "Backlog". Revenue recognition occurs over extended periods of time and is subject to unanticipated delays. Fluctuations in our reported backlog levels also result from the fact that we may receive a small number of relatively large orders in any given reporting period that may be included in our backlog. Because of these large orders, our backlog in that reporting period may reach levels that may not be sustained in subsequent reporting periods. Our backlog, therefore, is not necessarily indicative of our future revenue or of long-term industry trends.

Our success is partially dependent upon maintaining our safety record, and an injury to or death of any of our employees, customers or vendors could result in material liabilities to our Company.

The activities we conduct at our customers' facilities present a risk of injury or death to our employees, customers, or visitors, notwithstanding our efforts to comply with safety regulations. We may be unable to avoid material liabilities for an injury or death, and our workers' compensation and other insurance policies may not be adequate or may not continue to be available on terms acceptable to us, or at all, which could result in material liabilities to us. In addition, our ability to obtain new business and retain our current business is partially dependent on our continuing ability to maintain a safety record that exceeds the industry average. If we fail to maintain superior safety performance, or if serious accidents occur in spite of our safety procedures, our revenue and results of operations could be materially adversely affected.

Adverse changes in our relationships with suppliers, vendors, and subcontractors could have a material adverse effect on our liquidity and our business, reputation, and results of operations.

We rely significantly on third-party suppliers and vendors to obtain necessary materials, and on subcontractors to perform certain services. Although we are not dependent on any single supplier, vendor or subcontractor, any substantial limitation on the availability of or deterioration in our relationship with required suppliers or subcontractors would negatively impact our operations.

Changes in our credit profile can affect the way such third parties view our ability to make payments and may induce them to shorten the payment terms of their invoices or require credit enhancement. For instance, as a result of delays in our payments, certain suppliers and subcontractors have imposed less favorable payment terms on us, including requirements to provide them with additional security in the form of prepayments, surety bonds or letters of credit. The imposition of burdensome payment terms or collateral requirements could have a material adverse impact on our liquidity and our ability to make payments to other parties. This in turn could cause us to be unable to operate our business at the desired service levels, which might adversely affect our profitability and cash flow. In other cases, our relationships with certain third parties have been terminated, requiring us to rely on new firms for certain services, which may cost more and be of inferior quality.

In addition, changes in market and economic conditions, such as the ongoing supply chain disruptions, product shortages and inflationary cost pressure, could increase the risk of a lack of available suppliers or subcontractors. If any supplier or subcontractor upon which we rely is unable or unwilling to meet its obligations under present or future agreements with us, we may be forced to pay higher prices to obtain necessary services and may suffer an interruption in our ability to provide our services to customers.

To the extent we cannot engage quality subcontractors or acquire equipment or materials on acceptable terms, we would not be able to meet the full demands of our customers, which would have a material adverse effect on our business, reputation and results of operations.

Legal matters could divert management’s focus, result in substantial expenses, and have an adverse impact on our reputation, financial condition, and results of operations.

Lawsuits and investigations involving us, or our current or former officers and directors, could result in significant expenses and divert attention and resources of our management and other key employees. We could be required to pay damages or other penalties or have injunctions or other equitable remedies imposed against us or our current or former directors and officers. In addition, we are generally obligated to indemnify our current and former directors and officers in connection with lawsuits, governmental investigations and related litigation or settlement amounts. Such amounts could exceed the coverage provided under our insurance policies. Any of these factors could harm our reputation, business, financial condition, results of operations or cash flows.

Compliance with environmental, health, safety and other related laws and regulations is costly, and our ongoing operations may expose us to related liabilities.

Our operations are subject to laws and regulations governing the discharge of materials into the environment or otherwise related to the protection of the environment or human health and safety. We are subject to various U.S. federal statutes and the regulations implementing them, as well as similar laws and regulations at the state and local levels. Environmental laws and regulations are complex and subject to frequent change, and the current U.S. presidential administration is expected to revise existing environmental regulations and to pursue new initiatives. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty; however, there has been an increasing amount of legislative and regulatory activity, and a number of legal and regulatory measures and social initiatives have been introduced in an effort to reduce greenhouse gas and other carbon emissions. Any such initiatives, restrictions and requirements could restrict or reduce, or require us to make changes to, our operating activities, which could increase our operating costs, increase our energy, supply and transportation costs or limit their availability, or otherwise adversely affect our results of operations, liquidity or capital resources, and these effects could be material to us. If we fail to comply with existing or future environmental laws or regulations, we may be subject to significant liabilities for fines, penalties, or damages, or lose or be denied significant operating permits. Changes in environmental laws and regulations could also increase our environmental compliance expenditures.

In addition, we have been, and may be in the future, subject to liability allegations involving claims of personal injury or property damage. The operation of complex, large-scale equipment used in a variety of locations and climates and integration of a variety of purchased components entails an inherent risk of disputes and liabilities related to the operation of the equipment and the health and safety of the workers who operate and come into contact with the machinery. Because our services are primarily provided in power plants, claims could arise in different contexts, including fires, explosions and power surges, which can result in significant property damage or personal injury, and equipment failure, which can result in personal injury or damage to other equipment in the power plant.

The insurance policies we maintain to cover claims of this nature are subject to deductibles and recovery limitations, as well as limitations on contingencies covered, and we may, therefore, suffer losses from these claims for which no insurance recovery is available. Such losses could have a material adverse effect on our business.

We may become subject to risks associated with doing business outside the U.S.

We previously provided services in Canada, and we may seek to expand our services outside the U.S. in the future. Doing business internationally creates risk that could materially and adversely affect our business, including: the imposition of trade barriers, currency exchange rate fluctuations and currency controls, longer payment cycles, greater difficulties in accounts receivables collection, difficulties in complying with a variety of foreign laws, changes in legal or regulatory requirements, the potential for shortages of trained labor, complex and uncertain employment environments, exposure to local economic and political conditions, the impact of social unrest, such as risks of terrorism or other hostilities, and potentially adverse tax consequences. To the extent we experience these risks, our business and results of operations could be adversely affected, and, as a result, we may determine to scale back or terminate our international operations. During 2021, we provided services in Canada; however, in early 2022, we lost a major contract with a customer in Canada, and, as a result, we exited the Canadian market. Although there are no current plans to do so, the Company may again expand outside the U.S. in the future, although there can be no assurance that we will be successful in such endeavors, if undertaken, outside of the U.S.

We may be unable to effectively manage our growth, including any expansion into international markets.

We are subject to the risk that we may be unable to effectively manage our growth, which requires us to develop and improve our existing administrative and operational systems and our financial and management controls and further expand, train and manage our work force. As we continue this effort, we may incur substantial costs and expend substantial resources in connection with any such expansion due to different technology standards, legal considerations, and cultural differences. We may not be able to efficiently or effectively manage any future international operations and growth of such operations, compete effectively in such markets, or recruit top talent and train our personnel. Any failure to successfully manage our expansion may materially and adversely affect our business and future growth and may cause us to scale back or terminate such expansion efforts; for instance, we exited the Canadian market in 2022 and are no longer accepting large, fixed price water projects. In addition, acquisitions and other business transactions may disrupt or otherwise have a negative impact on our business, financial condition and results of operations, and any acquisitions of businesses and their respective assets also involve the risks that the businesses and assets acquired may prove to be less valuable than we expect, and we may assume unknown or unexpected liabilities, costs and problems.

Limitations or modifications to indemnification regulations of the U.S. could adversely affect our business.

We provide services to the nuclear industry. The Price-Anderson Act promotes the nuclear industry by offering broad indemnification to commercial nuclear power plant operators and U.S. Department of Energy (“DOE”) contractors for liabilities arising out of nuclear incidents at power plants licensed by the NRC and at DOE nuclear facilities. That indemnification protects not only the NRC licensee or DOE prime contractor, but also others like us who may be doing work under contract or subcontract for a licensed power plant or under a DOE prime contract. The Energy Policy Act of 2005 extended the period of coverage to include all nuclear power reactors issued construction permits through December 31, 2025. The Price-Anderson Act indemnification provisions may not apply to all liabilities that we might incur while performing services as a contractor for the DOE and the nuclear power industry. If an incident or evacuation is not covered under the Price-Anderson Act’ s indemnification provisions, we could be held liable for damages, regardless of fault, which could have an adverse effect on our results of operations and financial condition. In addition, if such indemnification authority is not applicable in the future, for instance, our business could be adversely affected if the owners and operators of nuclear power plants fail to retain our services in the absence of commercially adequate insurance and indemnification. In addition, any well-publicized problem with our nuclear industry services, whether actual or perceived, could adversely affect our reputation and reduce demand for our services.

Our failure to attract and retain qualified personnel, skilled workers and key officers could have an adverse effect on us.

Our ability to attract and retain qualified professional and/or skilled personnel in accordance with our needs, either through direct hiring, subcontracting or acquisition of other firms employing such professionals, is an important factor in determining our future success. The market for these professionals is competitive, and there can be no assurance that we will be successful in our efforts to attract and retain needed personnel. Our ability to successfully execute our business strategy depends, in part, on our ability to attract and retain highly qualified, experienced mechanical, design, structural and software engineers, service technicians and marketing and sales personnel who share our values and are able to operate effectively consistent with our culture. Demand for these workers can, at times, be high and the supply extremely limited, particularly for employees who can work remotely, as the impact of the COVID-19 pandemic has increased remote opportunities. In addition, we may be constrained in hiring and retaining sufficient qualified employees to support our strategy due to general labor shortages in our industry. A lack of qualified personnel or increased turnover rates within our employee base could lead to increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain qualified employees. Our success is also highly dependent upon the continued services of our key officers, and we do not maintain key employee insurance on any of our executive officers.

We have experienced significant turnover in our senior management team and reductions in our workforce over the past few years and have promoted or hired new employees to fill certain key roles. If we are unable to retain qualified personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identifying, hiring, and integrating new employees. In addition, the failure to attract and retain key employees, including officers, could impair our ability to successfully implement our business strategy, sustain or expand our operations, provide services to our customers, and conduct our business effectively. Furthermore, if key employees do not meet the expectations of their roles, we could experience operational and administrative inefficiencies and added costs that could adversely impact our results of operations, our stock price and our customer relationships and may make recruiting for future management positions more difficult.

Demand for our services is cyclical and vulnerable to economic slowdowns and reductions in private industry and government spending. In times of general economic contraction, our revenue, profits, and financial condition may be adversely affected and will not necessarily rise in tandem with general economic expansion.

The industries we serve historically have been, and will likely continue to be, cyclical in nature and vulnerable to general slowdowns in the U.S. economy. Consequently, our results of operations have fluctuated and may continue to fluctuate depending on the level of demand for services from these industries.

Our bookings and revenue may rise or fall sharply as total industry orders tend to follow pronounced cycles of general expansion and contraction. During a contraction phase, limited investment in new projects, deferrals of planned projects and project cancellations may significantly reduce our potential recognition of revenue and profits. At the end of an expansion phase, any existence of excess capacity will negatively affect power prices, which will result in a reduction in new orders. In addition to being cyclical in nature, our revenue does not correlate precisely with changes in actual or forecasted new capacity due to timing differences in revenue recognition.

During periods of declining demand for power, many of our customers may face budget shortfalls or may delay capital expenditures, which could result in a decrease in the overall demand for our services. Our customers may find it more difficult to obtain project financing due to limitations on the availability of credit and other uncertainties in the global credit markets. In addition, our customers may demand better pricing terms and their ability to timely pay our invoices may be affected in times of economic slowdown. Any such reduction in private industry or government spending could have a material adverse effect on our revenue, net income, or overall financial condition.

The Company continues to monitor several factors that may cause our revenue, profits, and financial condition to differ from our historical results, including the impacts of inflation and increased interest rates.

Information technology vulnerabilities and cyberattacks on our networks could have a material adverse impact on our business.

We rely upon information technology to manage and conduct business, both internally and with our customers, suppliers and other third parties. Internet transactions involve the transmission and storage of data, including, in certain instances, customer and supplier business information. Accordingly, maintaining the security of our computers and other electronic devices, computer networks and data storage resources is a critical issue for us and our customers and suppliers because security breaches could result in reduced or lost ability to carry on our business and loss of and/or unauthorized access to confidential information. From time to time, we experience cyberattacks on our information technology systems, and those of our distributors, manufacturers, suppliers and other partners, whose systems we do not control. We have limited personnel and other resources to address information technology reliability and security of our computer networks and respond to known security incidents to minimize potential adverse impacts. Information security risks have generally increased in recent years because of the proliferation of new technologies and the increased sophistication and activities of perpetrators of cyberattacks. Experienced hackers, cybercriminals and perpetrators of threats may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. These perpetrators of cyberattacks also may be able to develop and deploy viruses, worms, malware, and other malicious software programs that attack our information and networks or otherwise exploit any security vulnerabilities of our information and networks. Techniques used to obtain unauthorized access to or sabotage systems change frequently and often are not recognized until long after being launched against a target, so we may be unable to anticipate these techniques, implement adequate preventative measures or remediate any intrusion on a timely or effective basis. Moreover, the development and maintenance of these preventative and detective measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. We, therefore, remain potentially vulnerable to additional known or as yet unknown threats, as in some instances, we, our distributors, manufacturers, suppliers, and other partners may be unaware of an incident or its magnitude and effects. We also face the risk that we may expose our customers or partners to cyberattacks.

A breach of our information technology systems and security measures as a result of third party action, malware, employee error, malfeasance or otherwise could materially adversely impact our business and results of operations and expose us to customer, supplier and other third party liabilities, as well as result in disruptions to critical systems, theft of funds, data or intellectual property, corruption or loss of data and unauthorized release of proprietary, confidential or sensitive information of ours or our customers. Any damage, security breach, delay or loss of critical data associated with our systems may delay or prevent certain operations and may have a material adverse effect on our financial condition, results of operations and cash flows; in addition, such events could expose us to data and funds loss, disrupt our operations, allow others to unfairly compete with us and subject us to litigation, government enforcement actions, regulatory penalties and costly response measures, and we may not have adequate insurance coverage to compensate us for any losses relating to such events. Any resulting negative publicity could also significantly harm our reputation. As cyber threats continue to advance, we may be required to expend additional significant resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities. In addition, cybersecurity and data protection laws and regulations continue to evolve, and are increasingly demanding, which adds compliance complexity and may increase our costs of compliance and expose us to litigation, monetary damages, regulatory enforcement actions or fines in one or more jurisdictions.

Our failure to comply with applicable governmental privacy laws and regulations in the U.S. could substantially impact our business, operations, financial position, and cash flows.

We are subject to extensive and evolving federal and state privacy laws and regulations. Changes in privacy and data security laws or regulations or new interpretations of existing laws or regulations could have a negative effect on our operating methods and costs. Failure to comply with such regulations could result in the termination or loss of contracts, the imposition of contractual damages, private and government civil litigation, civil sanctions, damage to our reputation or, in certain circumstances, criminal penalties, any of which could have a material adverse effect on our results of operations, financial position, cash flows, business and prospects. Determining compliance with such regulations is complicated by the fact that many of these laws and regulations have not been fully interpreted by governing regulatory authorities or the courts, and many of the provisions of such laws and regulations are open to a range of interpretations. There can be no assurance that we are, or have been, in compliance with all applicable existing laws and regulations or that we will be able to comply with new laws or regulations, such as the California Consumer Privacy Act and the California Privacy Rights Act.

Our participation in multiemployer pension plans could adversely impact our liquidity and results of operations.

During 2022, we contributed to approximately 79 multiemployer pension plans throughout the U.S. and, historically, we have contributed to over 200 multiemployer pension plans in which we may have withdrawal liabilities. We believe that our responsibility for potential withdrawal liabilities associated with participating in multiemployer pension plans is limited because the building and construction trades exemption pursuant to the Employee Retirement Income Security Act of 1974 should apply to the substantial majority of our plan contributions. However, pursuant to the Pension Protection Act of 2006 and other applicable laws, we are exposed to other potential liabilities associated with plans that are underfunded. As of December 31, 2022, we had been notified that certain pension plans were in critical funding status. Currently, certain plans are developing, or have developed, a rehabilitation plan that may call for a reduction in participant benefits or an increase in future employer contributions. Therefore, in the future, we could be responsible for potential surcharges, excise taxes and/or additional contributions related to these plans, which could impact our liquidity and results of operations. While we continue to actively monitor, assess and take steps to limit our potential exposure to any surcharges, excise taxes, additional contributions and/or withdrawal liabilities, any market conditions or the number of participating employers remaining in each plan may result in a reorganization, insolvency or mass withdrawal that could have a material adverse effect on the funded status of the multiemployer plans and our potential withdrawal liability.

We are subject to anti-bribery laws, and failure to comply with these laws could result in our becoming subject to penalties and the disruption of our business activities.

We are subject to laws in the U.S. that restrict the offer or payment of anything of value to government officials or other persons with the intent of gaining business or favorable government action. In addition to prohibiting certain bribery-related activity with U.S. officials and other persons, these laws provide for recordkeeping and reporting obligations. Any failure by us, our subcontractors, agents or others who work for us on our behalf to comply with these legal and regulatory obligations could impact us in a variety of ways that include, but are not limited to, significant criminal, civil and administrative penalties. The failure to comply with these legal and regulatory obligations could also result in the disruption of our business activities and have a material adverse effect on our business and results of operations.

Work disruptions resulting from the expiration of our collective bargaining agreements or otherwise could result in increased operating costs and adversely affect our operating performance.

The majority of our temporary craft employees are represented by labor unions with which we have collective bargaining agreements. There can be no assurance that we will not experience labor disruptions associated with a lengthy strike or the expiration or renegotiation of collective bargaining agreements or other work stoppage at our facilities or customer locations, which could adversely affect our operating performance and may result in additional expenses and possible loss of revenue.

The increasing focus by stakeholders on environmental, social and governance policies and practices could result in additional costs and could adversely impact our reputation, consumer perception, employee retention and willingness of third parties to do business with us.

There has been increased focus from stakeholders, including investors, consumers and employees, on our environmental, social, or governance (“ESG”) policies and practices, including corporate citizenship and sustainability. Additionally, public interest and legislative pressure related to public companies’ ESG practices continues to grow. If our ESG policies and practices fail to meet regulatory requirements or stakeholders’ evolving expectations and standards for responsible corporate citizenship in areas including environmental stewardship, employee health and safety practices, Board and employee diversity, human capital management, corporate governance and transparency and employing ESG strategies in our operations, our brand, reputation and employee retention may be negatively impacted, and customers and suppliers may be unwilling to do business with us. We could also incur additional costs and require additional resources to monitor, report and comply with various ESG practices, as well as any initiatives or goals we may establish or announce, including those related to climate change. If we do establish such initiatives or goals, there can be no assurance that our stakeholders will agree with our strategy or that we will be successful in achieving such initiatives or goals, and we will remain subject to climate change risks regardless. As a result, the effects of climate change and increased focus by stakeholders on ESG matters could have short- and long-term impacts on our business and operations. Inconsistency of legislation and regulations among jurisdictions and expected additional regulations may also affect the costs of compliance with such laws and regulations. Any assessment of the potential impact of future climate change legislation, regulations or industry standards, as well as any international treaties and accords, is uncertain given the wide scope of potential regulatory change where we operate. If we fail to adopt ESG standards or practices as quickly as stakeholders desire, fail, or are perceived to fail, in our achievement of any initiatives or goals, or fail in fully and accurately reporting our progress on any such initiatives and goals, our reputation, business, financial performance and growth may be adversely impacted. Furthermore, there exists certain “anti-ESG” sentiment among some individuals and governments, and several states have enacted or proposed “anti-ESG” policies or legislation. As we establish ESG-related initiatives, we could face a negative reaction or legislation that impedes our activities or reflects poorly upon the Company, and our business and financial condition could be negatively impacted by such matters. Any such matters, or related corporate citizenship and sustainability matters, could have a material adverse effect on our business.

Risk Factors Related to Our Common Stock

We may not be able to maintain our NYSE American listing and may incur additional costs as a result of our NYSE American listing.

Our common stock commenced trading on the NYSE American on February 22, 2021, and we are subject to certain NYSE American continued listing requirements and standards. We cannot provide any assurance that we will be able to continue to satisfy the requirements of the NYSE American’ s continued listing standards. A delisting of our common stock could negatively affect the price and liquidity of our common stock and could impair our ability to raise capital in the future. In addition, we may incur costs that we have not previously incurred relating to compliance with the rules and requirements of the NYSE American.

The market price for our common stock has historically been volatile, and our stockholders may not be able to resell their shares of common stock at or above the purchase price paid.

The market price of our common stock has historically fluctuated significantly and may be affected by numerous factors (some of which are beyond our control), including:

- The risk factors described in this Item 1A;
- Actual or anticipated fluctuations in our operating results and financial condition;
- Changes in laws or regulations and court rulings and trends in our industry;

- The significant concentration of ownership of our common stock in the hands of a small number of investors;
- Changes in supply and demand of components and materials;
- Changes in tax or accounting standards affecting our industry;
- A shortfall in operating revenue or net income from that expected by securities analysts and investors;
- Changes in securities analysts' estimates of our financial performance or the financial performance of our competitors or companies in our industry;
- Increase in inflation and higher commodity prices;
- General conditions in our customers' industries; and
- The degree of trading liquidity in our common stock, including our ability to remain listed on the NYSE American, and general market conditions.

Declines in the price of our common stock could impede our ability to obtain additional capital and attract and retain qualified employees and could reduce the liquidity of our common stock. In addition, a reduction in our stock price increases the cost to us, in terms of dilution, of using our equity for employee compensation.

The stock markets have experienced extreme volatility that has often been unrelated to the operating performance of similarly situated companies, including geopolitical instability. These broad market fluctuations may adversely affect the market price of our common stock.

We do not currently expect to pay any cash dividends on our common stock; as such, appreciation in the price of our common stock may be the only method for investors to realize a return on their investment.

We have not paid any dividends since March 2015 and each of the Term Loan and the Revolving Credit Facility prohibits us from paying cash dividends. Accordingly, we do not anticipate paying dividends on our common stock in the foreseeable future.

Any future determination with respect to the payment of dividends will be at the discretion of the Board and will depend upon our financial condition, results of operations, capital requirements, general business conditions, terms of financing arrangements and other factors that our Board may deem relevant. Future dividends, their timing and amount will be subject to capital availability and periodic determinations by our Board that cash dividends are in the best interest of our stockholders and are in compliance with all of our respective laws and agreements applicable to the declaration and payment of cash dividends and may be affected by, among other factors: our views on potential future capital requirements for organic initiatives and strategic transactions; debt service requirements; our credit rating; changes to applicable tax laws or corporate laws; limitations in our debt facilities; and changes to our business model. We cannot provide any assurance that we will declare dividends of any particular amounts or at all.

We are subject to anti-takeover effects of certain charter and bylaw provisions and Delaware law, as well as of our substantial insider ownership.

Provisions of our Second Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), Fourth Amended and Restated By-Laws (the "By-Laws") and Delaware law may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which investors might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our management and Board. These provisions include providing our Board the ability to set the number of directors and to fill vacancies on the Board occurring between stockholder meetings.

We are also subject to provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15% or more of our common stock for three years following the date the beneficial owner acquired at least 15% of our stock, unless various conditions are met, such as approval of the transaction by our Board. Together, these charter and statutory provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock.

The existence of the foregoing provisions and anti-takeover measures, as well as the significant amount of common stock beneficially owned by Wynnefield Capital, Inc. and its affiliates, the Company's largest equity investors, could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of us, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition.

We may issue a substantial number of shares of our common stock in the future, and stockholders may be adversely affected by the issuance of those shares.

We may raise additional capital or refinance or restructure our debt by issuing shares of common stock, or other securities convertible into common stock, which would increase the number of shares of common stock outstanding and result in potentially substantial dilution in the equity interest of our current stockholders and may adversely affect the market price of our common stock. We have previously issued shares of our common stock pursuant to private placement exemptions from Securities Act registration requirements and may do so in the future in connection with financings, acquisitions, the settlement of litigation and other strategic transactions. We may also issue equity securities (including, but not limited to, warrants to purchase shares of our common stock) in connection with future financing transactions. The issuance, and the resale or potential resale, of shares of our common stock could adversely affect the market price of our common stock and could be dilutive to our stockholders.

Actions of activist shareholders could be disruptive and potentially costly, and the possibility that activist shareholders may seek changes that conflict with our strategic direction could cause uncertainty about the strategic direction of our business.

Activist investors may attempt to effect changes in our strategic direction, including our pending review of strategic alternatives, and how our business is governed, or to acquire control over us. While we welcome varying opinions from all shareholders, activist campaigns that contest or conflict with our strategic direction could have an adverse effect on our results of operations and financial condition, as responding to proxy contests and other actions by activist shareholders can disrupt our operations, be costly and time consuming and divert the attention of our Board and senior management from the pursuit of business strategies, including the current review of strategic alternatives. In addition, perceived uncertainties as to our future direction as a result of changes to the composition of our Board may lead to the perception of a change in the direction of our business, instability or lack of continuity, which may be exploited by our competitors, may cause concern to our current or potential customers, may result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel and business partners. These types of actions could cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Future sales of our common stock and any of our other efforts to raise additional capital may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market or otherwise, either by us, a member of management or a major stockholder, or the perception that such sales could occur, could depress the market price of our common stock and have a material adverse effect on our ability to raise capital through the sale of additional equity securities. We may seek additional capital through a combination of private and public equity and debt offerings. To the extent that we raise additional capital through the sale of equity or convertible debt securities, investor ownership interest may be diluted, and the terms may include liquidation or other preferences that adversely affect investor rights as a stockholder. Additional debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions such as incurring additional debt, making capital expenditures, or declaring dividends. Any of the above could cause a decline in our stock price.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate office is located in Atlanta, Georgia. We do not own any real property. Below is a summary of properties leased by our continuing operations as of December 31, 2022.

Location	Lease Expiration Date	Approximate Sq. Footage	Principal Uses
Tucker, Georgia	March 31, 2023	23,726	Administrative office (subleased out)
Atlanta, Georgia (1)	July 31, 2031	13,870	Administrative office (corporate headquarters)
Jacksonville, Florida	September 30, 2023	10,708	Administrative office/warehouse
Norwalk, Connecticut	August 31, 2024	9,681	Administrative office/warehouse
Kemah, Texas	January 31, 2024	6,000	Administrative office/warehouse
Astoria, New York	May 31, 2026	4,500	Administrative office/warehouse
Tampa, Florida	March 31, 2023	4,400	Administrative office/warehouse
Dothan, Alabama	November 30, 2023	1,100	Administrative office

(1) The Company moved its corporate headquarters from Tucker, Georgia to Atlanta, Georgia in March 2022.

Item 3. Legal Proceedings.

Litigation and Claims

We are from time-to-time party to various lawsuits, claims and other proceedings that arise in the ordinary course of our business. With respect to all such lawsuits, claims and proceedings, we record a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. We do not believe that the resolution of any currently pending lawsuits, claims and proceedings, either individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or liquidity. However, the outcomes of any currently pending lawsuits, claims and proceedings cannot be predicted, and therefore, there can be no assurance that this will be the case.

For a description of our material pending legal and regulatory proceedings and settlements, please refer to "Note 15—Commitments and Contingencies—Litigation and Claims" to the consolidated financial statements included in this Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock trades on the NYSE American under the symbol "WLMS."

Holders

As of March 27, 2023, there were 27,058,317 shares of our common stock outstanding and 116 holders of record of our common stock. We believe that the number of beneficial holders of our common stock is substantially greater than the number of holders of record.

Dividends

We have not paid dividends to holders of our common stock since March 2015, and the terms of the Term Loan and the Revolving Credit Facility currently prohibit us from paying cash dividends. In addition, declaration and payment of future dividends would depend on many factors, including, but not limited to, our earnings, financial condition, business development needs, regulatory considerations and the terms of the Term Loan Facility and Revolving Credit Facility, and is at the discretion of our Board of Directors. We currently have no plan in place to pay cash dividends. See "Part I—Item 1A. Risk Factors—*We do not currently expect to pay any cash dividends on our common stock; as such, appreciation in the price of our common stock may be the only method for investors to realize a return on their investment.*"

Recent Sales of Unregistered Securities

During the fiscal year ended December 31, 2022, we did not sell any of our equity securities in transactions that were not registered under the Securities Act of 1933, as amended, not previously disclosed in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

Purchases of Equity Securities by the Company and Affiliated Purchasers

Neither we, nor any "affiliated purchaser," as defined in SEC Rule 10b-18(a)(3), purchased any of our equity securities during the three months ended December 31, 2022.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion provides an analysis of the results of our continuing operations, an overview of our liquidity and capital resources and other items related to our business. It contains forward-looking statements about our future revenue, operating results, and expectations. See "Cautionary Note Regarding Forward-Looking Statements" and "Part I—Item 1A. Risk Factors" for a discussion of the risks, assumptions and uncertainties affecting these statements. This discussion and analysis should be read in conjunction with Part I of this Form 10-K as well as our consolidated financial statements and notes thereto included in this Form 10-K.

Overview

Unless otherwise specified, the financial information and discussion in this Form 10-K are as of December 31, 2022 and are based on our continuing operations; they exclude any results of our discontinued operations. Please refer to "Note 5—Changes in Business" to the consolidated financial statements included in this Form 10-K for additional information on our discontinued operations.

In 2018, we implemented major cost reduction initiatives to reduce our overhead costs, including restructuring and consolidating our corporate functions, and began working on a comprehensive strategic plan to grow and improve our business, which was finalized in early 2019. Our strategy has been focused on a comprehensive plan to grow and improve our operations, strengthen our core competencies, aggressively manage working capital, and reduce costs in order to improve liquidity and reduce debt.

In 2020, we refinanced our new credit facilities which included senior secured term loan facilities in an aggregate amount of up to $50.0 million (collectively, the "Term Loan") and a senior secured asset-based revolving line of credit of up to $30.0 million (the "Revolving Credit Facility"). The Term Loan and Revolving Credit Facility mature on December 16, 2025. In connection with the refinancing, the Company repaid the outstanding balance of the prior facilities and all interest in full. For additional information, please refer to "Note 11—Debt" to the consolidated financial statements included in this Form 10-K.

During 2021, we changed our corporate management structure to reinforce our customer focus and strengthen operations, and among other changes, added a Chief Operating Officer, an Executive Vice President of Business Development, and a Vice President of Safety and our Corporate Controller was appointed Chief Financial Officer. Additionally, in 2022, the Company promoted its Senior Vice President of Energy and Industrial to Executive Vice President of Business Development. We are enhancing our management methods to provide additional process capabilities and focus on customer relations and sales.

In early 2022, we lost a major contract with a customer in Canada, and as a result, we exited the Canadian market. This customer contributed 12% of our revenue in 2021. In addition, in early 2022, we lost a major multi-year contract with a customer within the nuclear decommissioning market contributing to a loss of approximately $374.6 million in backlog in the years 2022 through 2029. We continue to target other growth opportunities within our end markets with greater customer focus and strengthened operational effectiveness. Please refer to Item 1. Business under "Backlog" included in this Form 10-K for additional information.

In the third quarter of 2022, management assessed the Company's financial condition, resulting in the Company developing a liquidity plan to alleviate the substantial doubt about the Company's ability to continue as a going concern during 2023. As a result of the Company being unable to comply with its debt covenants, the Company amended its Term Loan and Revolving Credit Facility and entered into the Wynnefield Notes during the third and fourth quarter of 2022 and the first quarter of 2023.

In addition, we have engaged an investment banking firm to explore a range of strategic alternatives for the Company to maximize shareholder value, which could include a potential sale. We have not set a timetable for the conclusion of this review, nor made decisions for further actions or possible strategic alternatives. There can be no assurance that the exploration of strategic alternatives will result in the identification or consummation of any transaction, or that any strategic alternative identified, evaluated and consummated will provide the anticipated benefits or otherwise preserve or enhance stockholder value. If the Company's liquidity improvement plan and the January 9, 2023 and February 24, 2023 amendments to the Term Loan and the Revolving Credit Facility do not have the intended effect of addressing the Company's liquidity problems through its review of strategic alternatives, including if the Company is unable to obtain future advances under the discretionary delayed draw term loans, the Company will continue to consider all strategic alternatives, including restructuring or refinancing its debt, seeking additional debt or equity capital, reducing or delaying the Company's business activities and strategic initiatives, or selling assets, other strategic transactions and/or other measures, including obtaining relief under the U.S. Bankruptcy Code. The Company's continuation as a going concern is dependent upon its ability to successfully implement its liquidity improvement plan and obtain necessary debt or equity financing to address the Company's liquidity challenges and continue operations until the Company returns to generating positive cash flow or is otherwise able to execute on a transaction pursuant to its review of strategic alternatives, including a potential sale of the Company. We remain dedicated to pursuing the best course of action to provide the highest returns for our shareholders. For additional information, please refer to "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Note 2—Liquidity", "Note 11—Debt" and "Note 18—Subsequent Events" to the consolidated financial statements included in this Form 10-K.

Industry Trends and Outlook

Electric Power Generation - We are primarily focused on nuclear and fossil power generation. We are involved in new build power generation facilities, maintenance of existing facilities and the decommissioning of retired facilities. Net electricity generation in the U.S. increased approximately 3.3% in 2022 compared to 2021 according to the EIA. The EIA projects electricity generation will decrease by 2.0% in 2023, then rise by 2.0% in 2024.

Nuclear New Builds - In nuclear power generation, we are heavily involved in the construction of the only new nuclear reactors being built in the U.S., Plant Vogtle Units 3 and 4. In 2017, we formed a limited liability company with Bechtel Power Corporation, a global leader in EPC and project management, Richmond County Constructors, LLC ("RCC"). RCC operates as construction subcontractor to Bechtel Power Corporation, which has been selected as the prime construction contractor for the Plant Vogtle Units 3 and 4. RCC provides construction craft labor for the project. Williams is a 25% member in RCC. We also have won additional scope of work outside RCC and are currently bidding on other opportunities for direct scope of work. Plant Vogtle Units 3 and 4 are expected to become operative in 2023.

In the future, we believe the nuclear generation market will provide innovative developments and high growth opportunities. According to Fitch research, the future of nuclear power capacity additions within the U.S. will come from the development of plants using small modular reactor ("SMR") technologies. SMR technology has several benefits in comparison to traditional nuclear power facilities given their smaller size, including that they require a reduced footprint and lower capital investments and offer several safety benefits. While the DOE has already awarded significant funding for research and development towards the development of SMR technologies and pilot projects, there is the potential for additional funding over the coming years given that nuclear is expected to play a key role in the current administration's efforts toward reaching carbon pollution-free power according to Fitch research.

Nuclear Decommissioning - Given the average age of nuclear facilities in the U.S. of 40 years old, nuclear decommissioning represents one of the fastest growing fields within the nuclear industry. According to the U.S. NRC, as of August 15, 2022, there were 25 shut down commercial nuclear power reactors at 20 sites in various stages of decommissioning. We are currently working with a major contractor in the decommissioning field and believe there may be an opportunity for us to expand our capabilities and more broadly serve the decommissioning of nuclear power facilities. We are actively pursuing projects in the decommissioning market and see this as an opportunity for future growth.

Water and Wastewater Treatment Landscape - Technological advances in order to keep up with population growth and industrial capacity, are transforming the water and wastewater treatment industry. Nationally, the EPA estimates that the cost of replacing all 10 million lead service lines (LSLs) in the U.S. could range from $16 billion to as much as $80 billion. We are expanding our services to target capital projects and maintenance on booster pump stations, well buildouts, treatment expansions, and lift stations within the water and wastewater treatment industry. A significant portion of the November 2021 Infrastructure Investment and Jobs Act has been allocated to improve water infrastructure ($55 billion). We are no longer pursuing water projects due to decreased gross profit related to our Florida water contracts.

Other Fossil Fuel Power Generation - The reduction of coal-fired electricity production has reduced demand for routine maintenance, plant upgrades, modification, and new construction at U.S. coal-fired power generation facilities.

The U.S. EIA reported that natural gas-fired generation surpassed coal-fired generation and was the most common electricity fuel starting in 2016. As a result, we have seen the demand for routine maintenance, plant upgrades, modification, and new construction in the gas-fired generation market increase. We have maintained a presence in that market, primarily in capital projects for efficiency improvements. However, because most of those plants are newer than their nuclear and coal counterparts, they require fewer upgrades, which means they also require less maintenance than either coal or nuclear plants.

Natural Gas Distribution Market – The U.S. accounts for a natural gas pipeline network of 305,000 miles of transmission pipelines and 2.2 million miles of distribution pipes within utility service areas. Natural gas usage remained broadly flat in 2021 with gas delivered to consumers rising only 0.1%. In the long-term it is expected that natural gas will likely serve as a transition fuel with the expected growth in demand, driven mostly by the power sector, projected to average at 1.6% year-over-year from 2022 to 2030. Nationwide, about 40% of natural gas is used for energy production and the remainder is mostly used for commercial uses (heating and cooking) and industrial uses. In New York and the northeastern U.S., we are involved in projects forecasted to invest in a range of $500 million to $1.5 billion in infrastructure improvements related to natural gas distribution. The Company estimates that the market opportunity is worth $6.0 billion per year.

Storm Hardening and Transmission and Distribution – Following extensive damage from storms, such as Hurricane Irma in 2017 and Hurricane Michael in 2018, the Florida legislature passed Senate Bill 796 in 2019. Bill 796 requires investor-owned utilities to file 10-year storm protection plans in order to strengthen its grid as a prevention measure from future hurricane damage. In 2021, utilities operating in Florida included projects with a value of approximately $20 billion within their 10-year storm-hardening plans in Florida with execution that began in 2020. Due to our underperformance in the transmission and distribution business in Florida and Connecticut, the Company is no longer pursuing any new projects in transmission and distribution. We have exited the Florida transmission and distribution market within the first quarter of 2023 and we are in the process of exiting the Connecticut transmission and distribution market.

Results of Operations

The following summary and discussion of our results of operations is based on our continuing operations and excludes any results of our discontinued operations. You should refer to this information, as well as the financial data provided in our consolidated financial statements and related notes included in this Form 10-K, when reading our discussion and analysis of results of operations below.

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Revenue	$ 238,119	$ 304,946
Cost of revenue	231,071	273,520
Gross profit	7,048	31,426
Selling and marketing expenses	1,365	950
General and administrative expenses	25,640	23,409
Depreciation and amortization expense	230	190
Total operating expenses	27,235	24,549
Operating income (loss)	(20,187)	6,877
Interest expense, net	5,509	5,001
Other income, net	(11,474)	(1,619)
Income (loss) from continuing operations before income tax expense	(14,222)	3,495
Income tax expense (benefit)	(49)	793
Income (loss) from continuing operations	$ (14,173)	$ 2,702

Revenue for the year ended December 31, 2022 decreased $66.8 million, or 21.9%, compared with 2021. The decrease in revenue was primarily driven by our lost nuclear decommissioning projects, resulting in a $41.0 million reduction, exiting the Canadian nuclear market, contributing to a $30.7 million reduction, and a $19.7 million reduction related to our United States nuclear market compared with 2021. These declines were partially offset by an $11.0 million year-over-year increase in our water business, distribution businesses and a $7.2 million increase in our chemical business and a $6.2 million increase in our transmission and distribution businesses.

Gross profit for the year ended December 31, 2022 decreased $24.4 million, or 77.6%, compared with 2021. The decrease in gross profit was primarily driven by start-up costs relating to our transmission and distribution markets and cost overruns on uncompleted fixed price projects in the water markets we serve in Florida. We anticipate that these projects will continue to generate revenues with no associated profits until completion, with the final project scheduled for completion in the fourth quarter of 2023. Excluding the impact relating to start-up costs in the transmission and distribution markets and the lump sum projects in the water market for which losses were incurred, the Company would have realized a gross margin of 11.3% rather than 3.0%.

The following table reconciles our adjusted gross margin to our actual gross margin by deducting the transmission and distribution projects that are incurring start-up costs and lump sum projects in the water markets that are generating a loss. We believe this information is meaningful as it isolates the impact that our start-up costs and the non-profitable lump sum projects have on our gross margin. Because adjusted gross margin is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as substitute for, or superior to, financial measures prepared in accordance with GAAP.

(in thousands)	Year Ended December 31, 2022
Revenue	$ 238,119
Cost of revenue	231,071
Gross profit	7,048
Gross profit margin	3.0%
Minus: revenue from transmission and distribution start-up business	(6,957)
Minus: revenue from Florida lump sum water projects	(18,541)
Minus: total revenue deducted	(25,498)
Minus: cost of revenue from transmission and distribution start-up business	(12,374)
Minus: cost of revenue from the Florida lump sum water projects	(30,108)
Minus: total cost of revenue deducted	(42,482)
Adjusted revenue	212,621
Adjusted cost of revenue	188,589
Adjusted gross profit	$ 24,032
Adjusted gross profit margin	11.3%

Changes in estimated gross margins related to revenue recognized under the percentage of completion method are made in the period in which circumstances requiring the revisions become known. During the year ended December 31, 2022, we recognized increases in the estimated costs at completion and related gross profit margins related to several projects in Jacksonville, Florida. The Company increased its prior estimates related to the costs of executing the contracts to completion, which led to a decrease in the recognized revenues to date under the percentage of completion revenue recognition methodology. As a result of these changes, net income for the year ended December 31, 2022 decreased by $7.8 million and basic and diluted earnings per share for the year ended December 31, 2022 decreased by $0.30 per share.

Operating income for the year ended December 31, 2022 decreased $27.1 million, or 393.5%, compared with 2021, due primarily to the decrease in gross profit of $24.4 million and an increase of $2.7 million in total operating expenses (see below).

General and Administrative Expenses

($ in thousands)	Year Ended December 31, 2022	2021
Employee-related expenses	$ 11,697	$ 12,518
Stock-based compensation expense	1,708	3,045
Professional fees	5,866	2,799
Other expenses	6,369	5,047
Total	$ 25,640	$ 23,409

Total general and administrative expenses for the year ended December 31, 2022 increased $2.2 million, or 9.5%, compared with 2021. The $3.1 million increase in professional fees was primarily driven by legal expenses. Other expenses increased by $1.3 million primarily related to software and subscription costs. These increases were partially offset by decreases of $1.3 million in stock-based compensation involving forfeitures and adjustments related to performance objectives and a $0.9 million reduction primarily contributed to employee-related costs for salaries.

Other (Income) Expense, Net

	Year Ended December 31,	
($ in thousands)	**2022**	**2021**
Interest expense, net	$ 5,509	$ 5,001
Other income, net	(11,474)	(1,619)
Total	$ (5,965)	$ 3,382

Total other income, net, for the year ended December 31, 2022 increased $9.3 million, or 276.4%, compared with 2021. The increase was primarily driven by an $8.1 million settlement of an arbitration proceeding related to the restatement of the Company's financial statements in 2017 for the 2012 to 2014 period, coupled with a $2.7 million settlement related to a former executive and his employer. These awards were partially offset by a $0.5 million increase in interest expense related to interest rate increases and additional borrowings, a $0.6 million reduction in joint venture earnings due to lower volume as construction activities for Plant Vogtle move closer to completion and $0.4 million related to a decreased settlement distribution related to a former segment.

Income Tax Expense

	Year Ended December 31,	
($ in thousands)	**2022**	**2021**
Income tax expense (benefit)	$ (49)	$ 793

We recorded income tax benefit from continuing operations of less than $0.1 million and income tax expense from continuing operations of $0.8 million in 2022 and 2021, respectively. Our effective tax rates from continuing operations were 0.4% and 22.8% of income tax for the years ended December 31, 2022 and 2021, respectively.

The income tax benefit in 2022 was mainly comprised of a $0.1 million Canadian tax benefit, partially offset by the indefinite lived deferred tax assets related to post 2017 NOLs and Section 163(j) interest addback carryover that are allowed to be applied against the deferred tax liabilities related to the indefinite lived intangible assets.

Discontinued Operations

Please refer to "Note 5—Changes in Business" to the consolidated financial statements included in this Form 10-K for information regarding discontinued operations.

Liquidity and Capital Resources

During 2022, our principal sources of liquidity were borrowings under the Revolving Credit Facility and effective management of our working capital. Our principal uses of cash were to pay for customer contract-related material, labor and subcontract labor, operating expenses, principal payments on the Term Loan and interest expense on the Term Loan and the Revolving Credit Facility. In 2023, we required additional funding to continue to conduct our business, and, among other things, we amended the Term Loan to increase the amount borrowed and issued the Wynnefield Notes. Such actions were intended to alleviate the Company's liquidity constraints to an extent sufficient to permit the Company to continue to operate while it engages in its process to explore strategic alternatives for the Company, including a potential sale. For additional information regarding our liquidity outlook, including our ability to continue as a going concern and ongoing liquidity constraints, see below under "Liquidity Outlook." See discussion in "Note 11—Debt" to the consolidated financial statements included in this Form 10-K for additional information regarding our outstanding debt.

Net Cash Flows

Our net consolidated cash flows, including cash flows related to discontinued operations, consisted of the following:

(in thousands)	Year Ended December 31, 2022	2021
Cash flows provided by (used in):		
Operating activities	$ (8,685)	$ (4,497)
Investing activities	(834)	(538)
Financing activities	7,653	(1,280)
Effect of exchange rate changes on cash	(121)	81
Net change in cash, cash equivalents and restricted cash	$ (1,987)	$ (6,234)

Cash and Cash Equivalents

As of December 31, 2022, our operating unrestricted cash and cash equivalents decreased $2.0 million to $0.5 million. As of December 31, 2022, $0.3 million of our operating cash balance was held in U.S. bank accounts and $0.2 million in Canadian bank accounts. Total liquidity (the sum of unrestricted cash and availability under the Revolving Credit Facility) was $3.8 million as of December 31, 2022. Total liquidity was $3.5 million on March 5, 2023 after we received $0.8 million from the Wynnefield Notes, $1.5 million from the Term Loan Amendment in the form of a delayed draw and a $1.0 million advance pursuant to the then-existing terms of the Term Loan Agreement.

Cash Flows Used in Operating Activities

Cash flows from operating activities are primarily from earnings sources and are affected by changes in operating assets and liabilities, which consist primarily of working capital balances related to our projects. For the year ended December 31, 2022, cash used in operating activities increased by $4.2 million compared to the same period in 2021. Major components of cash flows used by operating activities for the year ended December 31, 2022 were as follows:

(in thousands)	Year Ended December 31, 2022
Cash flows provided by (used in):	
Net income (loss)	$ (13,678)
Net income from discontinued operations	(495)
Deferred income tax provision (benefit)	(174)
Depreciation and amortization on plant, property and equipment	230
Amortization of deferred financing costs	831
Amortization of debt discount	200
Bad debt expense	19
Stock-based compensation	1,708
Paid-in-kind interest (1)	176
Cash effect of changes in operating assets and liabilities	2,979
Net cash used in operating activities, continuing operations	(8,204)
Net cash used in operating activities, discontinued operations	(481)
Net cash used in operating activities	$ (8,685)

(1) Paid-in-kind interest is added to the Term Loan principal and will be paid at maturity.

Cash effect of changes in operating assets and liabilities for 2022 included the following (includes foreign currency translation conversion from Canadian dollar to United States dollar):

- Accounts receivable, excluding credit losses recognized during the period, decreased $3.8 million during fiscal year 2022, which increased cash flows from operating activities. The variance is primarily attributable to the timing of billing and collections.

- Contract liabilities, which consisted of billings on uncompleted contracts in excess of costs and estimated earnings, increased $2.8 million, which increased cash flows from operating activities. Contract assets, which consisted of costs and estimated earnings in excess of billings on uncompleted contracts, increased $0.2 million, which decreased cash flows from operating activities. These balances can experience significant fluctuations based on business volume and the timing of when job costs are incurred and the timing of customer billings and payments.

- Other current assets decreased $4.5 million during fiscal year 2022, which increased cash flows from operating activities. The variance was primarily due to the reversal of receivables related to the remittance of Canadian harmonized sales tax (“HST”).

- Accrued and other liabilities and accounts payable decreased $5.1 million during fiscal year 2022, which decreased cash flows from operating activities. The payable was an offset from the HST receivables, and a deferred payroll tax liability associated with the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”).

- Other long-term assets increased $2.9 million during fiscal year 2022, which decreased cash flows from operating activities. The variance was primarily due to increases in right-of-use lease assets, joint venture earnings and debt issuance costs.

Cash Used in Investing Activities

For the years ended December 31, 2022 and 2021, our investing activities did not have a significant impact on our net cash flows.

Cash Provided by (Used in) Financing Activities

For the year ended December 31, 2022, net cash provided by financing activities was $7.7 million primarily due to our borrowings under the Revolving Credit Facility exceeding our repayments from customer cash receipts by $16.7 million, which was partially offset by $8.8 million of cash used to pay down our Term Loan and $0.2 million cash used to pay statutory taxes related to our stock-based awards. At any point in time, the outstanding balance under the Revolving Credit Facility is a function of the timing of collections of our customer receivables and the timing of our cash expenditure needs for the following week for payment of trade payable obligations, payroll, and related tax obligations. For additional information about our outstanding debt, including the Term Loan and the Revolving Credit Facility, please refer to “Note 11—Debt” to the consolidated financial statements included in this Form 10-K.

For the year ended December 31, 2021, net cash used in financing activities was $1.3 million primarily due to $1.1 million of cash used to pay down our Term Loan and $0.6 million cash used in connection with our stock-based awards for payments of statutory taxes, which was partially offset by cash provided by our borrowings under the Revolving Credit Facility exceeding our repayments from customer cash receipts by $0.3 million.

On January 9, 2023, the Company entered into a third amendment to the Term Loan which, among other things, capped the amount of quarterly interest payable in cash at 10% per annum, with the remainder being payable-in-kind, for each quarterly interest payment commencing January 1, 2023 through and including January 1, 2024, and deferred principal payments from the January 1, 2023 quarterly payment date until and including the January 1, 2024 quarterly payment date. The paid-in-kind interest will increase the principal amount of the Term Loan every month. In addition, the Company issued the Wynnefield Notes, which are two unsecured promissory notes in an aggregate amount equaling $0.8 million. On February 21, 2023, the Company received a $1.0 million advance pursuant to the existing terms of the Term Loan. Additionally, on February 24, 2023, the Company entered into a fourth amendment to the Term Loan, which among other things, provided for delayed draw term loans in an aggregate principal amount of $1.5 million, which were funded at the time the amendment was signed, and for discretionary delayed draw term loans in an aggregate principal amount of $3.5 million, which will be funded at the lenders’ discretion. If the Company is unable to obtain funding under the discretionary delayed draw term loans, its liquidity will be materially negatively impacted.

For additional information about our outstanding debt, please refer to “Note 11—Debt” and “Note 18—Subsequent Events” to the consolidated financial statements included in this Form 10-K.

Effect of Exchange Rate Changes on Cash

For the years ended December 31, 2022 and 2021, the effect of Canadian foreign exchange rate changes on our cash balances was not material.

Dividends

We do not currently anticipate declaring dividends in the future. As of December 31, 2022, the terms of the Term Loan and Revolving Credit Facility restricted our ability to pay dividends. In addition, the timing and amounts of any dividends would be subject to determination and approval by our Board of Directors.

Liquidity Outlook

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We anticipate we will continue to experience periodic constraints on our liquidity as a result of the cash flow requirements of specific projects through the fourth quarter 2023, and we are taking steps expected to strengthen operating results in order to improve our liquidity. Such constraints on our liquidity negatively affected our ability to remain in compliance with our debt covenants, and, accordingly, we entered into two separate amendments to each of the Revolving Credit Facility and Term Loan in the third and fourth quarters of 2022, and an additional two separate amendments to such agreements during the first quarter of 2023. The first two amendments, among other things, revised certain terms contained in the Term Loan and the Revolving Credit Facility, respectively, and deferred principal payments on the Term Loan due on January 1, 2023 to January 9, 2023. The third and fourth amendments entered into during the first quarter of 2023, among other things, revised certain terms contained in the Term Loan and the Revolving Credit Facility and provided for delayed draw term loans under the Term Loan in an aggregate principal amount of $1.5 million, which were funded at the time the amendment was signed, and discretionary delayed draw term loans in an aggregate principal amount of $3.5 million, which will be funded at the lenders' discretion. We also issued the Wynnefield Notes, in an aggregate principal amount of $400,000 and $350,000, respectively, during the first quarter of 2023. For additional information, please refer to "Note 2—Liquidity", "Note 11—Debt" and "Note 18—Subsequent Events" to the consolidated financial statements included in this Form 10-K.

As future advances of delayed draw term loans are discretionary on the part of our Term Loan lenders, it is possible that the Term Loan lenders may require enhanced rights or additional fees or interest before funding future advances. In certain circumstances, we may require the consent of PNC before we can agree to such terms. Such a consent from PNC, and any proposed amendments to our intercreditor agreement that might be associated with such a consent, may involve the payment of further fees and expenses by the Company to PNC and any amendments to our intercreditor agreement may require negotiations between our Term Loan lenders, PNC and the Company. A failure to procure any necessary consents or a failure to successfully negotiate such amendments to our intercreditor agreement could result in future delayed draw term loans not being available to the Company, which could have a material adverse effect on our liquidity position and result in certain of the negative outcomes described in this "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in our Form 10-K and "Note 2—Liquidity", "Note 11—Debt" and "Note 18—Subsequent Events" to our consolidated financial statements included in this Form 10-K. The Company anticipates that enhanced rights or additional fees or interest in relation to the funding of future advances of delayed draw term loans will be forthcoming and that consent fees and related amendments to the Company's intercreditor agreement may be requested or required by our lenders and may be agreed to by the Company in order to secure necessary funding.

During the third and fourth quarter of 2022, the Company settled two legal claims that impacted liquidity. The first involved a cash collection in the third quarter of 2022 of an approximately $8.1 million settlement related to an arbitration proceeding against a third party in connection with the restatement of our financial statements in 2017 for the 2012 to 2014 period, which was used to partially prepay our Term Loan. The second, settled in the fourth quarter of 2022, involved litigation against a former executive and his employer that resulted in the former executive and his employer agreeing to a cash settlement of $2.7 million. The Company recognized the settlement as other income during the third quarter of 2022 and collected the $2.7 million cash settlement on October 13, 2022. The $2.7 million settlement was used to pay a portion of the Revolving Credit Facility in the fourth quarter of 2022. For additional information about the arbitration and legal settlements, please refer to "Note 11—Debt" to the condensed consolidated financial statements included in this Form 10-K.

Our continuation as a going concern is dependent upon the Company's ability to successfully implement its liquidity plan and obtain necessary debt or equity financing to continue operations until we return to generating positive cash flow. While continuing to operate its business in recent months, the Company is implementing various elements of its previously disclosed liquidity improvement plan, which include taking steps to address profitability of non-performing businesses, aggressively reducing operating expenses, shortening the collection cycle time on the Company's accounts receivable, and lengthening the payment cycle time on its accounts payable. The Company has continued to experience material intra-week liquidity pressure as it has attempted to manage the short-term negative cash flows that result from, among other things, having to fund significant weekly craft labor payrolls on large outage projects before those payrolls can be billed to the Company's customers and collected. Although the Company has utilized the Revolving Credit Agreement to address such time period negative cash flows, contract terms restricting customer invoicing frequency, delays in customer payments, and underlying surety bonds have negatively impacted the Company's borrowing base and the availability of funds. Although these factors, among others, raise substantial doubt about our ability to continue as a going concern, we believe that we have sufficient resources to satisfy our working capital requirements through the next 12 months and our long-term liquidity needs and foreseeable material cash requirements, as we strategically use our $30.0 million borrowing availability under our Revolving Credit Facility and the additional borrowings under the Term Loan and the Wynnefield Notes obtained in the first quarter of 2023, and implement our liquidity plan.

A variety of factors can affect the Company's short- and long-term liquidity, the impact of which could be material, including, but not limited to: the funding of certain of the Company's previously disclosed loss-contracts; cash required for funding ongoing operations and projects; matters relating to the Company's contracts, including contracts billed based on milestones that may require the Company to incur significant expenditures prior to collections from its customers and others that allow for significant upfront billing at the beginning of a project, which temporarily increases liquidity in the near term; the outcome of potential contract disputes, which may be significant; payment collection issues, including those caused by economic slowdowns or other factors which can lead to credit deterioration of the Company's customers; required payments of interest under the Term Loan Agreement and the Revolving Credit Agreement and on the Company's operating and finance leases; pension obligations requiring annual contributions to multiemployer pension plans; insurance coverage for contracts that require the Company to indemnify third parties; and issuances of letters of credit.

The Company believes that the February 24, 2023 amendments to the Term Loan and the Revolving Credit Facility will, if the discretionary delayed draw term loans under the Term Loan are advanced, provide much needed support to the Company's ongoing operations and may permit the Company to operate while it continues to engage in its process to explore strategic alternatives to maximize value for the Company and its shareholders or other stakeholders, but additional liquidity support may be necessary. The Company has not disclosed a timetable for the conclusion of its review of strategic alternatives, nor has it made any decisions related to any further actions or possible strategic alternatives at this time. The Company does not intend to comment on the details of its review of strategic alternatives until it determines that further disclosure is appropriate or necessary.

If the Company is unable to address any potential liquidity shortfalls that may arise in the future, it will need to seek additional funding from third party sources, which may not be available on reasonable terms, if at all, and the Company's inability to obtain this capital or execute an alternative solution to its liquidity needs could have a material adverse effect on the Company's shareholders and creditors. Importantly, any such additional funding could only be obtained in compliance with the restrictions contained in the agreements governing the Company's existing indebtedness. If the Company is unable to comply with its covenants under its indebtedness, or otherwise is unable to meet its obligations under such indebtedness, or the lenders under the Term Loan do not exercise their discretion to fund the delayed draw term loans, the Company's liquidity would be further adversely affected. In addition, such occurrences could result in an event of default under such indebtedness and the potential acceleration of outstanding indebtedness thereunder and the potential foreclosure on the collateral securing such debt and would likely cause a cross-default under the Company's other outstanding indebtedness or obligations.

If the Company's liquidity improvement plan and the first quarter 2023 amendments to the Term Loan and the Revolving Credit Facility do not have the intended effect of addressing the Company's liquidity problems through its review of strategic alternatives, including if the Company is unable to obtain future advances under the discretionary delayed draw term loans, the Company will continue to consider all strategic alternatives, including restructuring or refinancing its debt, seeking additional debt or equity capital, reducing or delaying the Company's business activities and strategic initiatives, or selling assets, other strategic transactions and/or other measures, including obtaining relief under the U.S. Bankruptcy Code.

The Company's continuation as a going concern is dependent upon its ability to successfully implement its liquidity improvement plan and obtain necessary debt or equity financing to address the Company's liquidity challenges and continue operations until the Company returns to generating positive cash flow or is otherwise able to execute on a transaction pursuant to its review of strategic alternatives, including a potential sale of the Company.

Off-Balance Sheet Transactions

Our liquidity is currently not dependent on the use of off-balance sheet transactions but, in line with industry practice, we are often required to provide payment and performance surety bonds to customers and may be required to provide letters of credit. If performance assurances are extended to customers, generally our maximum potential exposure is limited in the contract with our customers. We frequently obtain similar performance assurances from third-party vendors and subcontractors for work performed in the ordinary course of contract execution. However, the total costs of a project could exceed our original cost estimates, and we could experience reduced gross profit or possibly a loss for a given project. In some cases, if we fail to meet certain performance standards, we may be subject to contractual liquidated damages.

As of December 31, 2022, we had a contingent liability for issued and outstanding standby letters of credit, generally issued to secure performance on customer contracts. As of December 31, 2022, we had $0.5 million of letters of credit under the Revolving Credit Facility sublimit and $0.4 million of outstanding cash collateralized standby letters of credit pursuant to a prior revolving credit facility with Wells Fargo Bank, National Association, and there were no amounts drawn upon these letters of credit. In addition, as of December 31, 2022, we had outstanding payment and performance surety bonds on projects of $59.2 million. Our subsidiaries also provide financial guarantees for certain contractual obligations in the ordinary course of business.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions and conditions.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We believe that the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of our consolidated financial statements. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements included in this Form 10-K.

Revenue Recognition. We provide construction, maintenance, and support services to customers in energy, power, and industrial end markets. Our services, which are provided through long-term maintenance or discrete project agreements, are designed to improve or sustain our customers' operating efficiencies and extend the useful lives of their process equipment. The contracts are awarded on a competitively bid and negotiated basis with the majority structured as cost-plus arrangements and the remainder as lump-sum.

Our contracts generally include a single performance obligation for which revenue is recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. For cost-plus contracts, we recognize revenue when services are performed and contractually billable based upon the hours incurred and agreed-upon hourly rates. Revenue on fixed-price contracts is recognized and invoiced over time using the cost-to-cost percentage-of-completion method. To the extent a contract is deemed to have multiple performance obligations, we allocate the transaction price of the contract to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. We do not adjust the price of the contract for the effects of a significant financing component. Change orders are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. We believe these methods of revenue recognition most accurately reflect the economics of the transactions with our customers.

Our contracts may include several types of variable consideration, including change orders, rate true-up provisions, retainage, claims, incentives, penalties, and liquidated damages. We estimate the amount of revenue to be recognized on variable consideration using estimation methods that best predict the amount of consideration to which we expect to be entitled. We include variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based on an assessment of our anticipated performance and all information (historical, current, and forecasted) that is reasonably available. We update our estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. In circumstances where we cannot reasonably determine the outcome of a contract, we recognize revenue over time as the work is performed, but only to the extent of recoverable costs incurred (i.e., zero margin). A loss provision is recorded for the amount of any estimated unrecoverable costs in excess of total estimated revenue on a contract as soon as we become aware. We generally provide a limited warranty for a term of two years or less following completion of services performed under our contracts. Historically, warranty claims have not resulted in material costs incurred.

During the fourth quarter of 2022, we recognized increases in estimated costs at completion and related gross profit margins related to several projects in Jacksonville, Florida. The Company increased its prior estimates related to the costs of executing the contracts to completion, which led to a decrease in the recognized revenues to date under the percentage of completion revenue recognition methodology. As a result of these changes, net income for the year ended December 31, 2022 decreased by $7.8 million and basic and diluted earnings per share for the year ended December 31, 2022 decreased by $0.30 per share.

Long-Lived Assets. Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If circumstances require a long-lived asset held for use to be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by the asset to the carrying value of the asset. If the carrying value of the asset exceeds expected future cash flows, the excess of the carrying value over the estimated fair value is charged to impairment expense in the consolidated statements of operations. Assets held for sale are reported at the lower of their carrying value, less estimated costs to sell. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. We group long-lived assets by legal entity for purposes of recognition and measurement of an impairment loss, as this is the lowest level for which cash flows are independent.

Goodwill and Other Intangible Assets. Goodwill and indefinite-lived intangible assets are tested for impairment annually as of October 1 and whenever events or circumstances indicate that the carrying value may not be recoverable. Our indefinite-lived intangible asset consists of the Williams trade name. Our testing of goodwill for potential impairment involves the comparison of each reporting unit's carrying value to its estimated fair value, which is determined using a combination of income, market and cost approaches.

For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. We use our internal forecasts to estimate future cash flows and include an estimate of long-term future growth rates based on our most recent views of the long-term outlook for our reporting unit. Under the market approach, the fair value is determined by utilizing comparative market multiples in the valuation estimates. The cost approach is based on the assumption that a prudent investor would pay no more for a security or asset than the amount at which it could be replaced or reproduced and is performed by estimating the replacement cost. The fair value of our Williams reporting unit exceeded book value on December 31, 2022.

Similarly, the testing of our trade names for potential impairment involves the comparison of the carrying value for each trade name to its estimated fair value, which is determined using the relief from royalty method.

Impairment write-downs are charged to results of operations in the period in which the impairment is determined. We recorded no impairment write-downs in 2022.

Income Taxes. We account for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. We measure deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those differences are expected to be recovered or settled. We recognize income as a result of changes in tax rates on deferred tax assets and liabilities in the period that includes the enactment date.

Under Accounting Standards Codification ("ASC") 740—Income Taxes, the Financial Accounting Standards Board (the "FASB") requires companies to assess whether valuation allowances should be established against their deferred tax assets based on the consideration of all available positive and negative evidence and utilizing a "more likely than not" standard. In making such assessments, significant weight is given to evidence that can be objectively verified. A company's current or previous operating history is given more weight than its future outlook, although we do consider future taxable income projections, ongoing tax planning strategies and the limitation on the use of carryforward losses in determining valuation allowance needs. We establish valuation allowances for our deferred tax assets if, based on the available evidence, it is more likely than not that some portion of or all the deferred tax assets will not be realized.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. We recognize the tax benefit from uncertain tax positions only if it is more likely than not to be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. We believe that our benefits and accruals recognized are appropriate for all open audit years based on our assessment of many factors, including past experience and interpretation of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is determined to be different than the amounts recorded, those differences will impact income tax expense in the period in which the determination is made.

Inflation Reduction Act of 2022

On August 16, 2022, the Inflation Reduction Act of 2022 was signed into law, making significant changes to the Internal Revenue Code. Such changes include, but are not limited to, a 15% corporate minimum income tax and a 1% excise tax on corporate stock repurchases in tax years beginning after December 31, 2022. While these tax law changes have no immediate effect and are not expected to have a material adverse effect on the Company's results of operations going forward, the Company will continue to evaluate the Inflation Reduction Act's impact as further information becomes available.

Insurance. The Company maintains insurance coverage for most insurable aspects of its business and operations. The Company's insurance programs, including, but not limited to, health, general liability, and workers' compensation, have varying coverage limits depending upon the type of insurance. We retain exposure to potential losses based on deductibles, coverage limits and retentions. For the year ended December 31, 2022 and 2021, insurance expense, including insurance premiums related to the excess claim coverage and claims incurred for continuing operations, was $6.4 million and $5.2 million, respectively.

The Company's consolidated balance sheets include amounts representing its probable estimated liability related to insurance-related claims that are known and have been asserted against the Company, and for insurance-related claims that are believed to have been incurred but had not yet been reported as of December 31, 2022 and 2021. As of both December 31, 2022 and 2021, the Company provided $0.9 million in letters of credit and provided cash collateral of $1.5 million, as security for possible workers' compensation claims.

Recently Adopted Accounting Pronouncements

The Company did not implement any new accounting pronouncements during the year ended December 31, 2022. However, the Company is currently evaluating the impact of future disclosures that may arise under recent SEC proposals.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 8. Financial Statements and Supplementary Data.

The financial statements and other information required by this Item are contained in the consolidated financial statements and related notes thereto contained elsewhere in this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rules 13a-15(e) or 15d-15(e) of the Exchange Act. In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, under the supervision of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of that date, the Company's disclosure controls and procedures were not effective due to the material weaknesses described below. However, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that, notwithstanding the identified material weakness in our internal control over financial reporting, the financial statements in this Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with GAAP.

Material Weakness in Internal Control Over Financial Reporting

We identified a material weakness in our internal control over financial reporting that existed as of December 31, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, we identified a material weakness in our internal control over financial reporting. We have determined that we did not design and maintain effective user access controls to adequately restrict user access and the ability to modify financial data within certain financial applications, including ensuring appropriate segregation of duties relating to the preparation and review of journal entries in these financial applications. As part of closing our books for the second quarter of 2022, we identified immaterial errors that indicated an additional deficiency existed in the Company's internal control over financial reporting. Specifically, we did not have controls designed effectively for the secondary reviews of potential loss accruals and approval of certain expenses. The foregoing control deficiencies did not result in a misstatement of the Company's annual or interim consolidated financial statements. However, these control deficiencies could have resulted in misstatements of interim or annual consolidated financial statements and disclosures that may have been material. Therefore, management has concluded that: (1) each of the above control deficiencies constitutes a material weakness; and (2) in turn, the Company did not maintain effective internal control over financial reporting as of December 31, 2022.

Management's Plan to Remediate the Material Weakness

Management has evaluated the material weakness described above and is in the process of updating its design and implementation of internal control over financial reporting to remediate the aforementioned material weakness and enhance the Company's internal control environment. However, the implemented and enhanced controls have not operated for a sufficient period of time to demonstrate that the material weakness was remediated as of December 31, 2022. We are committed to continuing to improve our internal control processes and will continue to diligently and vigorously review our financial reporting controls and procedures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the Internal Control-Integrated Framework (2013). The COSO framework summarizes each of the components of a company' s internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication and (v) monitoring. Based on this evaluation, our management concluded that the Company' s internal control over financial reporting as of December 31, 2022 was not effective due to the following material weakness that was identified by management:

- We did not design and maintain effective user access controls to adequately restrict user access and the ability to modify financial data within certain financial applications, including ensuring appropriate segregation of duties relating to the preparation and review of journal entries in these financial applications.

- We did not have controls designed effectively for the secondary reviews for approval of potential loss accruals and certain expenses.

The control deficiencies identified above did not result in a misstatement of the Company' s annual or interim consolidated financial statements. However, this control deficiency could have resulted in misstatements of interim or annual consolidated financial statements and disclosures that may have been material.

This Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management' s report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management' s report in this Form 10-K.

Changes in Internal Control over Financial Reporting

While we continue to implement design enhancements to our internal control procedures, we believe that, other than the changes described above regarding the ongoing remediation efforts, there were no changes to our internal control over financial reporting which were identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) under the Exchange Act during the fourth quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 with respect to our executive officers is included in Part I of this Form 10-K under the caption "Information about our Executive Officers". The other information required by this Item is incorporated herein by reference to the information included under the captions "Proposal No. 1 - Election of Directors," "Delinquent Section 16(a) Reports," and "The Board, its Committees and its Compensation - Board Leadership Structure and Committee Composition" in our Proxy Statement for the 2023 Annual Meeting of Stockholders or to an amendment to this Annual Report on Form 10-K ("Form 10-K/A"), which we plan to file within 120 days after December 31, 2022, the end of our fiscal year.

The Board of Directors has adopted a Code of Business Conduct and Ethics, which outlines the principles of legal and ethical business conduct under which we do business. The Code of Business Conduct and Ethics is applicable to all of our directors, officers, and employees. The Code of Business Conduct and Ethics is available under the heading "Governance — Governance Documents" of the Investor Relations section of our website at http://www.wisgrp.com. Upon written request to our Corporate Secretary sent to our principal executive offices, we will provide a copy of the Code of Business Conduct and Ethics free of charge. Any substantive amendment of the Code of Business Conduct and Ethics, and any waiver of the Code of Business Conduct and Ethics for executive officers or directors, will be made only after approval by the Board or a committee of the Board, and will be disclosed on our website. In addition, any such waiver will be disclosed within four days on a Form 8-K filed with the SEC if then required by applicable rules and regulations.

Item 11. Executive Compensation.

The information required by Item 11 is incorporated by reference to the information included under the captions "Executive Compensation," "The Board, its Committees and its Compensation - Director Compensation" and "The Board, its Committees and its Compensation - 2022 Director Compensation" in our Proxy Statement for the 2023 Annual Meeting of Stockholders or to the Form 10-K/A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is incorporated by reference to the information included under the captions "Executive Compensation - Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement for the 2023 Annual Meeting of Stockholders or to the Form 10-K/A.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by Item 13 is incorporated by reference to the information included under the captions "Certain Relationships and Related Transactions" and "The Board, its Committees and its Compensation - Director Independence" in our Proxy Statement for the 2023 Annual Meeting of Stockholders or to the Form 10-K/A.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is incorporated by reference to the information included under the caption "Proposal No. 2 - Ratification of Independent Registered Public Accounting Firm" in our Proxy Statement for the 2023 Annual Meeting of Stockholders or to the Form 10-K/A.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

Documents filed as part of this Report:

Financial Statements: The following reports of our independent accountants and our consolidated financial statements are set forth in the index beginning on page F-1:

- Report of Independent Registered Public Accounting Firm (Moss Adams LLP, Dallas, Texas, PCAOB ID: 659)
- Consolidated Balance Sheets as of December 31, 2022 and 2021
- Consolidated Statements of Operations for the years ended December 31, 2022 and 2021
- Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2022 and 2021
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022 and 2021
- Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021
- Notes to the Consolidated Financial Statements

All other schedules are omitted because they are not applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

List of Exhibits

We agree to furnish to the SEC, upon request, copies of any long-term debt instruments that authorize an amount of securities constituting 10% or less of the total assets of Williams on a consolidated basis.

Exhibit	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to our Form 10 (Commission File No. 001-16501) filed with the Commission on April 30, 2010 and incorporated herein by reference).
3.2	Certificate of Amendment, dated June 30, 2010, to the Second Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.2 to our Amendment No. 2 to Form 10 filed with the Commission on July 20, 2010 and incorporated herein by reference).
3.3	Second Certificate of Amendment, dated June 27, 2018, to the Second Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to our Form 8-K filed with the Commission on June 29, 2018 and incorporated herein by reference).
3.4	Fourth Amended and Restated By-Laws of the Company (filed as Exhibit 3.2 to our Form 8-K filed with the Commission on June 29, 2018 and incorporated herein by reference).
4.1	Form of Common Stock Certificate (filed as Exhibit 4.1 to our Form 8-K filed with the Commission on June 29, 2018 and incorporated herein by reference).
4.2	Description of the Company's Registered Securities (filed as Exhibit 4.2 to our Form 10-K filed with the Commission on March 31, 2021 and incorporated herein by reference).
10.1	Election and Nomination Agreement, dated as of June 1, 2016 and effective May 25, 2016, by and among (i) Wynnefield Partners Small Cap Value, L.P., Wynnefield Partners Small Cap Value, L.P. I, Wynnefield Small Cap Value Offshore Fund, Ltd., Wynnefield Capital, Inc. Profit Sharing & Money Purchase Plan, Wynnefield Capital Management, LLC, and Wynnefield Capital, Inc. and (ii) the Company (filed as Exhibit 10.1 to our Form 8-K filed with the Commission on June 1, 2016 and incorporated herein by reference).
10.2	Short-Term Incentive Plan (filed as Exhibit 10.1 to our Form 8-K filed with the Commission on February 26, 2013 and incorporated herein by reference).*
10.3	2015 Equity Incentive Plan (as amended and restated as of March 15, 2022) (filed as Exhibit 10.1 to our Form 8-K filed with the Commission on May 17, 2022 and incorporated herein by reference).*
10.4	Executive Severance Plan, as Amended and Restated on August 19, 2015 (filed as Exhibit 10.2 to our Form 8 K filed with the Commission on September 25, 2015 and incorporated herein by reference).*
10.5	Employment Agreement, dated June 20, 2018, by and between the Company and Tracy D. Pagliara (filed as Exhibit 10.1 to our Form 8-K filed with the Commission on June 26, 2018 and incorporated herein by reference).*
10.6	Employment Agreement, dated August 12, 2019, between the Company and Charles E. Wheelock (filed as Exhibit 10.5 to our Form 10-Q filed with the Commission on August 14, 2019 and incorporated herein by reference).*
10.7	Form of Restricted Shares Award Agreement (dated January 22, 2019) (filed as Exhibit 10.42 to our Form 10-K filed with the Commission on April 1, 2019 and incorporated herein by reference).*
10.8	Employment Agreement, dated September 30, 2019, between the Company and Randall R. Lay (filed as Exhibit 10.2 to our Form 10-Q filed with the Commission on November 14, 2019 and incorporated herein by reference).*
10.9	Form of Time-Based Award Agreement (March 31, 2020) (filed as Exhibit 10.4 to our Form 10-Q filed with the Commission on May 13, 2020 and incorporated herein by reference).*
10.10	Form of Performance-Based Award Agreement (March 31, 2020) (filed as Exhibit 10.20 to our Form 10-K filed with the Commission on March 31, 2021 and incorporated herein by reference).*
10.11	Term Loan, Guarantee and Security Agreement, dated December 16, 2020, among Williams Industrial Services Group Inc., as borrower, EICF Agent LLC, as agent, and the other credit parties party thereto (filed as Exhibit 10.24 to our Form 10-K filed with the Commission on March 31, 2021 and incorporated herein by reference).**
10.12	First Amendment to Term Loan, Guarantee and Security Agreement, dated as of June 30, 2022, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., and Construction & Maintenance Professionals, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd., and WISG Electrical Ltd., as guarantors, and EICF Agent LLC, as agent, and the lenders party thereto (filed as Exhibit 10.2 to our Form 10-Q filed with the Commission on August 11, 2022 and incorporated herein by reference).

10.13	Second Amendment to Term Loan, Guarantee and Security Agreement, dated as of December 30, 2022, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., and Construction & Maintenance Professionals, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd., WISG Electrical Ltd. and WISG Electrical, LLC, as guarantors, and EICF Agent LLC, as agent, and the lenders party thereto.♦**
10.14	Third Amendment to Term Loan, Guarantee and Security Agreement, dated as of January 9, 2023, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., and Construction & Maintenance Professionals, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd., WISG Electrical Ltd. and WISG Electrical, LLC, as guarantors, and EICF Agent LLC, as agent, and the lenders party thereto.♦**
10.15	Fourth Amendment to Term Loan, Guarantee and Security Agreement, dated as of February 24, 2023, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., and Construction & Maintenance Professionals, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd., WISG Electrical Ltd. and WISG Electrical, LLC, as guarantors, and EICF Agent LLC, as agent, and the lenders party thereto.♦**
10.16	Revolving Credit and Security Agreement, dated December 16, 2020, among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., and Construction & Maintenance Professionals, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd. and WISG Electrical Ltd., as guarantors, and PNC Bank, National Association, as agent, and the lenders party thereto (filed as Exhibit 10.25 to our Form 10-K filed with the Commission on March 31, 2021 and incorporated herein by reference).**
10.17	First Amendment to Revolving Credit and Security Agreement, dated as of June 30, 2022, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., and Construction & Maintenance Professionals, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd. and WISG Electrical Ltd., as guarantors, and PNC Bank, National Association, as agent, and the lenders party thereto (filed as Exhibit 10.3 to our Form 10-Q filed with the Commission on August 11, 2022 and incorporated herein by reference).**
10.18	Second Amendment, Joinder and Waiver to Revolving Credit and Security Agreement, dated as of October 7, 2022, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., Construction & Maintenance Professionals, LLC, and WISG Electrical, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd. and WISG Electrical Ltd., as guarantors, and PNC Bank, National Association, as agent, and the lenders party thereto (filed as Exhibit 10.3 to our Form 10-Q filed with the Commission on November 14, 2022 and incorporated herein by reference).**
10.19	Third Amendment to Revolving Credit and Security Agreement, dated as of January 9, 2023, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., Construction & Maintenance Professionals, LLC, and WISG Electrical, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd. and WISG Electrical Ltd., as guarantors, and PNC Bank, National Association, as agent, and the lenders party thereto.♦**
10.20	Consent and Fourth Amendment to Revolving Credit and Security Agreement, dated as of February 24, 2023, by and among Williams Industrial Services Group Inc., Williams Industrial Services Group, L.L.C., Williams Industrial Services, LLC, Williams Specialty Services, LLC, Williams Plant Services, LLC, Williams Global Services, Inc., Construction & Maintenance Professionals, LLC, and WISG Electrical, LLC, as borrowers, Global Power Professional Services Inc., GPEG, LLC, Steam Enterprises LLC, WISG Canada Ltd., WISG Nuclear Ltd. and WISG Electrical Ltd., as guarantors, and PNC Bank, National Association, as agent, and the lenders party thereto.♦**
10.21	Form of Time-Based Unit Agreement (March 31, 2021) (filed as Exhibit 10.1 to our Form 10-Q filed with the Commission on May 19, 2021 and incorporated herein by reference).*
10.22	Form of Performance-Based Award Agreement (March 31, 2021) (filed as Exhibit 10.2 to our Form 10-Q filed with the Commission on May 19, 2021 and incorporated herein by reference).*

10.23	Employment Agreement, dated November 15, 2021, between the Company and Damien Vassall (filed as Exhibit 10.1 to our Form 10-Q filed with the Commission on November 17, 2021 and incorporated herein by reference).*
10.24	Form of Restricted Shares Award Agreement (Non-Employee Directors) (2022) (filed as Exhibit 10.23 to our Form 10-K filed with the Commission on March 16, 2022 and incorporated herein by reference).*
10.25	Form of Time-Based Restricted Share Unit Agreement (2022) (filed as Exhibit 10.2 to our Form 10-Q filed with the Commission on May 12, 2022 and incorporated herein by reference).*
10.26	Form of Performance-Based Restricted Share Unit Agreement (2022) (filed as Exhibit 10.3 to our Form 10-Q filed with the Commission on May 12, 2022 and incorporated herein by reference).*
10.27	Unsecured Promissory Note, dated January 9, 2023, by and among Williams Industrial Services Group Inc. and Wynnefield Partners Small Cap Value, LP.♦
10.28	Unsecured Promissory Note, dated January 9, 2023, by and among Williams Industrial Services Group Inc. and Wynnefield Partners Small Cap Value, LP I.♦
21.1	Subsidiaries of the Company.♦
23.1	Consent of Independent Registered Public Accounting Firm (Moss Adams LLP).♦
24.1	Powers of Attorney for our directors and certain executive officers (included on signature page).♦
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.♦
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.♦
32.1	Certification by the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification by the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.♦
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).♦

* Indicates a management contract or compensatory plan or arrangement.

** Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Registration S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.

♦ Filed herewith.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 31, 2023

WILLIAMS INDUSTRIAL SERVICES GROUP INC.

By: /s/ TRACY D. PAGLIARA
Tracy D. Pagliara,
President and Chief Executive Officer

POWER OF ATTORNEY

Each individual whose signature appears below constitutes and appoints Tracy D. Pagliara, President and Chief Executive Officer, and Charles E. Wheelock, Senior Vice President, Chief Administrative Officer, General Counsel and Secretary, and each of them singly, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all the said attorneys-in-fact and agents or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ TRACY D. PAGLIARA Tracy D. Pagliara	Chief Executive Officer, President and Director (Principal Executive Officer)	March 31, 2023
/s/ DAMIEN A. VASSALL Damien A. Vassall	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2023
/s/ ROBERT B. MILLS Robert B. Mills	Director and Chairman of the Board	March 31, 2023
/s/ DAVID A. B. BROWN David A. B. Brown	Director	March 31, 2023
/s/ STEVEN D. DAVIS Steven D. Davis	Director	March 31, 2023
/s/ LINDA A. GOODSPEED Linda A. Goodspeed	Director	March 31, 2023
/s/ NELSON OBUS Nelson Obus	Director	March 31, 2023
/s/ MITCHELL I. QUAIN Mitchell I. Quain	Director	March 31, 2023

Item 8. Financial Statements and Supplementary Data

Williams Industrial Services Group Inc. and Subsidiaries
Table of Contents

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors
Williams Industrial Services Group Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Williams Industrial Services Group, Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 and 2021, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has liquidity constraints that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinions

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition Under Percentage of Completion Accounting

As described in Note 3 and 10, the Company has fixed-price contracts which generally include a single performance obligation for which revenue is recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. The Company recognizes revenues for fixed-price contracts over the contract term (over time) as construction work progresses. The accounting for these contracts involves judgement as it relates to determining total estimated revenue (transaction price) and estimating total costs to be incurred at contract completion. Costs of operations are typically recognized as incurred, and the Company' s revenues, including estimated profits, are recorded proportionately as costs are incurred based on the ratio of costs incurred to date to the total estimated costs at completion for the respective performance obligations. Assumptions as to the occurrence of future events and the likelihood and amount of variable consideration, including the impact of change orders, rate true-up provisions, retainage, penalties, and liquidated damages are made during the contract performance period (collectively referred to as variable consideration). The Company estimates variable consideration at the most likely amount it expects to receive and includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Given the significant judgement necessary to account for the Company' s fixed-price contracts including total costs to be incurred at contract completion and variable consideration, which are complex and subject to many variables, auditing the corresponding balances and related accounting estimates required extensive audit effort due to the complexity of these estimates, and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

The primary procedures we performed to address this critical audit matter included:

- Testing a selection of fixed-price contracts focusing on risk-based characteristics. We evaluated the assumptions and judgments underlying the accounting for these significant contracts as follows:Compared management' s estimated costs to complete to historical contract performance relative to overall contractual commitments and estimated gross margin at December 31, 2022.

    - Compared management' s estimated costs to complete to historical contract performance relative to overall contractual commitments and estimated gross margin at December 31, 2022.

    - Compared a sample of material and labor costs to underlying third party invoices and payroll records.

    - Performed an analysis at the contract level comparing actual gross profit to prior year estimated gross profit for the same contract to evaluate management' s ability to estimate costs and variable consideration.

    - Confirmed contract terms and applicable balances with direct correspondence with the Company' s customers and performed alternative procedures for confirmations not replied to which included the review of contracts, purchase orders and cash receipts.

Valuation of Goodwill and Indefinite Lived Intangibles

As described in note 3 and 7, goodwill and indefinite lived intangibles are tested for impairment annually the Company at the reporting unit level unless an interim test is required due to the presence of indicators that goodwill and indefinite lived intangibles may be impaired. Significant judgment is required by management in determining if impairment is present and at what amount. The impairment test requires management to make significant assumptions to estimate the fair value of each reporting unit. Fair value is estimated by management based on a combination of income and market approaches.

Given these factors, auditing management's quantitative impairment tests for goodwill and indefinite lived intangible assets required a high degree of auditor judgment and increased extent of effort, including the need to involve our valuation specialists.

The primary procedures we performed to address this critical audit matter included:

- Evaluated management's ability to accurately forecast future cash flows by comparing actual results to management's historical forecasts;
- Evaluated management's projected revenues and cash flows by comparing the projections to the underlying business strategies and growth plans and performed a sensitivity analysis related to the key inputs to projected cash flows, including revenue growth rates, to evaluate the changes in the fair value of the reporting unit that would result from changes in assumptions; and
- Involving our valuation specialists to assist in evaluating (i) the appropriateness of the Company's discounted cash flow method (ii) the reasonableness of management's significant assumption related to the discount rates and (iii) reasonableness by management in determining the comparability of comparable public company multiples and precedent transactions.

/s/ Moss Adams LLP

Dallas, Texas
March 31, 2023

We have served as the Company's auditor since 2017.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)	December 31, 2022		December 31, 2021	
ASSETS				
Current assets:				
Cash and cash equivalents	$	495	$	2,482
Restricted cash		468		468
Accounts receivable, net of allowance of $273 and $427, respectively		31,033		35,204
Contract assets		12,812		12,683
Other current assets		6,258		11,049
Total current assets		51,066		61,886
Property, plant and equipment, net		1,257		653
Goodwill		35,400		35,400
Intangible assets		12,500		12,500
Other long-term assets		8,275		5,712
Total assets	$	108,498	$	116,151
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	12,041	$	12,168
Accrued compensation and benefits		8,566		12,388
Contract liabilities		6,242		3,412
Short-term borrowings		17,399		676
Current portion of long-term debt		—		1,050
Other current liabilities		5,710		11,017
Current liabilities of discontinued operations		110		316
Total current liabilities		50,068		41,027
Long-term debt, net		23,360		30,328
Deferred tax liabilities		2,268		2,442
Other long-term liabilities		4,925		1,647
Long-term liabilities of discontinued operations		3,479		4,250
Total liabilities		84,100		79,694
Commitments and contingencies (Note 11, 14, and 15)				
Stockholders' equity:				
Common stock, $0.01 par value, 170,000,000 shares authorized and 26,865,064 and 26,408,789 shares issued, respectively, and 26,543,391 and 25,939,621 shares outstanding, respectively		264		261
Paid-in capital		94,151		92,227
Accumulated other comprehensive loss		(404)		(95)
Accumulated deficit		(69,608)		(55,930)
Treasury stock, at par (321,673 and 469,168 common shares, respectively)		(5)		(6)
Total stockholders' equity		24,398		36,457
Total liabilities and stockholders' equity	$	108,498	$	116,151

The accompanying notes are an integral part of these consolidated financial statements.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
(in thousands, except per share data)	**2022**	**2021**
Revenue	$ 238,119	$ 304,946
Cost of revenue	231,071	273,520
Gross profit	7,048	31,426
Selling and marketing expenses	1,365	950
General and administrative expenses	25,640	23,409
Depreciation and amortization expense	230	190
Total operating expenses	27,235	24,549
Operating income (loss)	(20,187)	6,877
Interest expense, net	5,509	5,001
Other income, net	(11,474)	(1,619)
Total other (income) expense, net	(5,965)	3,382
Income (loss) from continuing operations before income tax expense	(14,222)	3,495
Income tax expense (benefit)	(49)	793
Income (loss) from continuing operations	(14,173)	2,702
Income (loss) from discontinued operations before income tax expense	(140)	172
Income tax expense (benefit)	(635)	131
Income from discontinued operations	495	41
Net income (loss)	$ (13,678)	$ 2,743
Basic earnings (loss) per common share		
Income (loss) from continuing operations	$ (0.54)	$ 0.11
Income from discontinued operations	0.01	—
Basic earnings (loss) per common share	$ (0.53)	$ 0.11
Diluted earnings (loss) per common share		
Income (loss) from continuing operations	$ (0.54)	$ 0.10
Income from discontinued operations	0.01	—
Diluted earnings (loss) per common share	$ (0.53)	$ 0.10

The accompanying notes are an integral part of these consolidated financial statements.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Net income (loss)	$ (13,678)	$ 2,743
Foreign currency translation adjustment	(309)	(123)
Comprehensive income	$ (13,987)	$ 2,620

The accompanying notes are an integral part of these consolidated financial statements.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except share data)	Common Shares $0.01 Per Share		Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Treasury Shares		Total
	Shares	Amount				Shares	Amount	
Balance, December 31, 2020	25,926,333	$ 256	$90,292	$ 28	$ (58,673)	(589,891)	$ (8)	$ 31,895
Issuance of restricted stock awards	164,388	–	–	–	–	–	–	-
Issuance of restricted stock units	318,068	4	–	–	–	120,723	2	6
Tax withholding on restricted stock units	–	1	(559)	–	–	–	–	(558
Share-based compensation	–	–	2,494	–	–	–	–	2,494
Foreign currency translation	–	–	–	(123)	–	–	–	(123
Net income	–	–	–	–	2,743	–	–	2,743
Balance, December 31, 2021	26,408,789	$ 261	$92,227	$ (95)	$ (55,930)	(469,168)	$ (6)	$ 36,457
Issuance of restricted stock awards	291,894	–	–	–	–	–	–	-
Issuance of restricted stock units	164,381	–	–	–	–	147,495	–	-
Tax withholding on restricted stock units	–	3	(229)	–	–	–	1	(225
Share-based compensation	–	–	2,153	–	–	–	–	2,153
Foreign currency translation	–	–	–	(309)	–	–	–	(309
Net loss	–	–	–	–	(13,678)	–	–	(13,678
Balance, December 31, 2022	26,865,064	$ 264	$94,151	$ (404)	$ (69,608)	(321,673)	$ (5)	$ 24,398

The accompanying notes are an integral part of these consolidated financial statements.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Operating activities:		
Net income (loss)	$ (13,678)	$ 2,743
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Net income from discontinued operations	(495)	(41)
Deferred income tax provision (benefit)	(174)	2
Depreciation and amortization on plant, property and equipment	230	190
Amortization of deferred financing costs	831	831
Amortization of debt discount	200	200
Bad debt expense	19	77
Stock-based compensation	1,708	3,045
Paid-in-kind interest	176	—
Changes in operating assets and liabilities:		
Accounts receivable	3,818	(7,826)
Contract assets	(173)	(4,700)
Other current assets	4,514	(4,682)
Other assets	(2,889)	(337)
Accounts payable	(49)	5,860
Accrued and other liabilities	(5,073)	(538)
Contract liabilities	2,831	879
Net cash used in operating activities, continuing operations	(8,204)	(4,297)
Net cash used in operating activities, discontinued operations	(481)	(200)
Net cash used in operating activities	(8,685)	(4,497)
Investing activities:		
Purchase of property, plant and equipment	(834)	(538)
Net cash used in investing activities	(834)	(538)
Financing activities:		
Repurchase of stock-based awards for payment of statutory taxes due on stock-based compensation	(226)	(554)
Proceeds from short-term borrowings	282,030	289,379
Repayments of short-term borrowings	(265,307)	(289,055)
Repayments of long-term debt	(8,844)	(1,050)
Net cash (used in) provided by financing activities	7,653	(1,280)
Effect of exchange rate change on cash	(121)	81
Net change in cash, cash equivalents and restricted cash	(1,987)	(6,234)
Cash, cash equivalents and restricted cash, beginning of year	2,950	9,184
Cash, cash equivalents and restricted cash, end of year	$ 963	$ 2,950
Supplemental Disclosures:		
Cash paid for interest	$ 3,018	$ 3,674
Cash paid for income taxes, net of refunds	$ —	$ 2,128

The accompanying notes are an integral part of these consolidated financial statements.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BUSINESS AND ORGANIZATION

Effective June 29, 2018, Global Power Equipment Group Inc. changed its name to Williams Industrial Services Group Inc. (together with its wholly owned subsidiaries, "Williams," the "Company," "we," "us" or "our," unless the context indicates otherwise) to better align its name with the Williams business, and its stock trades on the NYSE American LLC (the "NYSE American") under the ticker symbol "WLMS." Williams has been safely helping plant owners and operators enhance asset value for more than 50 years. It provides a broad range of construction, maintenance, and support services to customers in energy, power, and industrial end markets. Williams' mission is to be the preferred provider of construction, maintenance, and specialty services through commitment to superior safety performance, focus on innovation, and dedication to delivering unsurpassed value to its customers. The Company's corporate headquarters are located in Atlanta, Georgia.

The Company reports on a fiscal quarter basis utilizing a "modified" 5-4-4 calendar (modified in that the fiscal year always begins on January 1 and ends on December 31). However, the Company has continued to label its quarterly information using a calendar convention. The effects of this practice are modest and only exist when comparing interim period results. The reporting periods and corresponding fiscal interim periods are as follows:

Reporting Interim Period	Fiscal Interim Period	
	2022	2021
Three Months Ended March 31	January 1, 2022 to April 3, 2022	January 1, 2021 to April 4, 2021
Three Months Ended June 30	April 4, 2022 to July 3, 2022	April 5, 2021 to July 4, 2021
Three Months Ended September 30	July 4, 2022 to October 2, 2022	July 5, 2021 to October 3, 2021

NOTE 2—LIQUIDITY

The Company's consolidated financial statements have been prepared on a going concern basis, which assumes that it will be able to meet its obligations and continue its operations during the twelve month period following the issuance of this Form 10-K. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern. The Company had negative cash flows from operations during 2022. These negative cash flows were primarily a consequence of the four factors described in the paragraph below. The Company anticipates that it will continue to experience periodic constraints on its liquidity as a result of the cash flow requirements of specific projects through the third quarter 2023, and is taking steps (listed below) expected to strengthen operating results in order to improve its liquidity. Such constraints on liquidity have negatively affected the Company's ability to remain in compliance with its debt covenants, and, accordingly, the Company entered into two separate amendments to each of the Revolving Credit Facility (as defined below) and Term Loan (as defined below) in the third and fourth quarters of 2022, and an additional two separate amendments to such agreements during the first quarter of 2023. The first two amendments, among other things, revised certain terms contained in the Term Loan and the Revolving Credit Facility, respectively, and deferred principal payments on the Term Loan due on January 1, 2023 to January 9, 2023. The third and fourth amendments entered into during the first quarter of 2023, among other things, revised certain terms contained in the Term Loan and the Revolving Credit Facility and provided for delayed draw term loans under the Term Loan in an aggregate principal amount of $1.5 million, which were funded at the time the amendment was signed, and discretionary delayed draw term loans in an aggregate principal amount of $3.5 million, which will be funded at the lenders' discretion. During the first quarter of 2023, the Company also issued two unsecured promissory notes ("Wynnefield Notes") in favor of the Wynnefield Lenders (as defined below) in an aggregate principal amount of $400,000 and $350,000, respectively.

In connection with the preparation of the consolidated financial statements, management assessed the Company's financial condition and concluded that the following primary factors, taken in the aggregate, raised substantial doubt regarding the Company's ability to continue as a going concern for the twelve-month period following the issuance of this Form 10-K.

- Significant losses incurred on a number of fixed price contracts in the Company's Florida water business, which have been the subject of prior disclosures.
- Start-up costs related to the Company's entry into the transmission and distribution market, which have utilized cash resources and, while ultimately anticipated to benefit the Company's business, have negatively impacted liquidity.
- Failure to convert pipeline opportunities into revenue, which have had the effect of delaying the Company's receipt of cash from such opportunities.
- Delays in collecting cash receipts from customers.

To address the negative cash flows in the Company's business, the Company has developed a liquidity plan, the implementation of which management believes will alleviate the substantial doubt about the Company's ability to continue as a going concern during the twelve-month period following the issuance of this Form 10-K. The liquidity plan included the Company entering into four amendments to the Term Loan and the Revolving Credit Facility, and issuing two unsecured promissory notes. The liquidity plan will continue to be refined as circumstances dictate, contemplates the following key elements, in which the Company will:

- Exit non-performing businesses, including those in the transmission and distribution market and water market;
- Lower the cost of services by removing nonbillable expenses that cannot be recovered;
- Aggressively reduce operating expenses; and

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Shorten the collection cycle time on the Company’s accounts receivable and lengthen the payment cycle time on its accounts payable.

The Company has continued to experience material intra-week liquidity pressure as it has attempted to manage the short-term negative cash flows that result from, among other things, having to fund significant weekly craft labor payrolls on large outage projects before those payrolls can be billed to the Company’s customers and collected. Although the Company has utilized the Revolving Credit Agreement to address such time period negative cash flows, contract terms restricting customer invoicing frequency, delays in customer payments, and underlying surety bonds have negatively impacted the Company’s borrowing base and the availability of funds.

A variety of factors can affect the Company’s short- and long-term liquidity, the impact of which could be material, including, but not limited to: the funding of certain of the Company’s previously disclosed loss-contracts; cash required for funding ongoing operations and projects; matters relating to the Company’s contracts, including contracts billed based on milestones that may require the Company to incur significant expenditures prior to collections from its customers and others that allow for significant upfront billing at the beginning of a project, which temporarily increases liquidity in the near term; the outcome of potential contract disputes, which may be significant; payment collection issues, including those caused by economic slowdowns or other factors which can lead to credit deterioration of the Company’s customers; required payments of interest under the Term Loan Agreement and the Revolving Credit Agreement and on the Company’s operating and finance leases; pension obligations requiring annual contributions to multiemployer pension plans; insurance coverage for contracts that require the Company to indemnify third parties; and issuances of letters of credit.

The Company believes that the February 24, 2023 amendments to the Term Loan and the Revolving Credit Facility will, if the discretionary delayed draw term loans under the Term Loan are advanced, provide much needed support to the Company’s ongoing operations and may permit the Company to operate while it continues to engage in its process to explore strategic alternatives to maximize value for the Company and its shareholders or other stakeholders, but additional liquidity support may be necessary. The Company has not disclosed a timetable for the conclusion of its review of strategic alternatives, nor has it made any decisions related to any further actions or possible strategic alternatives at this time. The Company does not intend to comment on the details of its review of strategic alternatives until it determines that further disclosure is appropriate or necessary.

If the Company is unable to address any potential liquidity shortfalls that may arise in the future, it will need to seek additional funding from third party sources, which may not be available on reasonable terms, if at all, and the Company’s inability to obtain this capital or execute an alternative solution to its liquidity needs could have a material adverse effect on the Company’s shareholders and creditors. Importantly, any such additional funding could only be obtained in compliance with the restrictions contained in the agreements governing the Company’s existing indebtedness. If the Company is unable to comply with its covenants under its indebtedness, or otherwise is unable to meet its obligations under such indebtedness, or the lenders under the Term Loan do not exercise their discretion to fund the delayed draw term loans, the Company’s liquidity would be further adversely affected In addition, such occurrences could result in an event of default under such indebtedness and the potential acceleration of outstanding indebtedness thereunder and the potential foreclosure on the collateral securing such debt and would likely cause a cross-default under the Company’s other outstanding indebtedness or obligations.

If the Company’s liquidity improvement plan and the first quarter 2023 amendments to the Term Loan and the Revolving Credit Facility do not have the intended effect of addressing the Company’s liquidity problems through its review of strategic alternatives, including if the Company is unable to obtain future advances under the discretionary delayed draw term loans, the Company will continue to consider all strategic alternatives, including restructuring or refinancing its debt, seeking additional debt or equity capital, reducing or delaying the Company’s business activities and strategic initiatives, or selling assets, other strategic transactions and/or other measures, including obtaining relief under the U.S. Bankruptcy Code.

In 2022, the Company’s principal sources of liquidity were borrowings under the Revolving Credit Facility and efforts to effectively manage its working capital. The Company continues to monitor its liquidity and capital resources closely. If market conditions were to change, and revenue is reduced or operating costs either increased or could not be reduced as contemplated by the Company’s liquidity plan, cash flows and liquidity could be materially negatively impacted.

The Company's continuation as a going concern is dependent upon its ability to successfully implement its liquidity improvement plan and obtain necessary debt or equity financing to address the Company's liquidity challenges and continue operations until the Company returns to generating positive cash flow or is otherwise able to execute on a transaction pursuant to its review of strategic alternatives, including a potential sale of the Company.

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Joint Ventures: The consolidated financial statements include the accounts of Williams Industrial Services Group, Inc., and its wholly owned subsidiaries. At times, the Company may form joint ventures with unrelated third parties for the execution of a project. For investments in joint ventures not requiring full consolidation, the Company uses the equity method of accounting. The Company does not have any investment in a joint venture in which it is considered to be the primary beneficiary where full consolidation is required.

In 2017, the Company formed a limited liability company ("LLC") with an unrelated third party for the execution of a nuclear plant construction project. The Company has a 25 percent participation interest in this LLC, with distribution of expected gains and losses being proportionate to its participation interest. Although the LLC holds the construction contract with the client, the services required by the contract are performed by either the LLC, the Company, or the other member of the LLC, or by other subcontractors under subcontracting agreements with the LLC. The Company accounts for its investment in this LLC using the equity method. The Company's investment in this LLC was $1.9 million and $2.5 million as of December 31, 2022 and 2021, respectively, and was included in other long-term assets on the consolidated balance sheets. Accounts receivable related to work performed for the Company's unconsolidated investment in the LLC, included in accounts receivable, net, on the consolidated balance sheets, was $4.8 million and $4.6 million as of December 31, 2022 and 2021, respectively. The Company's pro-rata share of net income from the LLC was $0.2 million and $0.7 million for the years ended December 31, 2022 and 2021, respectively, and was included in other (income) expense, net, on the consolidated statements of operations. In addition, the Company received a dividend in 2022 of $0.8 million for the period ended December 31, 2021 but did not receive a dividend for the period ended on December 31, 2022.

Discontinued Operations: During the fourth quarter of 2017, the Company made the decision to exit and sell its Electrical Solutions segment. Additionally, during the third quarter of 2017, the Company made the decision to exit and sell substantially all the operating assets and liabilities of its Mechanical Solutions segment, which the Company completed in the fourth quarter of 2017. These decisions were made in an effort to reduce the Company's outstanding term debt. The Company determined that the decision to exit these segments met the definition of a discontinued operation. As a result, these segments, including TOG Manufacturing Company, Inc., which, along with TOG Holdings, Inc., was sold in July 2016, have been presented as discontinued operations for all periods presented.

On July 11, 2018, Koontz-Wagner filed a voluntary petition for relief under Chapter 7 of Title 11 of the Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of Texas. The filing was for Koontz-Wagner only, not for the Company as a whole, and was completely separate and distinct from the Williams business and operations.

Unless otherwise specified, the financial information presented in the accompanying financial statements and following notes relates to the Company's continuing operations; it excludes any results of its discontinued operations. For additional information, please refer to "Note 5—Changes in Business" for financial information on the Company's discontinued operations.

Segment and Geographic Information: The Company determines its reportable segments in accordance with Accounting Standards Codification ("ASC") 280—Segment Reporting. The Company's operating segments engage in business activities from which it may earn revenues and incur expenses and for which discrete information is available. Operating results for the operating segments are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess performance. Operating segments are aggregated for reporting purposes when the operating segments are identified as similar in accordance with the basic principles and aggregation criteria in the accounting standards. As a result of the Company's decision to exit and sell its Mechanical Solutions and Electrical Solutions segments, the Company's chief operating decision maker reviews financial information on a company-wide basis. Therefore, as of each of December 31, 2022 and 2021, the Company reports on a single reporting segment basis.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company uses operating income (loss) to compare and evaluate its financial performance. For the year ended December 31, 2022, the Company earned 97.7% and 2.3% of its revenue in the U.S. and Canada, respectively. For the year ended December 31, 2021, the Company earned 88.1% and 11.9% of its revenue in the U.S. and Canada, respectively.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could vary materially from those estimates.

Revenue Recognition: The Company provides construction, maintenance, and support services to customers in energy, power, and industrial end markets. The Company’ s services, which are provided through long-term maintenance or discrete project agreements, are designed to improve or sustain its customers’ operating efficiencies and extend the useful lives of their process equipment. The contracts are awarded on a competitively bid and negotiated basis with the majority structured as cost-plus arrangements and the remainder as lump-sum.

The Company’ s contracts generally include a single performance obligation for which revenue is recognized over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. For cost-plus contracts, the Company recognizes revenue when services are performed and contractually billable based upon the hours incurred and agreed-upon hourly rates. Revenue on fixed-price contracts is recognized and invoiced over time using the cost-to-cost percentage-of-completion method. To the extent a contract is deemed to have multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract. The Company does not adjust the price of the contract for the effects of a significant financing component. Change orders are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. The Company believes these methods of revenue recognition most accurately reflect the economics of the transactions with its customers.

The Company’ s contracts may include several types of variable consideration, including change orders, rate true-up provisions, retainage, claims, incentives, penalties, and liquidated damages. The Company estimates the amount of revenue to be recognized on variable consideration using estimation methods that best predict the amount of consideration to which the Company expects to be entitled. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company’ s estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based on an assessment of its anticipated performance and all information (historical, current, and forecasted) that is reasonably available. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. In circumstances where the Company cannot reasonably determine the outcome of a contract, it recognizes revenue over time as the work is performed, but only to the extent of recoverable costs incurred (i.e., zero margin). A loss provision is recorded for the amount of any estimated unrecoverable costs in excess of total estimated revenue on a contract as soon as the Company becomes aware. The Company generally provides a limited warranty for a term of two years or less following completion of services performed under its contracts. Historically, warranty claims have not resulted in material costs incurred.

During the year ended December 31, 2022, the Company recognized increases in estimated costs at completion and related gross profit margins related to several projects in Jacksonville, Florida. The Company increased its prior estimates related to the costs of executing the contracts to completion, which led to a decrease in the recognized revenues to date under the percentage of completion revenue recognition methodology. As a result of these changes, net income for the year ended December 31, 2022 decreased by $7,781,220, and basic and diluted earnings per share for the year ended December 31, 2022 decreased by $0.30 per share.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand and on deposit with initial maturities of three months or less. As of December 31, 2022, the Company held $0.3 million of its operating cash balance in U.S. bank accounts and $0.2 million in Canadian bank accounts.

Restricted Cash: Restricted cash as of each of December 31, 2022 and 2021 consisted of $0.5 million, held in escrow for certain indemnities as claims on a divested subsidiary.

Accounts Receivable: Accounts receivable is reported net of allowance for doubtful accounts and discounts. The allowance is based on numerous factors including but not limited to (i) current market conditions, (ii) review of specific customer economics and (iii) other estimates based on the judgment of management. Account balances are charged off against the allowance after all reasonable means of collection have been pursued and the potential for recovery is considered remote. The Company does not generally charge interest on outstanding amounts.

Property, Plant and Equipment: Property, plant and equipment are stated at historical cost, less accumulated depreciation. For financial reporting purposes, depreciation is calculated using the straight-line method over the estimated useful life of the asset. Costs of significant additions, renewals and betterments are capitalized. Maintenance and repairs are expensed when incurred. When an asset is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and the gain or loss on disposition is reflected in general and administrative expenses in the consolidated statements of operations. Depreciation expense related to capital equipment used in production is included in cost of revenue.

Long-Lived Assets: Long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If circumstances require a long-lived asset held for use to be tested for possible impairment, the Company compares the undiscounted cash flows expected to be generated by the asset to the carrying value of the asset. If the carrying value of the asset exceeds expected future cash flows, the excess of the carrying value over the estimated fair value is charged to impairment expense in the consolidated statements of operations. Assets held for sale are reported at the lower of their carrying value, less estimated costs to sell. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. The Company groups long-lived assets by legal entity for purposes of recognition and measurement of an impairment loss as this is the lowest level for which cash flows are independent.

Goodwill and Indefinite-Lived Intangible Assets: Goodwill and indefinite-lived intangible assets are tested for impairment on an annual basis, as of October 1, and when events or changes in circumstances indicate the fair value of a reporting unit with goodwill and/or indefinite-lived intangible assets has been reduced below the carrying value of the net assets of the reporting unit in accordance with ASC 350-Intangibles-Goodwill and Other. The Company’s indefinite-lived intangible asset consists of the Williams trade name.

The Company’s testing of goodwill for potential impairment involves the comparison of a reporting unit’s carrying value to its estimated fair value, which is determined using the income approach, the market approach and the cost approach. Similarly, the testing of the Company’s trade name for potential impairment involves the comparison of the carrying value of the trade name to its estimated fair value, which is determined using the relief from royalty method. If the carrying value of goodwill or the trade name is deemed to be unrecoverable, the excess of the carrying value over the estimated fair value is charged to results of operations in the period in which the impairment is determined. The Company did not have any impairment write-downs in 2022.

Cost of Revenue: Cost of revenue primarily includes charges for materials, direct labor and related benefits, freight (inbound and outbound), direct supplies and tools, purchasing and receiving costs, inspection costs and internal transfer costs.

Warranty Costs: Estimated costs related to warranties are accrued using the specific identification method. Estimated costs are based upon past warranty claims, sales history, the applicable contract terms, and the remaining warranty periods. Warranty terms vary by contract but generally provide for a term of two years or less. The Company manages its exposure to warranty claims by having its field service and quality assurance personnel regularly monitor projects and maintain ongoing and regular communications with its customers. Historically, warranty claims have not resulted in material costs incurred, and any estimated costs for warranties are included in the individual project cost estimates for purposes of accounting for long-term contracts.

Insurance: The Company maintains insurance coverage for most insurable aspects of its business and operations. The Company’s insurance programs, including, but not limited to, health, general liability, and workers’ compensation, have varying coverage limits depending upon the type of insurance. The Company accrues for incurred but not reported claims by utilizing lag studies.

Shipping and Handling Costs: The Company accounts for shipping and handling costs in accordance with ASC 605-45—Principal Agent Considerations. Amounts billed to customers in sale transactions related to shipping and handling costs are recorded as revenue. Shipping and handling costs incurred are included in cost of revenue in the consolidated statements of operations.

Advertising Costs: The Company accounts for advertising costs in accordance with ASC 720-35—Advertising Costs. Generally, advertising costs are immaterial and are expensed as incurred and are included in selling and marketing expense in the consolidated statements of operations.

Stock-Based Compensation Expense: The Company measures and recognizes stock-based compensation expense based on the estimated fair value of the stock award on the date of grant. Vesting of stock awards is based on certain service, performance, and market conditions (or service only conditions) over a one to three-year period. For all awards with graded vesting, other than awards with performance-based vesting conditions, the Company records compensation expense for the entire award on a straight-line basis over the requisite service period. For graded-vesting awards with performance-based vesting conditions, total compensation expense is recognized over the requisite service period for each separately vesting tranche of the award as if the award is, in substance, multiple awards once performance criteria are set. For market-based awards that cliff vest, total compensation expense is recorded on a straight-line basis over the requisite performance period. The Company recognizes stock-based compensation expense related to performance-based and market-based awards based upon its determination of the potential likelihood of achievement of the specified performance conditions at each reporting date. Stock-based compensation expense is primarily included in general and administrative expenses in the consolidated statements of operations.

Income Taxes: The Company accounts for income taxes using the asset and liability method under which deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The Company measures deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those differences are expected to be recovered or settled. The Company recognizes income as a result of changes in tax rates on deferred tax assets and liabilities in the period that includes the enactment date.

Under ASC 740—Income Taxes, the Financial Accounting Standards Board (“FASB”) requires companies to assess whether valuation allowances should be established against their deferred tax assets based on the consideration of all available positive and negative evidence, using a “more likely than not” standard. In making such assessments, significant weight is given to evidence that can be objectively verified. A company’ s current or previous operating history is given more weight than its future outlook, although the Company does consider future taxable income projections, ongoing tax planning strategies and the limitation on the use of carryforward losses in determining valuation allowance needs. The Company establishes valuation allowances for its deferred tax assets if, based on the available evidence, it is more likely than not that some portion of or all the deferred tax assets will not be realized.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes the tax benefit from uncertain tax positions only if it is more likely than not to be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company believes that its benefits and accruals recognized are appropriate for all open audit years based on its assessment of many factors including past experience and interpretation of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is determined to be different than the amounts recorded, those differences will impact income tax expense in the period in which the determination is made.

Other Comprehensive Income (Loss): The Company reports cumulative foreign currency translation adjustments as a component of accumulated other comprehensive income (loss).

Adoption of New Accounting Pronouncements

The Company did not implement any new accounting pronouncements during 2022. However, the Company is currently evaluating the impact of future disclosures that may arise under recent SEC proposals.

NOTE 4—LEASES

In accordance with ASU 2016-02, the recognition of right-of-use assets and lease liabilities on the balance sheet for leases with terms greater than twelve months or leases that contain a purchase option that is reasonably certain to be exercised, require lessees to classify leases as either finance or operating leases. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Company primarily leases office space and related equipment, as well as equipment, modular units and vehicles directly used in providing services to our customers. The Company's leases have remaining lease terms of one to ten years. Most leases contain renewal options for varying periods, which are at the Company's sole discretion and included in the expected lease term if they are reasonably certain of being exercised. For leases beginning in 2019 and thereafter, the Company accounts for lease components, such as fixed payments including rent, real estate taxes, and insurance costs, separately from the non-lease components, such as common area maintenance costs.

For leases with terms greater than twelve months, the Company records the related right-of-use assets and lease liabilities at the present value of the fixed lease payments over the term at the commencement date. The Company uses its incremental borrowing rate to determine the present value of the lease as the rate implicit in the lease is typically not readily determinable.

Short-term leases (leases with an initial term of twelve months or less or leases that are cancelable by the lessee and lessor without significant penalties) are expensed on a straight-line basis over the lease term. The majority of the Company's short-term leases relate to equipment used in delivering services to its customers. These leases are entered into at agreed upon hourly, daily, weekly, or monthly rental rates for an unspecified duration and typically have a termination for convenience provision. Such equipment leases are considered short-term in nature unless it is reasonably certain that the equipment will be leased for a term greater than twelve months.

On September 2, 2021, the Company made the decision to relocate its corporate headquarters to Atlanta, Georgia and entered into a ten-year lease agreement. The Company completed its relocation in March 2022. The lease is presented as a right-of-use asset and lease liability and the lease liability amounts to $3.3 million with a present value of $2.2 million over a ten-year term. If the Company defaults, the landlord has the right to use the security deposit for rent or other payments due to other damages, injury, expense or liability as defined in the lease agreement. Although the security deposit shall be deemed the property of the landlord, any remaining balance of the security deposit shall be returned by the landlord to the Company after termination of the lease as the Company's obligations under the lease have been fulfilled. The Company subleased a portion of its former office space and collected $59,000 of sublease income during 2022.

The components of lease expense for the years ended December 31, 2022 and 2021 were as follows:

Lease Cost/(Sublease Income) (in thousands)	2022	2021
Operating lease cost	$ 2,202	$ 2,263
Short-term lease cost	7,140	3,813
Sublease income	(59)	(20)
Total lease cost	$ 9,283	$ 6,056

Lease cost related to finance leases was not significant for the year ended December 31, 2022.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Information related to the Company's right-of-use assets and lease liabilities for the years ended December 31, 2022 and 2021 was as follows:

Lease Assets/Liabilities (in thousands)	Balance Sheet Classification	2022	2021
Lease Assets			
Right-of-use assets	Other long-term assets	$ 4,223	$ 1,527
Lease Liabilities			
Short-term lease liabilities	Other current liabilities	$ 1,603	$ 1,606
Long-term lease liabilities	Other long-term liabilities	3,010	511
Total lease liabilities		$ 4,613	$ 2,117

Supplemental information related to the Company's leases for the years ended December 31, 2022 and 2021 are as follows:

(dollars in thousands)	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash used by operating leases	$ 2,368	$ 2,433
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 4,598	$ 2,020
Weighted-average remaining lease term - operating leases	5.15 years	1.36 years
Weighted-average remaining lease term - finance leases	1.23 years	2.23 years
Weighted-average discount rate - operating leases	9%	9%
Weighted-average discount rate - finance leases	9%	9%

Total remaining lease payments under the Company's operating and finance leases for the year ended December 31, 2022 are as follows:

Year Ended December 31,	Operating Leases	Finance Leases
	(in thousands)	
2023	$ 1,913	$ 6
2024	1,034	1
2025	562	—
2026	435	—
2027	391	—
Thereafter	1,483	—
Total lease payments	$ 5,818	$ 7
Less: interest	(1,212)	—
Present value of lease liabilities	$ 4,606	$ 7

NOTE 5—CHANGES IN BUSINESS

Discontinued Operations

Electrical Solutions

During the fourth quarter of 2017, the Company made the decision to exit and sell its Electrical Solutions segment in an effort to reduce the Company's outstanding term debt. The Company determined that the decision to exit this segment met the definition of a discontinued operation. As a result, this segment has been presented as a discontinued operation for all periods presented.

On July 11, 2018, Koontz-Wagner filed a voluntary petition for relief under Chapter 7 of Title 11 of the Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of Texas. The filing was for Koontz-Wagner only, not for the Company as a whole, and was completely separate and distinct from the Williams business and operations. As a result of the July 11, 2018 bankruptcy of Koontz-Wagner, the Company recorded a pension withdrawal liability of $2.9 million related to Koontz-Wagner's International Brotherhood of Electrical Workers Local Union 1392 ("IBEW") multi-employer pension plan.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

After an arbitration process, on May 12, 2021, an arbitrator concluded that the IBEW used an incorrect per hour contribution rate in calculating the Company's pension withdrawal liability, which resulted in the Company overpaying. The arbitrator directed IBEW to refund all overpayments, with interest, to the Company and to redetermine the Company's payments going forward using the proper contribution rate. Accordingly, the Company's overall pension withdrawal liability decreased by approximately $0.3 million. The pension liability is expected to be satisfied by annual cash payments of $0.3 million each, paid in quarterly installments, through 2038. The Company recorded a gain on disposal of approximately $0.3 million in 2021 to reduce its previously recorded estimated withdrawal liability to the new amount.

Mechanical Solutions

During the third quarter of 2017, the Company made the decision to exit and sell substantially all of the operating assets and liabilities of its Mechanical Solutions segment and determined that the decision to exit this segment met the definition of a discontinued operation. As a result, this segment has been presented as a discontinued operation for all periods presented.

As of each of December 31, 2022 and 2021, the Company did not have any assets related to its Electrical and Mechanical Solutions' discontinued operations. The following table presents a reconciliation of the carrying amounts of major classes of liabilities of Electrical and Mechanical Solutions' discontinued operations:

(in thousands)	**December 31, 2022**	**December 31, 2021**
Liabilities:		
Current liabilities of discontinued operations	$ 110	$ 316
Liability for pension obligation	2,244	2,368
Liability for uncertain tax positions	1,235	1,882
Long-term liabilities of discontinued operations	3,479	4,250
Total liabilities of discontinued operations	$ 3,589	$ 4,566

The following table presents a reconciliation of the major classes of line items constituting the net income (loss) from discontinued operations. In accordance with GAAP, the amounts in the table below do not include an allocation of corporate overhead.

(in thousands)	**Year Ended December 31, 2022**	**Year Ended December 31, 2021**
General and administrative expenses	$ 3	$ 40
Loss (gain) on disposal - Electrical Solutions	17	(288)
Interest expense	120	76
Income (loss) from discontinued operations before income taxes	(140)	172
Income tax expense (benefit)	(635)	131
Income from discontinued operations	$ 495	$ 41

NOTE 6—PROPERTY, PLANT AND EQUIPMENT

The Company’s property, plant, and equipment balances, by significant asset category, were as follows:

($ in thousands)	Estimated Useful Lives	December 31, 2022	December 31, 2021
Buildings and improvements	5 - 39 years	$ 669	$ 495
Machinery and equipment	3 - 12 years	5,154	4,663
Furniture and fixtures	2 - 10 years	8,818	8,695
Capital lease assets	5 years	16	21
		14,657	13,874
Less accumulated depreciation		(13,400)	(13,221)
Property, plant and equipment, net		$ 1,257	$ 653

Depreciation expense was approximately $0.2 million for each of the years ended December 31, 2022 and 2021. No impairment charges on property, plant and equipment were recognized for the years ended December 31, 2022 and 2021.

NOTE 7—GOODWILL AND OTHER INTANGIBLE ASSETS

The Company determines the fair value of its reporting unit using a combination of income, market and cost approaches. For purposes of the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company uses its internal forecasts to estimate future cash flows and includes an estimate of long-term future growth rates based on its most recent views of the long-term outlook for the reporting unit, which falls within Level 3 of the fair value hierarchy. Under the market approach, the fair value is determined by utilizing comparative market multiples in the valuation estimates. The cost approach is based on the assumption that a prudent investor would pay no more for a security or asset than the amount at which it could be replaced or reproduced and is performed by estimating the replacement cost.

As of each of December 31, 2022 and 2021, the Company had $12.5 million of unamortizable indefinite-lived intangible assets related to its Williams Industrial Services Group trade name. The Company did not incur any amortization expense for each of the years ended December 31, 2022 and 2021, respectively. The Company determines the fair value of its trade name using the relief from royalty method. Under that method, the fair value of the trade name is determined by calculating the present value of the after-tax cost savings associated with owning the asset and therefore not having to pay royalties for its use for the remainder of its estimated useful life. As a result of the Company’s annual indefinite-lived intangible asset impairment analysis as of October 1, 2022 and 2021, the Company determined the fair value of its trade name exceeded its book value; therefore, no impairment charge was recorded for the years ended December 31, 2022 and 2021.

Goodwill and indefinite-lived intangible assets are tested for impairment annually as of October 1 and whenever events or circumstances indicate that the carrying value may not be recoverable. In accordance with ASC 350—Intangibles—Goodwill and Other, the Company observed certain qualitative circumstances related to performance and current market conditions that indicated the potential for impairment in 2022. As a result the Company engaged an independent consulting firm to perform its annual goodwill impairment analysis as of October 1, 2022, and determined that the fair value of its reporting unit exceeded its book value, and accordingly, no impairment charge was necessary for the years ended December 31, 2022 and 2021.

Estimating the fair value of reporting units and trade names requires the use of estimates and significant judgments that are based on a number of factors including current and historical actual operating results, balance sheet carrying values, the Company’s most recent forecasts, and other relevant quantitative and qualitative information, including an estimated rate of return and discount rate. If current or expected conditions deteriorate, it is reasonably possible that the judgments and estimates described above could change in future periods and result in impairment charges.

NOTE 8—FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments: ASC 820-Fair Value Measurement defines fair value as the exit price, which is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-tier fair value hierarchy, which categorizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in the active markets for identical assets and liabilities and the lowest priority to unobservable inputs (see below).

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company’ s financial instruments as of December 31, 2022 and 2021 consisted primarily of cash and cash equivalents, restricted cash, receivables, payables, and debt instruments. The carrying values of these financial instruments approximate their respective fair values, as they are either short-term in nature or carry interest rates that are periodically adjusted to market rates.

NOTE 9—INCOME TAXES

Income (loss) before income taxes was as follows:

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Domestic	$ (13,741)	$ (19)
Foreign	(481)	3,514
Income (loss) from continuing operations	(14,222)	3,495
Income (loss) from discontinued operations	(140)	172
Income (loss) before income tax expense	$ (14,362)	$ 3,667

The following table summarizes the income tax expense (benefit) by jurisdiction:

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Current:		
Foreign	$ (379)	$ 922
Total current	(379)	922
Deferred:		
Federal	—	(69)
State	89	(192)
Foreign	(394)	263
Total deferred	(305)	2
Income tax expense (benefit)	$ (684)	$ 924

Income tax expense (benefit) was allocated between continuing operations and discontinued operations as follows:

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Continuing operations	$ (49)	$ 793
Discontinued operations	(635)	131
Income tax expense (benefit)	$ (684)	$ 924

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective Tax Rate Reconciliation

The amount of the income tax expense (benefit) for continuing operations during the years ended December 31, 2022 and 2021 differs from the statutory federal income tax rate of 21% was as follows:

	Year Ended December 31,			
	2022		2021	
(in thousands)	**Amount**	**Percent**	**Amount**	**Percent**
Tax expense computed at the maximum U.S. statutory rate	$ (2,987)	21.0 %	$ 734	21.0 %
Difference resulting from state income taxes, net of federal income tax benefits	34	(0.2)%	151	4.3 %
State tax rate difference	29	(0.2)%	(211)	(6.0)%
Non-deductible expenses, other	271	(1.9)%	125	3.6 %
APB 23 DTL	(264)	1.9 %	264	7.6 %
Change in net operating loss carryforward	(429)	3.0 %	(42)	(1.2)%
Change in valuation allowance	2,532	(17.8)%	(660)	(18.9)%
Change in foreign tax credits	463	(3.3)%	359	10.3 %
Other, net	302	(2.1)%	73	2.1 %
Total tax expense (benefit)	$ (49)	0.4 %	$ 793	22.8 %

Deferred Taxes

The significant components of deferred income tax assets and liabilities for continuing operations consisted of the following:

	December 31,	
(in thousands)	**2022**	**2021**
Assets:		
Cost in excess of identifiable net assets of business acquired	$ 3,684	$ 4,437
Reserves and other accruals	3,553	3,822
Tax credit carryforwards	5,241	5,754
Accrued compensation and benefits	1,635	2,077
State net operating loss carryforwards	14,496	13,493
Federal net operating loss carryforwards	51,337	47,653
Gain/loss on assets held for sale	1,457	1,457
Other	7,175	6,438
	88,578	85,131
Liabilities:		
Indefinite life intangibles	(12,445)	(12,445)
Property and equipment	(599)	(473)
Net deferred tax assets	75,534	72,213
Valuation allowance for net deferred tax assets	(77,802)	(74,655)
Net deferred tax liability after valuation allowance	$ (2,268)	$ (2,442)

As of December 31, 2022 and 2021, the Company had a net deferred tax liability related to its continuing operations of $2.3 million and $2.4 million, respectively. The net deferred tax liabilities for the years ended December 31, 2022 and 2021 predominantly related to indefinite-lived intangible deferred tax liabilities that can be used to offset deferred tax assets without valuation allowances. A net increase in valuation allowances related to continuing operations of $3.1 million as of December 31, 2022 was recorded against the gross deferred tax asset balances as of December 31, 2022.

As of December 31, 2022, the Company would need to generate $306.6 million of future U.S. pre-tax income to realize its deferred tax assets.

Table of Contents

Inflation Reduction Act of 2022

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law, making significant changes to the Internal Revenue Code. Such changes include, but are not limited to, a 15% corporate minimum income tax and a 1% excise tax on corporate stock repurchases in tax years beginning after December 31, 2022. While these tax law changes have no immediate effect and are not expected to have a material adverse effect on the Company's results of operations going forward, the Company will continue to evaluate the IRA's impact as further information becomes available.

Net Operating Losses and Tax Credit Carryforwards

As of December 31, 2022, the Company had $242.8 million of federal net operating loss carryforwards expiring between 2026 and 2037 and state operating loss carryforwards of $291.0 million expiring between 2023 and 2042. The Company has $5.2 million of foreign operating loss carryforwards that will expire in 2027. The Company has $4.1 million in foreign tax credit carryforwards expiring between 2023 and 2027.

Under the Internal Revenue Code, the amount of and the benefits from net operating loss ("NOL") and tax credit carryforwards may be limited or permanently impaired in certain circumstances. In addition, under the Tax Cuts and Jobs Act of 2017 (the "Tax Act"), the amount of post 2017 NOLs that the Company is permitted to deduct in any taxable year is limited to 80% of its taxable income in such year, where taxable income is determined without regard to the NOL deduction itself. The Tax Act also generally eliminates the ability to carry back any NOL to prior taxable years, while allowing post 2017 unused NOLs to be carried forward indefinitely.

Valuation Allowances

The Company reviews, at least annually, the components of its deferred tax assets. This review is to ascertain that, based upon all of the information available at the time of the preparation of the financial statements, it is more likely than not, that the Company expects to utilize these deferred tax assets in the future. If the Company determines that it is more likely than not that these deferred tax assets will not be utilized, a valuation allowance is recorded, reducing the deferred tax asset to the amount expected to be realized. Many factors are considered in the determination that the deferred tax assets more likely than not will be realized, including recent cumulative earnings, expectations regarding future taxable income, length of carryforward periods, and other relevant quantitative and qualitative factors. The recoverability of the deferred tax assets is determined by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and tax planning strategies.

As of December 31, 2022, the Company carried $12.4 million of deferred income tax liabilities related to indefinite-lived intangibles. Because NOLs generated in taxable years beginning after December 31, 2017 can be carried forward indefinitely under the Tax Act, based upon all of the information available at the time of the preparation of the financial statements, the Company concluded that it is more likely than not that the reversal of taxable temporary differences related to indefinite-lived intangible assets can be used as a source of future taxable income when assessing the realizability of these loss carryforwards that do not expire when they are in the same jurisdiction and of the same character. The Company also determined that it is more likely than not that the reversal of taxable temporary differences related to indefinite-lived intangible assets can be used as a source of future taxable income when assessing the realizability of deferred tax assets that upon reversal would give rise to NOLs that do not expire.

The Company recorded income tax benefit from continuing operations of less than $0.1 million for the year ended December 31, 2022, mainly comprised of a $0.1 million Canadian deferred tax benefit, partially offset by the indefinite lived deferred tax assets related to post 2017 NOLs and Section 163(j) interest addback carryover that are allowed to be applied against the deferred tax liabilities related to the indefinite lived intangible assets. The Company was eligible for the High Tax Exception and did not incur Global Intangible Low-Taxed Income ("GILTI") tax liability in 2022. The Company continues to have a full valuation allowance against its foreign deferred tax assets except for the Canadian subsidiary.

As of December 31, 2022, and 2021, the Company had valuation allowances for deferred tax assets related to its continuing operations in the amount of $77.8 million and $74.7 million, respectively.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Unremitted Earnings

The Company's foreign subsidiaries may generate earnings that are not subject to U.S. income taxes so long as they are permanently reinvested in its operations outside of the U.S. Pursuant to ASC Topic No. 740-30, undistributed earnings of foreign subsidiaries that are no longer permanently reinvested would become subject to deferred income taxes.

Due to the termination of the Canadian contract in early 2022, the Company's management made the decision to repatriate all of the undistributed earnings from the Canadian subsidiary back to the United States. In 2022, the Company's Canadian subsidiary distributed $4.1 million to the Company. As of December 31, 2022, the Canadian subsidiary had $1.0 million in undistributed earnings that is expected to be distributed within 12 months.

Williams formed the Canadian subsidiary in 2018 without significant capital and the majority of the undistributed earnings was expected to be repatriated as dividends to the United States at the United States-Canada treaty rate of 5%. As a result, a $0.3 million income tax liability was accrued as of December 31, 2022 and will be paid in early 2023.

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Unrecognized tax benefits on January 1	$ 2,847	$ 2,861
Reductions to unrecognized tax benefits from lapse of statutes of limitations	(298)	(14)
Unrecognized tax benefits on December 31	$ 2,549	$ 2,847
Unrecognized tax benefits from discontinued operations on December 31	$ 699	$ 964
Unrecognized tax benefits from continuing operations on December 31	1,850	1,883
	$ 2,549	$ 2,847

As of December 31, 2022 and 2021, the Company provided for a liability of approximately $2.5 million and $2.8 million, respectively for unrecognized tax benefits related to various federal, foreign, and state income tax matters. The Company has elected to classify interest and penalties related to uncertain income tax positions in income tax expense. As of December 31, 2022, the Company accrued $1.1 million for potential payment of interest and penalties, compared with $1.5 million accrued as of December 31, 2021.

As of each of December 31, 2022 and 2021, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $0.1 million. In 2022, the Company released approximately $0.3 million of accruals of uncertain tax positions as the statute of limitations related to these liabilities will lapse in 2022.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted and signed into U.S. law to provide economic relief to individuals and businesses facing economic hardship as a result of the COVID-19 pandemic. The Company has incorporated the impact of the CARES Act to the tax provision. In addition, the Company deferred payments of federal employer payroll taxes of approximately $4.9 million, as permitted by the CARES Act. The first half of the deferred amounts were paid in December 2021, and the second half were paid in December 2022.

The Company files a consolidated U.S. federal income tax return. Currently, the Company is not under examination for income tax purposes by any taxing jurisdiction. A presentation of open tax years by jurisdiction is as follows:

Tax Jurisdiction	Examination in Progress	Open Tax Years for Examination
United States	None	2006 to Present
Mexico	None	2017 to Present
China	None	2014 to 2017
Canada	None	2020 to Present

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10—REVENUE

Disaggregation of Revenue

Disaggregated revenue by type of contract was as follows.

(in thousands)	Year Ended December 31, 2022	2021
Cost-plus reimbursement contracts	$ 186,919	$ 258,823
Fixed-price contracts	51,200	46,123
Total	$ 238,119	$ 304,946

Disaggregated revenue by the geographic area where the work was performed was as follows:

(in thousands)	Year Ended December 31, 2022	2021
United States	$ 232,605	$ 268,726
Canada	5,514	36,220
Total	$ 238,119	$ 304,946

Contract Balances

The Company enters into contracts that allow for periodic billings over the contract term that are dependent upon specific advance billing terms, as services are provided, or as milestone billings based on completion of certain phases of work. Projects with performance obligations recognized over time that have costs and estimated earnings recognized to date in excess of cumulative billings are reported in the Company's consolidated balance sheet as contract assets. Projects with performance obligations recognized over time that have cumulative billings in excess of costs and estimated earnings recognized to date are reported in the Company's consolidated balance sheet as contract liabilities. At any point in time, each project in process could have either contract assets or contract liabilities.

The following table provides information about contract assets and contract liabilities from contracts with customers.

(in thousands)	December 31, 2022	2021
Costs incurred on uncompleted contracts	$ 231,071	$ 273,520
Earnings recognized on uncompleted contracts	7,049	31,426
Total	238,120	304,946
Less—billings to date	(231,550)	(295,675)
Net	$ 6,570	$ 9,271
Contract assets	$ 12,812	$ 12,683
Contract liabilities	(6,242)	(3,412)
Net	$ 6,570	$ 9,271

For the year ended December 31, 2022, the Company recognized revenue of approximately $3.3 million on approximately $3.4 million in the corresponding contract liability balance on December 31, 2021.

Remaining Performance Obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that were unsatisfied (or partially unsatisfied) as of December 31, 2022. The Company's total backlog as of December 31, 2022, was $333.2 million.

(in thousands)	2023	2024	Thereafter	Total
Cost plus	$ 137,527	$ 52,898	$ 101,469	$ 291,894
Lump sum	41,061	248	—	41,309
Total	$ 178,588	$ 53,146	$ 101,469	$ 333,203

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11—DEBT

As of December 31, 2022, and 2021, the Company had the following debt, net of unamortized deferred financing costs and unamortized debt discount:

	December 31,	
(in thousands)	**2022**	**2021**
Revolving Credit Facility	$ 17,399	$ 676
Current portion of Term Loan	—	1,050
Current debt	$ 17,399	$ 1,726
Term Loan	$ 25,282	$ 32,900
Unamortized debt discount from refinancing	(591)	(791)
Unamortized deferred financing costs	(1,331)	(1,781)
Long-term debt, net	$ 23,360	$ 30,328
Total debt, net	$ 40,759	$ 32,054

Debt Refinancing

On December 16, 2020 (the "Closing Date"), the Company and certain of its subsidiaries refinanced and replaced its prior revolving credit facility and term loan facility and entered into (i) the Term Loan Agreement (as defined below), which provided for senior secured term loan facilities in an aggregate principal amount of up to $50.0 million (collectively, the "Term Loan"), consisting of a $35.0 million closing date term loan facility (the "Closing Date Term Loan") and up to $15.0 million of borrowings under a delayed draw facility (the "Delayed Draw Term Loan Facility") with EICF Agent LLC, as agent, and CION Investment Corporation, as a lender and a co-lead arranger, and the other lenders party thereto; and (ii) a senior secured asset-based revolving line of credit of up to $30.0 million (the "Revolving Credit Facility") with PNC Bank, National Association ("PNC"). In connection with the refinancing, the Company repaid the outstanding balance of the prior facilities and all interest in full.

As of December 31, 2022, the Company had $17.4 million outstanding under the Revolving Credit Facility and $25.3 million outstanding under the Term Loan. The Company had $0.2 million of interest added to the Term Loan balance related to the Third Term Loan Amendment (as defined below). Total liquidity (the sum of unrestricted cash and availability under the Revolving Credit Facility) was $3.8 million on December 31, 2022. As of December 31, 2022, the Company was in compliance with all debt covenants, as amended.

The Revolving Credit Facility

On the Closing Date, the Company and certain of its subsidiaries (the "Revolving Loan Borrowers") entered into the Revolving Credit and Security Agreement with PNC, as agent for the lenders, and the lenders party thereto (the "Revolving Credit Agreement"), which provides for the Revolving Credit Facility. As part of the Revolving Credit Facility, the Company may access a letter of credit sublimit in an amount up to $2.0 million, a swing loan sublimit in an aggregate principal amount of up to $3.0 million, and a Canadian dollar sublimit in an aggregate principal amount of up to $5.0 million. The Revolving Credit Agreement matures on December 16, 2025.

As of December 31, 2022, borrowings under the Revolving Credit Facility bore interest, at the Company's election, at either (1) the base commercial lending rate of PNC, as publicly announced, plus 1.25%, payable in cash on a monthly basis, (2) the Term SOFR Rate (as defined in the Revolving Credit Agreement, as amended) based on the secured overnight financing rate ("SOFR"), subject to a minimum SOFR floor of 1.00%, plus 2.25%, payable in cash on the last day of each interest period, or (3) with respect to Canadian dollar loans, the Canadian Dollar Offered Rate ("CDOR"), subject to a minimum CDOR rate of 1.00%, plus 2.25%, payable in cash on a monthly basis. In addition, upon the occurrence of an event of default, and for so long as such event of default continues, default interest equal to 2.00% per year in excess of the rate otherwise applicable will be payable.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Revolving Loan Borrowers' Obligations (as defined in the Revolving Credit Agreement) are guaranteed by certain of the Company's material, wholly owned subsidiaries, subject to customary exceptions (the "Revolving Loan Guarantors" and, together with the Revolving Loan Borrowers, the "Revolving Loan Credit Parties"). The Revolving Loan Credit Parties' obligations are secured by first-priority security interests on substantially all of the Revolving Loan Credit Parties' accounts receivable and a second-priority security interest in substantially all other assets of the Revolving Loan Credit Parties, subject to the terms of the Intercreditor Agreement between PNC and EICF Agent LLC, as the Revolving Loan Agent and the Term Loan Agent, respectively (as each such term is defined in the Intercreditor Agreement), as described below (the "Intercreditor Agreement").

The Revolving Loan Borrowers may from time to time voluntarily prepay outstanding amounts, plus any accrued but unpaid interest on the aggregate amount being prepaid, under the Revolving Credit Facility, in whole or in part. There is no required minimum prepayment amount. If at any time the amount outstanding under the Revolving Credit Agreement exceeds the borrowing base, or any sublimit, in effect at such time, the excess amount will be immediately due and payable. Subject to the Intercreditor Agreement, the Revolving Credit Agreement also requires mandatory prepayment of outstanding amounts in the event the Revolving Loan Borrowers receive proceeds from certain events and activities, including, among others, certain asset sales and casualty events, the issuance of indebtedness and equity interests, and the recovery of any proceeds from certain specified arbitration proceedings.

The Revolving Credit Agreement provides for (1) a closing fee of $0.2 million, which was paid on the Closing Date, (2) a customary unused line fee equal to 0.25% per year on the unused portion of the Revolving Credit Facility, which is payable on a quarterly basis, and (3) a collateral monitoring fee of $2,500, which is payable on a monthly basis. The Revolving Credit Agreement also provides for an early termination fee (the "Early Termination Fee"), payable to the revolving lenders thereunder upon (1) any acceleration of the Obligations and termination of the Revolving Credit Agreement and the obligation of the revolving lenders to make advances thereunder following the occurrence of an Event of Default (as defined in the Revolving Credit Agreement), or (2) any other termination of the Revolving Credit Agreement and the obligation of revolving lenders to make advances thereunder for any reason (the "Early Termination Date"). The Early Termination Fee is calculated as follows: if the Early Termination Date occurred on or prior to the first anniversary of the Closing Date, the Early Termination Fee would have been 2.00% of the Revolving Credit Facility; and if prepayment occurs after the first anniversary of the Closing Date and on or prior to the second anniversary of the Closing Date, the Early Termination Fee will be 1.00% of the Revolving Credit Facility. While any letter of credit is outstanding under the Revolving Credit Facility, the Revolving Loan Borrowers must pay a letter of credit fronting fee at a rate equal to 0.25% per year, payable quarterly, in addition to any other customary fees required by the issuer of the letter of credit.

The Revolving Credit Agreement contains customary representations and warranties, as well as customary affirmative and negative covenants, in each case, with certain exceptions, limitations and qualifications. The Revolving Credit Agreement also requires the Revolving Loan Borrowers to regularly provide certain financial information to the lenders thereunder, maintain a springing minimum fixed charge coverage ratio, and comply with certain limitations on capital expenditures.

Events of default under the Revolving Credit Agreement include, but are not limited to, a breach of certain covenants or any representations or warranties, failure to timely pay any amounts due and owing, the commencement of any bankruptcy or other insolvency proceeding, judgments in excess of certain acceptable amounts, the occurrence of a change in control, certain events related to ERISA matters, impairment of security interests in collateral or invalidity of guarantees or security documents, or a default or event of default under the Term Loan Agreement or the Intercreditor Agreement, in each case, with customary exceptions, limitations, grace periods and qualifications. If an event of default occurs, the revolving lenders may, among other things, declare all Obligations outstanding under the Revolving Credit Facility to be immediately due and payable, together with accrued interest and fees, and exercise remedies under the collateral documents relating to the Revolving Credit Agreement.

On August 3, 2022, the Company entered into an Amendment to the Revolving Credit Agreement (the "Revolving Credit Amendment") that, among other things, (i) amended the calculation of EBITDA (as defined in the Revolving Credit Agreement), effective as of June 30, 2022, to include (or "add back") certain non-recurring losses and expenses relating to projects executed in Jacksonville, Florida, one-time costs and expenses incurred in connection with the Company's transmission and distribution business unit start-up, and costs and expenses arising out of the Company's litigation with a designated former executive and his employer (in each case, subject to certain specified dollar limits), (ii) permitted advances against certain eligible receivables of one of the Company's joint ventures (also subject to specified dollar limits), (iii) included provisions that replaced the London Interbank Offered Rate (LIBOR) interest rate with customary provisions based on SOFR, and (iv) provided for the payment of a $25,000 amendment fee, plus applicable fees and expenses. The $25,000 amendment fee will be expensed as incurred.

On January 9, 2023, the Company entered into the third amendment to the Revolving Credit Agreement (the "Third Revolving Credit Amendment"). The Third Revolving Credit Amendment, among other things, (i) modified the financial covenants to require that the Company achieve certain designated minimum levels of trailing twelve-month EBITDA (as defined in the Revolving Credit Agreement) as of the end of each fiscal month beginning on February 5, 2023, and ending December 31, 2023; (ii) amended the calculation of EBITDA to include (or "add back") certain non-recurring losses and expenses incurred in connection with projects executed by the Company's Jacksonville, Florida office, one-time costs and expenses incurred in connection with the Company's transmission and distribution business segment start-up, non-recurring costs and expenses arising out of the implementation of a new enterprise resource planning ("ERP") system, and non-recurring costs and expenses arising out of pro forma headcount reductions implemented by the Company and certain litigation with a former executive and a competitor of the Company that was settled in the fourth quarter of 2022 (in each case, subject to certain specific dollar limits for certain fiscal quarters commencing in the second fiscal quarter of 2021 and ending December 31, 2022); (iii) provided temporary reserve relief of up to $1.0 million from the date of the Third Revolving Credit Amendment until June 30, 2023; (iv) reduced the Eligible Unbilled Receivables (as defined in the Revolving Credit Agreement) sublimit from $7.5 million to $5.5 million; (v) increased the Applicable Margin (as defined in the Revolving Credit Agreement) by 2%; and (vi) provided for an amendment fee of $0.3 million payable when the loan obligations under the Revolving Credit Agreement are repaid or, if earlier, June 30, 2023, and an exit fee of $0.3 million to be paid upon the occurrence of certain stated events, including a prepayment or maturity of the loan obligations under the Revolving Credit Agreement.

Additionally, on February 21, 2023, the Company entered into the fourth amendment to the Revolving Credit Agreement (the "Fourth Revolving Credit Amendment"). The Fourth Revolving Credit Amendment, among other things, provided for the consent of PNC to the Fourth Term Loan Amendment (as defined below) and incorporated into the Revolving Credit Agreement certain of the conditions and covenants provided for in the Fourth Term Loan Amendment, including the conditions to the Delayed Draw Term Loans (as defined below), the minimum liquidity covenant and the additional reporting obligations.

EICF Agent LLC, as the Term Loan Agent, and PNC, as the Revolving Loan Agent, entered into an Intercreditor Agreement, dated as of the Closing Date, to which the Term Loan Credit Parties (as defined below) and Revolving Loan Credit Parties consented. The Intercreditor Agreement, among other things, specifies the relative lien priorities of the Term Loan Agent and Revolving Loan Agent in the relevant collateral, and contains customary provisions regarding, among other things, the rights of the Term Loan Agent and Revolving Loan Agent to take enforcement actions against the relevant collateral and certain limitations on amending the documentation governing each of the Term Loan and Revolving Credit Facility.

The Term Loan

On the Closing Date, the Company and certain of its subsidiaries (the "Term Loan Borrowers") entered into the Term Loan, Guarantee and Security Agreement with EICF Agent LLC, as agent for the lenders ("EICF"), CION Investment Corporation, as a lender and co-lead arranger, and the other lenders party thereto (the "Term Loan Agreement"), which provides for the Term Loan. The Closing Date Term Loan was fully drawn on the Closing Date, while the Delayed Draw Term Loan Facility was available upon the satisfaction of certain conditions precedent for up to 18 months following the Closing Date and expired in June 2022. The Term Loan Agreement matures on December 16, 2025.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2022, borrowings under the Term Loan Agreement bore interest at SOFR, plus a margin of 8.50% (if the Total Leverage Ratio (as defined in the Term Loan Agreement) is less than 2.50:1) or 9.00% per year (if the Total Leverage Ratio is greater than or equal to 2.50:1), subject to a minimum SOFR floor of 1.00%, payable in cash on a quarterly basis. In addition, upon the occurrence of an event of default, and for so long as such event of default continues, default interest equal to 2.00% per year in excess of the rate otherwise applicable will be payable.

The Term Loan Borrowers' Obligations (as defined in the Term Loan Agreement) are guaranteed by certain of the Company's material, wholly owned subsidiaries, subject to customary exceptions (the "Term Loan Guarantors" and, together with the Term Loan Borrowers, the "Term Loan Credit Parties"). The Term Loan Credit Parties' obligations are secured by first-priority security interests on substantially all of the Term Loan Credit Parties' assets, as well as a second-priority security interest on the Term Loan Credit Parties' accounts receivable and inventory, subject to the Intercreditor Agreement.

Subject to certain conditions, the Term Loan Borrowers may voluntarily prepay the Term Loan on any Payment Date (as defined in the Term Loan Agreement), in whole or in part, in a minimum amount of $1.0 million of the outstanding principal amount, plus a prepayment fee. The prepayment fee was amended effective June 30, 2022, as described below.

Subject to certain exceptions, within 120 days of the end of each calendar year, beginning with the year ended December 31, 2021, the Term Loan Borrowers must prepay the Obligations in an amount equal to (1) (i) if the Total Leverage Ratio is greater than 3:00:1:00, 50.0% of Excess Cash Flow (as defined in the Term Loan Agreement) or (ii) if the Total Leverage Ratio is equal to or less than 3:00:1:00 and greater than 2:00:1:00, 25.0% of Excess Cash Flow, less (2) all voluntary prepayments made on the Term Loan during such calendar year; provided that, so long as no default or event of default has occurred and is continuing or would result therefrom, no such prepayment will be required unless Excess Cash Flow for such calendar year equals or exceeds $0.5 million. The Company was not required to prepay any Obligations for the year ended December 31, 2022. The Term Loan Agreement also requires mandatory prepayment of certain amounts in the event the Term Loan Borrowers receive proceeds from certain events and activities, including, among others, certain asset sales and casualty events, the issuance of indebtedness and equity interests, and the receipt of extraordinary receipts (with certain exclusions), plus, in certain instances, the applicable prepayment fee.

The Term Loan Agreement contains customary representations and warranties, as well as customary affirmative and negative covenants, in each case, with certain exceptions, limitations and qualifications. The Term Loan Agreement also requires the Term Loan Borrowers to regularly provide certain financial information to the lenders thereunder, maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio, and comply with certain limitations on capital expenditures.

Events of default under the Term Loan Agreement include, but are not limited to, a breach of certain covenants or any representations or warranties, failure to timely pay any amounts due and owing, the commencement of any bankruptcy or other insolvency proceeding, judgments in excess of certain acceptable amounts, the occurrence of a change in control, certain events related to ERISA matters, impairment of security interests in collateral or invalidity of guarantees or security documents, or a default or event of default under the Revolving Credit Agreement or the Intercreditor Agreement, in each case, with customary exceptions, limitations, grace periods and qualifications. If an event of default occurs, the Term Loan lenders may, among other things, declare all Obligations to be immediately due and payable, together with accrued interest and fees, and exercise remedies under the collateral documents relating to the Term Loan Agreement.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On August 3, 2022 (the "Signing Date"), effective as of June 30, 2022, the Company entered into an Amendment to the Term Loan Agreement (the "Term Loan Amendment") that, among other things, (i) amended and increased the Total Leverage Ratio (as defined in the Term Loan Agreement) applicable to the Company for certain periods, (ii) amended the calculation of Consolidated EBITDA (as defined in the Term Loan Agreement) to include (or "add back") certain non-recurring losses and expenses relating to projects executed in Jacksonville, Florida, one-time costs and expenses incurred in connection with the Company's transmission and distribution business unit start-up, and costs and expenses arising out of the Company's litigation with a designated former executive and his employer (in each case, subject to certain specified dollar limits), (iii) provided for a fee of 1% of the then-outstanding principal balance due upon maturity of the term loan without duplication of fees paid in connection with the Company's prepayment fee structure, (iv) extended the Company's existing prepayment fee structure to require upon repayment (a) prior to the first anniversary of the Signing Date, a fee of 3% of the principal amount being repaid, (b) on or after the first anniversary of the Signing Date and prior to the second anniversary of the Signing Date, a fee of 2% of the principal amount being repaid, and (c) on or after the second anniversary of the Signing Date, a fee of 1% of the principal amount being repaid, and (v) provided for the payment of a $0.2 million amendment fee, plus applicable fees and expenses. The Company's expense related to the Term Loan Amendment was $0.2 million and will be recognized as interest expense over the remaining term of the modified Term Loan Agreement.

Effective as of August 23, 2022, the Company entered into a Settlement Agreement, which resolved a pending arbitration proceeding related to the restatement of the Company's financial statements in 2017 for the 2012 to 2014 period. The Company received net proceeds of $8.1 million (after payment of attorney's fees and third-party funding costs) and used these net proceeds to prepay a substantial amount of the Term Loan. The $8.1 million net proceeds, coupled with $0.3 million scheduled principal payments, reduced the Term Loan by a total of $8.4 million to $25.1 million as of September 30, 2022 (including both the noncurrent and current portion of the Term Loan).

On December 30, 2022, the Company entered into a second amendment to the Term Loan Agreement, pursuant to which, among other things, the lenders agreed to defer payment of the principal, and part of the interest, due on January 1, 2023 to January 9, 2023.

On January 9, 2023, the Company entered into a third amendment to the Term Loan Agreement (the "Third Term Loan Amendment") that, among other things, (i) modified the financial covenants to require that the Company achieve certain designated minimum levels of trailing twelve-month EBITDA (as defined in the Term Loan Agreement) as of the end of each fiscal month beginning on February 5, 2023, and ending December 31, 2023; (ii) amended the calculation of EBITDA to include (or "add back") certain non-recurring losses and expenses incurred in connection with certain projects executed by the Company's Jacksonville, Florida office, one-time costs and expenses incurred in connection with the Company's transmission and distribution business segment start-up, non-recurring costs and expenses arising out of the implementation by the Company of a ERP system, and non-recurring costs and expenses arising out of pro forma headcount reductions implemented by the Company and certain litigation with a former executive and a competitor of the Company that was settled in the fourth quarter of 2022 (in each case, subject to certain specific dollar limits for certain fiscal quarters commencing in the second fiscal quarter of 2021 and ending December 31, 2022); (iii) adjusted the applicable interest rate to SOFR (as defined in the Term Loan Agreement) plus 11%; (iv) for each quarterly interest payment commencing January 1, 2023 through and including January 1, 2024, capped the amount of quarterly interest payable in cash at 10% per annum, with the remainder being payable in kind; (v) deferred amortization payments from the January 1, 2023 quarterly payment date until and including the January 1, 2024 quarterly payment date; (vi) increased the excess cash flow sweep from 50% to 75% for the fiscal year ending December 31, 2023 and each fiscal year thereafter; (vii) required certain additional reporting obligations, including the delivery of weekly updates of a 13-week cash flow forecast and hosting additional periodic conference calls with management and named advisors; (viii) increased, from the pre-existing levels, the permitted total leverage of the Company for the four quarter periods ended December 31, 2022 through March 31, 2024; and (ix) provided for an amendment fee equal to 1% of the principal loan balance under the Term Loan Agreement, payable in kind.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On February 24, 2023, the Company entered into a fourth amendment to the Term Loan Agreement (the "Fourth Term Loan Amendment"). The Fourth Term Loan Amendment provided for delayed draw term loans in an aggregate principal amount of $1.5 million, which were funded at the time the Fourth Term Loan Amendment was signed, and discretionary delayed draw term loans in an aggregate principal amount of $3.5 million, which will be funded at the lenders' discretion (together, the "Delayed Draw Term Loans"), subject to the conditions set forth in the Term Loan Agreement, as amended by the Fourth Term Loan Amendment. In addition to interest being payable on the same basis as existing borrowings under the Term Loan Agreement, on the earlier to occur of the maturity date or the termination date of the Term Loan Agreement or any acceleration of the obligations under the Term Loan Agreement, additional interest equal to 50% of the aggregate amount of the Delayed Draw Term Loans borrowed will be payable. The Fourth Term Loan Amendment also includes a minimum liquidity covenant. The Delayed Draw Term Loans are conditioned upon, amount other things, the Company using commercially reasonable best efforts to actively receive net cash proceeds from issuances of subordinated debt or equity of at least $0.5 million on terms acceptable to EICF and the lenders under the Term Loan Agreement, continuing its publicly announced review of strategic alternatives and, subject to the exercise by the Board of Directors of the Company of its fiduciary obligations, using commercially reasonable best efforts to conduct such review in accordance with a customary indicative timeline. The Fourth Term Loan Amendment also imposed certain additional reporting obligations on the Company, including the weekly delivery of a 13-week cash flow forecast.

On February 21, 2023, the Company received a $1.0 million advance pursuant to the then-existing terms of the Term Loan Agreement and, on February 24, 2023, the Company received $1.5 million principal amount related to the delayed draw term loans allowed from the Fourth Term Loan Amendment. In addition to interest being payable on the same basis as existing borrowing under the Term Loan Agreement, on the earlier to occur of the maturity date or the termination date of the Term Loan Agreement or any acceleration of the obligations under the Term Loan Agreement, additional interest equal to $0.5 million will be payable in respect of this $1.0 million advance.

The scheduled maturities of the Term Loan were as follows as of December 31, 2023:

December 31,	**(in thousands)**
2023	$ —
2024	1,312
2025	23,970
Total	$ 25,282

The Company's borrowing rate under the Term Loan on December 31, 2022 was 11.0% plus SOFR.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Wynnefield Notes

The Wynnefield Notes consist of (i) an Unsecured Promissory Note by and among the Company, as borrower, certain of its subsidiaries, as guarantors under a separate Guaranty Agreement, and Wynnefield Partners Small Cap Value, LP I in the aggregate principal amount of $400,000 and (ii) an Unsecured Promissory Note by and among the Company, as borrower, certain of its subsidiaries, as guarantors under a separate Guaranty Agreement, and Wynnefield Partners Small Cap Value, LP (together with Wynnefield Partners Small Cap Value, LP I, the "Wynnefield Lenders") in the aggregate principal amount of $350,000. All principal and interest will be due on the maturity date of the Wynnefield Notes, which will be the earliest of (i) December 23, 2025; (ii) a change in control of the Company; (iii) a refinancing or maturity extension of either of the Term Loan Agreement or the Revolving Credit Agreement; or (iv) an acceleration following the occurrence of an event of default (as defined in the Wynnefield Notes, and which includes any default under the Term Loan Agreement or the Revolving Credit Agreement). The Wynnefield Notes bear interest at the fixed rate of (i) 8.0% per annum from the closing date; (ii) 13.0% per annum from and after the maturity date; and (iii) 13.0% per annum from and after an event of default (as defined in the Wynnefield Notes, and which includes any default under the Term Loan Agreement or the Revolving Credit Agreement). The Wynnefield Notes are subject to an aggregate exit fee of $100,000, payable upon the earlier of an event of default or payment in full of all obligations due under the Wynnefield Notes. In connection with the Wynnefield Notes, the Company, certain of its subsidiaries, the Wynnefield Lenders and the agents under each of the Revolving Credit Agreement and the Term Loan Agreement have entered into two Subordination and Intercreditor Agreements, pursuant to which the Wynnefield Lenders have agreed, on the terms and subject to the conditions set forth therein, to subordinate the Wynnefield Notes to the obligations of the Company under the Revolving Credit Agreement and the Term Loan Agreement.

The Wynnefield Lenders, together with their affiliates, are the Company's largest equity investor. Nelson Obus, a member of the Company's Board of Directors, is a managing member of Wynnefield Capital Management, LLC, the general partner of the Wynnefield Lenders.

Letters of Credit and Bonds

In line with industry practice, the Company is often required to provide letters of credit and payment and performance surety bonds to customers. These letters of credit and bonds provide credit support and security for the customer if the Company fails to perform its obligations under the applicable contract with such customer.

The Revolving Credit Facility provides for a letter of credit sublimit in an amount up to $2.0 million. The Company had $0.5 million of letters of credit outstanding under the Revolving Credit Facility letter of credit sublimit and $0.4 million cash collateralized standby letters of credit outstanding pursuant to its prior revolving credit facility with Wells Fargo Bank, National Association as of December 31, 2022. There were no amounts drawn upon these letters of credit as of December 31, 2022.

In addition, as of December 31, 2022 and December 31, 2021, the Company had outstanding payment and performance surety bonds of $59.2 million and $67.6 million, respectively.

Deferred Financing Costs and Debt Discount:

Deferred financing costs are amortized over the terms of the related debt facilities using the straight-line method. The following table summarizes the amortization of deferred financing costs related to the Company's debt facilities and recognized in interest expense on the consolidated statements of operations:

	December 31,	
(in thousands)	**2022**	**2021**
Term loan	$ 450	$ 450
Debt discount	200	200
Revolving credit facility	381	381
Total	$ 1,031	$ 1,031

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes unamortized deferred financing costs included on the Company's consolidated balance sheets:

(in thousands)	Location	December 31, 2022	December 31, 2021
Term Loan	Long-term debt, net	$ 1,331	$ 1,781
Debt discount	Long-term debt, net	591	791
Revolving Credit Facility	Other long-term assets	1,128	1,509
Total		$ 3,050	$ 4,081

NOTE 12—EARNINGS PER SHARE

Basic earnings (loss) per common share are calculated by dividing net income (loss) by the weighted average common shares outstanding during the period. Diluted earnings (loss) per common share are based on the weighted average common shares outstanding during the period, adjusted for the potential dilutive effect of common shares that would be issued upon the vesting and release of restricted stock awards and units.

Basic and diluted income (loss) per common share from continuing operations were calculated as follows:

(in thousands, except share data)	Year Ended December 31, 2022	Year Ended December 31, 2021
Income (loss) from continuing operations	$ (14,173)	$ 2,702
Basic income (loss) per common share:		
Weighted average common shares outstanding	26,032,960	25,506,748
Basic income (loss) per common share	$ (0.54)	$ 0.11
Diluted income (loss) per common share:		
Weighted average common shares outstanding	26,032,960	25,506,748
Diluted effect:		
Unvested portion of restricted stock units and awards	—	630,896
Weighted average diluted common shares outstanding	26,032,960	26,137,644
Diluted income (loss) per common share	$ (0.54)	$ 0.10

As of December 31, 2022, the Company's 26,543,391 shares outstanding included 321,142 shares of contingently issued but unvested restricted stock. As of December 31, 2021, the Company's 25,939,621 shares outstanding included 215,956 shares of contingently issued but unvested restricted stock. Restricted stock is excluded from the calculation of basic weighted average shares outstanding, but its impact, if dilutive, is included in the calculation of diluted weighted average shares outstanding.

The weighted-average number of shares outstanding used in the computation of basic and diluted earnings per share does not include the effect of the following potential outstanding common stock. The effects of the potentially outstanding service-based restricted stock and restricted stock unit awards were not included in the calculation of diluted earnings per common share because the effect would have been anti-dilutive. The effects of the potentially outstanding performance- and market-based restricted stock unit awards were not included in the calculation of diluted earnings per common share because the performance and/or market conditions had not been satisfied as of December 31, 2022 and 2021.

	Year Ended December 31, 2022	Year Ended December 31, 2021
Unvested service-based restricted stock and restricted stock unit awards	535,051	—
Unvested performance- and market-based restricted stock unit awards	643,784	765,857

NOTE 13—STOCK-BASED COMPENSATION

Description of the Plans

The Company has one equity incentive plan: the 2015 Equity Incentive Plan, as amended and restated on March 15, 2022 (the "2015 Plan"). The 2015 Plan allows for the issuance of up to 4,500,000 shares of stock to the Company's employees and directors in the form of a variety of instruments, including stock options, restricted stock, restricted share units, stock appreciation rights and other share-based awards. The Company provides the option to repurchase the number of shares required to satisfy tax withholding obligations in connection with the vesting of restricted stock unit awards issued to employees participating in the 2015 Plan. The 2015 Plan also allows for cash-based awards. Generally, all participants who voluntarily terminate their employment with the Company forfeit 100% of all unvested equity awards. Persons who are terminated without cause, or in some cases leave for good reason, are generally entitled to proportionate vesting. The vesting of proportionate time-based shares is accelerated, and such shares distributed upon such individuals' termination date. Proportionate market-based and performance-based restricted shares remain categorized as unvested pending final conclusion on the achievement of the related awards. As of December 31, 2022, the Company had approximately 1,841,944 shares available under the 2015 Plan to settle previously granted awards.

During 2022, the Company granted 1,391,679 restricted shares and restricted stock units under the 2015 Plan. Total stock-based compensation expense during the years ended December 31, 2022 and 2021 was $1.7 million and $3.0 million, respectively, with no related excess tax benefit recognized, and was included in general and administrative expenses on the Company's consolidated statements of operations. As of December 31, 2022, total unrecognized compensation expense related to all unvested restricted stock and restricted stock unit awards for which terms and conditions are known totaled $2.1 million, which is expected to be recognized over a weighted average period of 1.9 years. The fair value of shares that vested during 2022 and 2021 based on the stock price at the applicable vesting date was $1.5 million and $2.3 million, respectively. The weighted average grant date fair value of the Company's restricted shares and restricted stock units was $1.95 and $3.27 for the years ended December 31, 2022 and 2021, respectively.

Service-Based Restricted Stock and Unit Awards: During 2022, the Company granted 658,484 service-based restricted shares and restricted stock units under the 2015 Plan. The grants included: 366,590 service-based restricted stock units to certain employees at a grant date fair value of $1.99 per share on March 31, 2022 and 291,894 service-based restricted share awards to its six non-employee directors at a grant date fair value of $1.85 per share on February 3, 2022. The service-based restricted stock unit grants vest ratably over a three-year period beginning on March 31, 2023, and the restricted shares vest after a one-year service period on February 3, 2023 for the six non-employee directors. The fair value of service-based restricted stock unit and restricted share grants represents the closing price of the Company's common stock on the date of grant. The Company accrued $1.3 million of stock-compensation expense recorded in general and administrative expenses on the income statement and paid-in capital on the balance sheet.

Information for service-based restricted stock and restricted stock units as of December 31, 2022 was as follows:

	Shares	Weighted-Average Grant Date Fair Value per Share
Unvested restricted stock and restricted stock units on December 31, 2021	885,800	$ 1.37
Granted	658,484	1.92
Vested	(463,502)	2.57
Forfeited	(102,321)	2.42
Unvested restricted stock and restricted stock units on December 31, 2022	978,461	$ 2.22

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Performance-based awards: During 2022, the Company established its 2022 long-term incentive program and granted 733,195 performance-based restricted stock units under the 2015 Plan. At the Company's discretion, these performance-based restricted stock units can be settled in cash or shares. The performance-based restricted stock units under the 2022 long-term incentive program had three annual performance periods (fiscal years 2022, 2023 and 2024), with operating income and free cash flow goals (equally weighted) for each year established on the date of grant. The annual achievement levels are accumulated over the three-year performance period. The three-year average payout level for each performance objective replaces the actual payout level for any fiscal year where the actual payout is less than the three-year average. Payout for each year ranges from 50% for threshold performance, 100% for target performance and up to 200% for maximum performance. The earned amounts, if any, vest on March 31, 2025. The Company reassesses the likelihood of meeting the specified performance objective at the end of each reporting period and adjusts compensation expense, as necessary, based on the likelihood of achieving the performance objectives. The Company's performance-based liability grant did not satisfy the performance objective and was forfeited. The Company accrued $0.1 million of stock-compensation expense recorded in general and administrative expenses on the income statement and paid-in capital on the balance sheet.

Information for performance-based restricted stock units (excluding those accounted for as liability awards because the award was based on a cash amount and not based on an amount of restricted share units) as of December 31, 2022 was as follows:

	Shares	Weighted-Average Grant Date Fair Value per Share
Unvested restricted stock and restricted stock units on December 31, 2021	547,133	$ 3.68
Granted	733,195	1.98
Forfeited	(636,545)	3.46
Unvested restricted stock and restricted stock units on December 31, 2022	643,783	$ 2.03

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Market-based awards: The Company previously granted market-based restricted share units in (i) 2016 under the 2015 Plan that would have vested in August 5, 2021 if the Company would have achieved a per share stock price of $5.50, (ii) 2017 under the 2015 Plan that would have vested in March 31, 2021 if the company would have achieved a per share stock price of $6.00, and (iii) 2018 outside the 2015 Plan that would have vested in June 30, 2021 if the Company would have achieved a per share stock price of $5.00. The Compensation Committee extended the performance period for each of these market-based restricted share unit grants to December 31, 2022 and this extension will permit current employees to vest in an outstanding award if (i) he or she remains employed until that date, and (ii) the applicable stock price goal has been achieved on or before the date. The 2016 market-based restricted grant was modified to provide seven employees a grant of 137,000 restricted shares under the 2015 Plan, the 2017 market-based restricted grant was modified to provide eleven employees a grant of 51,096 restricted shares under the 2015 Plan and the 2018 market-based restricted grant was modified to provide twenty employees a grant of 261,463 restricted shares outside the 2015 Plan. The 2016 and 2017 market-based restricted grants did not satisfy the market objective under the modification and were forfeited. The market based restricted share units granted in 2018 satisfied the market objective under the modification and the eleven participants that remained employed on December 31, 2022 vested in 185,265 shares granted. Nine participants forfeited 76,198 shares because they were no longer employed by the Company on December 31, 2022.

The market based restricted share unit modifications were expensed at the incremental accounting expense over a service period for twenty-one months ending on December 31, 2022. The Company accrued $0.3 million of stock-compensation expense recorded in paid-in capital on the consolidated balance sheet and general and administrative expenses on the consolidated income statement.

Information for market-based restricted stock units as of December 31, 2022 was as follows:

	Shares	Weighted-Average Grant Date Fair Value per Share
Unvested restricted stock units on December 31, 2021	369,525	$ 1.73
Vested	(185,265)	1.82
Forfeited	(184,260)	1.63
Unvested restricted stock units on December 31, 2022	—	$ —

NOTE 14—EMPLOYEE BENEFIT PLANS

Defined Contribution Plan: The Company maintains a 401(k) plan covering substantially all its U.S. employees. The expense for the Company's 401(k) plan for both years ended December 31, 2022 and 2021 was $0.9 million.

Multiemployer Pension Plans: During 2022, the Company contributed to approximately 79 multiemployer pension plans throughout the U.S. and, historically, it has contributed to over 200 union sponsored multiemployer pension plans throughout the U.S. under the terms of collective-bargaining agreements that cover the Company's union-represented employees. The risks of participating in these multiemployer pension plans are different from single-employer pension plans primarily in the following aspects:

1. Assets contributed to the multiemployer pension plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the multiemployer pension plan, the unfunded obligations of the multiemployer pension plan may be borne by the remaining participating employers.
3. If the Company chooses to stop participating in some of its multiemployer pension plans, it may be required to pay those plans an amount based on the underfunded status of the multiemployer pension plan, referred to as a withdrawal liability.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's participation in these multiemployer pension plans during the year ended December 31, 2022 is outlined in the following table. All information in the table is as of December 31, 2022, unless otherwise stated. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available during 2022 and 2021 is for the respective plan's fiscal year-end as of 2022 and 2021, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the green zone are at least 80 percent funded. If a plan is critical and declining, the plan sponsor may file an application with the Secretary of the Treasury requesting a temporary or permanent reduction of benefits to keep the plan from running out of money. If a fund is in critical status, adjustable benefits may be reduced and no lump sum distributions in excess of $5,000 can be made. Plans that are in critical and endangered status are required to adopt a plan aimed at restoring the financial health of the benefit plan. The "Rehab Plan Status Pending/Implemented" column indicates plans for which a financial improvement plan or a rehabilitation plan is either pending or has been implemented. The next to last column lists the expiration date of the collective-bargaining agreement to which the plans are subject.

Table of Contents

Certain plans have been aggregated in the "All Others" line in the following table, as the contributions to each of these individual plans are not material. Only with respect to multiemployer pension plans, we considered contributions in excess of $0.1 million in any period disclosed to be individually significant.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2022	Pension Protection Act Zone Status 2021	Rehab Plan status Pending/ Implemented	($ in thousands) Contributions by the Company 2022	($ in thousands) Contributions by the Company 2021	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement	Notes
Boilermaker-Blacksmith National Pension Trust	48-6168020 001	Green	Endangered	Funding Improve	2,194	4,263	No (8)	Annual Agreements - Automatic Renewal	3,4,6,9
IBEW Local 1579 Pension Plan	58-1254974 001	Green	Green		1,337	1,239	No (8)	Agreement through end of Job	2, 3, 6, 9, 10
National Asbestos Workers Pension Plan	52-6038497 001	Critical	Critical	Rehab Plan 2019	1,091	1,258	No (7)	Annual Agreements-Automatic Renewal	2, 3, 9, 10
Excavators Union Local 731 Pension Fund	13-1809825 002	Green	Green		786	523	No (8)	Annual Agreements-Automatic Renewal	6
National Electrical Benefits Fund	53-0181657 001	Green	Green		456	578	No (8)	Multiple Agreements	10
Central Pension Fund of the IUOE and Participating Employers	36-6052390 001	Green	Green		380	366	No (8)	Multiple Agreements	3, 11
Tri-State Carpenters & Joiners Pension Trust Fund	62-0976048 001	Endangered	Endangered	Funding Improve	376	512	No (8)	Annual Agreements-Automatic Renewal	2, 3, 5, 10
Laborers National Pension Fund	75-1280827 001	Critical	Critical	Rehab Plan	372	417	No (7)	Multiple Agreements	1, 2, 3, 5, 9, 10
New Jersey Building Laborers Statewide Pension Fund	22-6077693 001	Critical	Critical	Rehab Plan	356	1,340	No (7)	Annual Agreements-Automatic Renewal	3
Southern Ironworkers Pension Plan	59-6227091 001	Green	Green		355	270	No (8)	Agreement through end of Job	2, 3, 4, 5, 9, 10
United Association National Pension Fund	52-6152779 001	Green	Endangered	Funding Improve	341	315	No (7)	Multiple Agreements	9
Connecticut laborers Pension Plan	06-6044348 001	Green	Green		228	37	No (8)	CBA (Expires 03/31/23)	2, 3, 4, 5, 9, 10
Iron Workers District Council of Tennessee Valley & Vicinity Pension Plan	62-6098036 001	Green	Green		225	316	No (8)	Annual Agreements-Automatic Renewal	9, 11
IUPAT Industry Pension Plan	52-6073909 001	Critical	Seriously Endangered	Rehab Plan	184	184	No (8)	Multiple Agreements	3, 11
Iron Workers Local No. 402 Pension Trust	59-6227518 001	Critical	Critical	Rehab Plan	124	47	No (8)	Annual Agreements-Automatic Renewal	10, 11
IUOE Local 478 Pension Fund	06-0733831 001	Green	Green		108	29	No (8)	CBA (Expires 03/31/23)	3
Pavers and Road Builders District Council Pension Fund	13-1990171 074	Green	Green		104	62	No (8)	Annual Agreements-Automatic Renewal	4, 11
Central States, Southeast, and Southwest Pension Fund	36-6044243 001	Critical & Declining	Critical & Declining	Rehab Plan	104	103	No (8)	Multiple Agreements	4, 11
All Others					1,437	3,983			
Total					10,558	15,842			

(1) Defined Benefit Plans for Unions employed through the GPPMA agreement for St. Lucie and Turkey Point.
(2) Defined Benefit Plans for Unions employed through the Southern Company Power Maintenance & Modification Agreement. The Southern Company SCMMA expires 07/31/2026 and renews each year unless terminated. The individual Union CBA range from 1 to 3 years in duration.
(3) Defined Benefit Plans for Unions employed through the TVA PMMA and Other Agreements. The TVA Labor Agreements are annual agreements that automatically renew each year.
(4) Defined Benefit Plans for Unions employed through the GPPMA agreement for Columbia Generating Station. The GPPMA Agreements are annual agreements that automatically renew each year.
(5) Regional and National Defined Benefit Funds for multiple unions employed under different labor agreements.
(6) Defined Benefit Plan for Union employed at Con Ed sites.
(7) No Surcharge required if proper Rehabilitation Plan adopted in labor agreement.
(8) No Surcharge required if Plan is not in Critical or Critical & Declining Status.
(9) Defined Benefit Plans for Unions employed through the GPPMA agreement for San Onofre, Oyster Creek, Pilgrim, LaSalle, Byron, Quad Cities, Peach Bottom, Limerick, Ginna, Point Beach, Waterford III, Salem/Hope Creek and DC Cook Nuclear Plants (Holtec). Also work under Decommissioning Agreement at Oyster Creek and Pilgrim (CDI).
(10) Defined Benefit Plans for Unions employed through the Nuclear Power Construction Agreement. The Nuclear Power Construction Agreement is for new work at Vogtle and runs through the duration of the project.
(11) The status of this plan had not been issued as of the date of filing this Form 10-K. A plan in green status with a calendar year has the option to issue its Annual Funding Notice in March or April of the subsequent year.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Employees covered by multiemployer pension plans are hired for project-based building and construction purposes. The Company’s participation level in these plans varies as a result.

The Company believes that its responsibility for potential withdrawal liabilities associated with participating in multiemployer plans is limited because the building and construction trades exemption should apply to the substantial majority of the Company’s plan contributions. However, pursuant to the Pension Protection Act of 2006 and other applicable laws, the Company is also exposed to other potential liabilities associated with plans that are underfunded. As of December 31, 2022, the Company had been notified that certain pension plans were in critical funding status. Currently, certain plans are developing, or have developed, a rehabilitation plan that may call for a reduction in participant benefits or an increase in future employer contributions. Therefore, in the future, the Company could be responsible for potential surcharges, excise taxes and/or additional contributions related to these plans. Additionally, market conditions and the number of participating employers remaining in each plan may result in a reorganization, insolvency or mass withdrawal that could materially affect the funded status of multiemployer plans and the Company’s potential withdrawal liability, if applicable. The Company continues to actively monitor, assess, and take steps to limit its potential exposure to any surcharges, excise taxes, additional contributions and/or withdrawal liabilities. However, the Company cannot, at this time, estimate the full amount, or even the range, of this potential exposure.

NOTE 15—COMMITMENTS AND CONTINGENCIES

Litigation and Claims: The Company is from time-to-time party to various lawsuits, claims and other proceedings that arise in the ordinary course of its business. With respect to all such lawsuits, claims and proceedings, the Company records a reserve when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe that the resolution of any currently pending lawsuits, claims and proceedings, either individually or in the aggregate, will have a material adverse effect on its financial position, results of operations or liquidity. However, the outcomes of any currently pending lawsuits, claims and proceedings cannot be predicted, and therefore, there can be no assurance that this will be the case.

The Company completed a bankruptcy filing of its Koontz-Wagner subsidiary on July 11, 2018. This could require the Company to incur legal fees and other expenses related to liabilities from this bankruptcy filing. While the Company does not anticipate these liabilities will have a material adverse effect on its results of operations, cash flows and financial position, and although the statute of limitations has run on certain claims that the Chapter 7 Trustee for the Koontz-Wagner estate might assert, there can be no assurance of the outcome. The filing was for Koontz-Wagner only, not for the Company as a whole, and was completely separate and distinct from the Williams business and operations. For additional information, please refer to “Note 5—Changes in Business” to the consolidated financial statements.

The acquiror of certain assets from a former operating unit of the Company has been named as a defendant in an asbestos personal injury lawsuit and has submitted a claim for indemnification and tendered defense of the matter to the Company. The Company has assumed defense of the matter subject to a reservation of rights and objection to the claim for indemnification. Neither the Company nor its predecessors ever mined, manufactured, produced or distributed asbestos fiber, the material that allegedly caused the injury underlying this action. The Company does not expect that this claim will have a material adverse effect on its financial position, results of operations or liquidity. Moreover, during 2012, the Company secured insurance coverage that will help to reimburse the defense costs and potential indemnity obligations of its former operating unit relating to these claims. The Company intends to vigorously defend all currently active actions, and it does not anticipate that this action will have a material adverse effect on its financial position, results of operations or liquidity. However, the outcomes of any legal action cannot be predicted and, therefore, there can be no assurance that this will be the case.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Insurance: The Company maintains insurance coverage for most insurable aspects of its business and operations. The Company's insurance programs, including, but not limited to, health, general liability, and workers' compensation, have varying coverage limits depending upon the type of insurance. For the year ended December 31, 2022 and 2021, insurance expense, including insurance premiums related to the excess claim coverage and claims incurred for continuing operations, was $6.4 million and $5.2 million, respectively.

The Company's consolidated balance sheets include amounts representing its probable estimated liability related to insurance-related claims that are known and have been asserted against the Company, and for insurance-related claims that are believed to have been incurred but had not yet been reported as of December 31, 2022 and 2021. As of both December 31, 2022 and 2021, the Company provided $0.9 million in letters of credit and provided cash collateral of $1.5 million as security for possible workers' compensation claims.

Executive Severance: On December 31, 2022, the Company had outstanding severance arrangements with senior executives. The Company's maximum commitment under all such arrangements, which would apply if the employees covered by these arrangements were each terminated without cause, was $6.4 million on December 31, 2022.

NOTE 16—MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The Company has certain customers that represented more than 10 percent of its consolidated accounts receivable. The balance for these customers as a percentage of the consolidated accounts receivable was as follows:

Customer	December 31, 2022	December 31, 2021
Southern Nuclear Operating Company	42%	16%
Con Edison	12%	*
Tennessee Valley Authority	*	18%
Bruce Power	*	17%
Comprehensive Decommissioning International	*	10%
All others	46%	39%
Total	100%	100%

*Less than 10%

The Company has certain customers that represented more than 10 percent of consolidated revenue. The revenue for these customers as a percentage of the consolidated revenue was as follows:

Customer	Year Ended December 31, 2022	Year Ended December 31, 2021
Southern Nuclear Operating Company	23%	16%
GUBMK	14%	11%
Tennessee Valley Authority	10%	11%
Richmond County Constructors, LLC ("RCC")	10%	*
Bruce Power	*	12%
Comprehensive Decommissioning International	*	10%
All others	43%	40%
Total	100%	100%

*Less than 10%

NOTE 17—OTHER SUPPLEMENTAL INFORMATION

Other current assets consisted of the following:

(in thousands)	December 31, 2022	December 31, 2021
Unamortized commercial insurance premiums	$ 2,611	$ 2,389
Security deposits - real estate	1,978	1,978
Prepaid expenses	1,511	1,136
Sales tax receivable - Canada	6	4,866
Other current assets	152	680
Total	$ 6,258	$ 11,049

Other long-term assets consisted of the following:

(in thousands)	December 31, 2022	December 31, 2021
Right-of-use lease assets	$ 4,223	$ 1,527
Equity method investment in RCC	1,868	2,521
Unamortized Debt Issuance Cost	1,128	1,509
Unamortized software subscriptions	757	—
Other long-term assets	299	155
Total	$ 8,275	$ 5,712

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other current liabilities consisted of the following:

(in thousands)	December 31, 2022	December 31, 2021
Accrued job cost	$ 2,136	$ 2,433
Short-term lease liability	1,603	1,606
Cloud computing software liability	692	–
Stock Compensation	493	938
Legal fees	145	113
Sales tax payable - Canada	–	5,135
Other current liabilities	641	792
Total	$ 5,710	$ 11,017

Other long-term liabilities consisted of the following:

(in thousands)	December 31, 2022	December 31, 2021
Long-term lease liability	$ 3,010	$ 511
Liability for uncertain tax positions (with interest and penalty)	1,115	1,136
Other long-term liabilities	800	–
Total	$ 4,925	$ 1,647

Disaggregated long-lived assets by the geographic area were as follows:

(in thousands)	December 31, 2022	December 31, 2021
United States	$ 56,170	$ 52,669
Canada	134	86
Total	$ 56,304	$ 52,755

NOTE 18—SUBSEQUENT EVENTS

In the first quarter of 2023, the Company entered into the following engagement and amendments, each of which is described below:

- the third and fourth amendment to the Revolving Credit Facility;
- the third and fourth amendment to the Term Loan;
- the Wynnefield Notes, which are two unsecured promissory notes in favor of the Wynnefield Lenders.

On January 9, 2023, the Company entered into the Third Revolving Credit Amendment to the Revolving Credit Agreement. The Third Revolving Credit Amendment, among other things, (i) modified the financial covenants to require that the Company achieve certain designated minimum levels of trailing twelve-month EBITDA (as defined in the Revolving Credit Agreement) as of the end of each fiscal month beginning on February 5, 2023, and ending December 31, 2023; (ii) amended the calculation of EBITDA to include (or "add back") certain non-recurring losses and expenses incurred in connection with projects executed by the Company's Jacksonville, Florida office, one-time costs and expenses incurred in connection with the Company's transmission and distribution business segment start-up, non-recurring costs and expenses arising out of the implementation of a ERP system, and non-recurring costs and expenses arising out of pro forma headcount reductions implemented by the Company and certain litigation with a former executive and a competitor of the Company that was settled in the fourth quarter of 2022 (in each case, subject to certain specific dollar limits for certain fiscal quarters commencing in the second fiscal quarter of 2021 and ending December 31, 2022); (iii) provided temporary reserve relief of up to $1.0 million from the date of the Third Revolving Credit Amendment until June 30, 2023; (iv) reduced the Eligible Unbilled Receivables (as defined in the Revolving Credit Agreement) sublimit from $7.5 million to $5.5 million; (v) increased the Applicable Margin (as defined in the Revolving Credit Agreement) by 2%; and (vi) provided for an amendment fee of $0.3 million payable when the loan obligations under the Revolving Credit Agreement are repaid or, if earlier, June 30, 2023, and an exit fee of $0.3 million to be paid upon the occurrence of certain stated events, including a prepayment or maturity of the loan obligations under the Revolving Credit Agreement.

Additionally, on February 21, 2023, the Company entered into the Fourth Revolving Credit Amendment. The Fourth Revolving Credit Amendment, among other things, provided for the consent of PNC to the Fourth Term Loan Amendment and incorporated into the Revolving Credit Agreement, certain of the conditions and covenants provided for in the Fourth Term Loan Amendment, including the conditions to the Delayed Draw Term Loans, the minimum liquidity covenant and the additional reporting obligations.

On January 9, 2023, the Company entered into a Third Term Loan Amendment that, among other things, (i) modified the financial covenants to require that the Company achieve certain designated minimum levels of trailing twelve-month EBITDA (as defined in the Term Loan Agreement) as of the end of each fiscal month beginning on February 5, 2023, and ending December 31, 2023; (ii) amended the calculation of EBITDA to include (or "add back") certain non-recurring losses and expenses incurred in connection with certain projects executed by the Company's Jacksonville, Florida office, one-time costs and expenses incurred in connection with the Company's transmission and distribution business segment start-up, non-recurring costs and expenses arising out of the implementation by the Company of a ERP system, and non-recurring costs and expenses arising out of pro forma headcount reductions implemented by the Company and certain litigation with a former executive and a competitor of the Company that was settled in the fourth quarter of 2022 (in each case, subject to certain specific dollar limits for certain fiscal quarters commencing in the second fiscal quarter of 2021 and ending December 31, 2022); (iii) adjusted the applicable interest rate to SOFR (as defined in the Term Loan Agreement) plus 11%; (iv) for each quarterly interest payment commencing January 1, 2023 through and including January 1, 2024, capped the amount of quarterly interest payable in cash at 10% per annum, with the remainder being payable in kind; (v) deferred amortization payments from the January 1, 2023 quarterly payment date until and including the January 1, 2024 quarterly payment date; (vi) increased the excess cash flow sweep from 50% to 75% for the fiscal year ending December 31, 2023 and each fiscal year thereafter; (vii) required certain additional reporting obligations, including the delivery of weekly updates of a 13-week cash flow forecast and hosting additional periodic conference calls with management and named advisors; (viii) increased, from the pre-existing levels, the permitted total leverage of the Company for the four quarter periods ended December 31, 2022 through March 31, 2024; and (ix) provided for an amendment fee equal to 1% of the principal loan balance under the Term Loan Agreement, payable in kind.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On February 24, 2023, the Company entered into the Fourth Term Loan Amendment. The Fourth Term Loan Amendment provided for delayed draw term loans in an aggregate principal amount of $1.5 million, which were funded at the time the Fourth Term Loan Amendment was signed, and discretionary delayed draw term loans in an aggregate principal amount of $3.5 million, which will be funded at the lenders' discretion (together, the "Delayed Draw Term Loans"), subject to the conditions set forth in the Term Loan Agreement, as amended by the Fourth Term Loan Amendment. In addition to interest being payable on the same basis as existing borrowings under the Term Loan Agreement, on the earlier to occur of the maturity date or the termination date of the Term Loan Agreement or any acceleration of the obligations under the Term Loan Agreement, additional interest equal to 50% of the aggregate amount of the Delayed Draw Term Loans borrowed will be payable. The Fourth Term Loan Amendment also includes a minimum liquidity covenant. The Delayed Draw Term Loans are conditioned upon, amount other things, the Company using commercially reasonable best efforts to actively receive net cash proceeds from issuances of subordinated debt or equity of at least $0.5 million on terms acceptable to EICF and the lenders under the Term Loan Agreement, continuing its publicly announced review of strategic alternatives and, subject to the exercise by the Board of Directors of the Company of its fiduciary obligations, using commercially reasonable best efforts to conduct such review in accordance with a customary indicative timeline. The Fourth Term Loan Amendment also imposed certain additional reporting obligations on the Company, including the weekly delivery of a 13-week cash flow forecast.

On February 21, 2023, the Company received a $1.0 million advance pursuant to the then-existing terms of the Term Loan Agreement and, on February 24, 2023, the Company received $1.5 million principal amount related to the delayed draw term loans allowed from the Fourth Term Loan Amendment. In addition to interest being payable on the same basis as existing borrowing under the Term Loan Agreement, on the earlier to occur of the maturity date or the termination date of the Term Loan Agreement or any acceleration of the obligations under the Term Loan Agreement, additional interest equal to $0.5 million will be payable in respect of this $1.0 million advance.

The Wynnefield Notes consist of (i) an Unsecured Promissory Note by and among the Company, as borrower, certain of its subsidiaries, as guarantors under a separate Guaranty Agreement, and Wynnefield Partners Small Cap Value, LP I in the aggregate principal amount of $400,000 and (ii) an Unsecured Promissory Note by and among the Company, as borrower, certain of its subsidiaries, as guarantors under a separate Guaranty Agreement, and Wynnefield Partners Small Cap Value, LP in the aggregate principal amount of $350,000. All principal and interest will be due on the maturity date of the Wynnefield Notes, which will be the earliest of (i) December 23, 2025; (ii) a change in control of the Company; (iii) a refinancing or maturity extension of either of the Term Loan Agreement or the Revolving Credit Agreement; or (iv) an acceleration following the occurrence of an event of default (as defined in the Wynnefield Notes, and which includes any default under the Term Loan Agreement or the Revolving Credit Agreement). The Wynnefield Notes bear interest at the fixed rate of (i) 8.0% per annum from the closing date; (ii) 13.0% per annum from and after the maturity date; and (iii) 13.0% per annum from and after an event of default (as defined in the Wynnefield Notes, and which includes any default under the Term Loan Agreement or the Revolving Credit Agreement). The Wynnefield Notes are subject to an aggregate exit fee of $100,000, payable upon the earlier of an event of default or payment in full of all obligations due under the Wynnefield Notes. In connection with the Wynnefield Notes, the Company, certain of its subsidiaries, the Wynnefield Lenders and the agents under each of the Revolving Credit Agreement and the Term Loan Agreement have entered into two Subordination and Intercreditor Agreements, pursuant to which the Wynnefield Lenders have agreed, on the terms and subject to the conditions set forth therein, to subordinate the Wynnefield Notes to the obligations of the Company under the Revolving Credit Agreement and the Term Loan Agreement.

The Wynnefield Lenders, together with their affiliates, are the Company's largest equity investor. Nelson Obus, a member of the Company's Board of Directors, is a managing member of Wynnefield Capital Management, LLC, the general partner of the Wynnefield Lenders.

As future advances of Delayed Draw Term Loans are discretionary on the part of our Term Loan lenders, it is possible that the Term Loan lenders may require enhanced rights or additional fees or interest before funding future advances. In certain circumstances, we may require the consent of PNC before we can agree to such terms. Such a consent from PNC, and any proposed amendments to our intercreditor agreement that might be associated with such a consent, may involve the payment of further fees and expenses by the Company to PNC and any amendments to our intercreditor agreement may require negotiations between our Term Loan lenders, PNC and the Company. A failure to procure any necessary consents or a failure to successfully negotiate such amendments to our intercreditor agreement could result in future Delayed Draw Term Loans not being available to the Company, which could have a material adverse effect on our liquidity position and our operations. The Company anticipates that enhanced rights or additional fees or interest in relation to the funding of future advances of Delayed Draw Term Loans will be forthcoming and that consent fees and related amendments to the Company's intercreditor agreement may be requested or required by our lenders and may be agreed to by the Company in order to secure necessary funding.